



**JUNE 2003**

**Requirements Specification and  
Consultation Document for Modification  
Proposals P122 'Assessment of Credit  
Cover during holiday periods' and P123  
'Assessment of Credit Cover following a  
change in a Party's portfolio'**

**Prepared by the Settlement Standing Modification Group**

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## I DOCUMENT CONTROL

### a Authorities

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0.1	08/05/03	J Ellis	Peer Review Design Authority SSMG	Initial Draft
1.0	14/05/03	J Ellis	BSC Agents	Updated with initial review comments and issued impact assessment by BSC Agents
1.1	30/05/03	J Ellis	SSMG	Updated with information to enable consultation and with impact assessment responses from BSCCo, Transmission Co. and BSC Agents
1.2	02/06/03	J Ellis	Change Delivery	Final Peer review
2.0	03/06/03	J Ellis	BSC Parties / Interested industry members	Issued for impact assessment by BSC Parties and industry consultation.

### b Distribution

Name	Organisation
Each BSC Party	Various
Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
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### c References

Ref.	Title	Owner	Issue date	Version
1	Modification Proposal P122		26/03/03	1.0
2	Modification Proposal P123		26/03/03	1.0
3	P122 Initial Written Assessment (P122IR)	ELEXON	04/04/03	1.0
4	P123 Initial Written Assessment (P123IR)	ELEXON	04/04/03	1.0
5	The operational impact on the Credit Default processes following the introduction of the Modification Proposal P2 – Revision of the methodology for assessing credit indebtedness ISG/21/228	ELEXON	21/10/02	1.0

Copies of these documents can be found on the BSC Website at [www.elexon.co.uk](http://www.elexon.co.uk).

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## 1 INTRODUCTION

### 1.1 Scope

The purpose of this document is to identify the requirements for implementation of Modification Proposal P122 'Assessment of Credit Cover during holiday periods' (P122) and Modification Proposal P123 'Assessment of Credit Cover following a change in a Party's portfolio' (P123) and seek the views of industry members on the proposed solution. It is intended that this document be used as a basis for responding to the consultation and to the high level impact assessment.

This document sets out the interpretation of P122 and P123 and the issues considered by the Settlement Standing Modification Group (SSMG) during the Assessment Procedure. It should be noted that P122 and P123 are seeking to address similar issues however they are being considered as two separate Modification Proposal and should be assessed separately. This document also details the different implementation methods possible and seeks to identify the cost and impacts for the different methods for each of P122 and P123. These costs and timescales, in conjunction with the consultation responses, will enable the SSMG to agree on the implementation method and reach a recommendation on whether P122 and / or P123 better facilitate achievement of the Applicable BSC Objectives.

#### 1.1.1 Impact Assessment Responses

The initial high level impact assessment (version 1 of this document) was used to identify all BSC Agent, BSCCo costs and timescales associated with the changes for P122 and P123. It was also used to identify the impact on documentation, systems and processes and the timescale needed by the Transmission Company to implement the changes required for P122 and P123. The responses received are included in section 5, for information.

This version of the document (version 2.0) will be used by Parties and Core Industry Document owners to identify the impact on documentation, systems and processes and the timescales needed to implement the changes required for P122 and P123. The requirements that have been identified by the SSMG are included in section 3.

**BSC Parties are asked to provide a response to the impact assessment by 17:00 on Monday 16 June 2003.**

#### 1.1.2 Consultation Responses

This document also includes details of the discussions held by the SSMG whilst considering P122 and P123 and the views of the SSMG on these issues. These details should be used by interested industry participants to provide a response to the consultation questions for P122 and P123 in Annex 2.

**Interested industry participants are asked to provide responses to the consultation questions provided in Annex 2 by 17:00 on Monday 16 June 2003.**

### 1.2 Structure of Document

The document is structured as follows:

- Section 1 gives the background to P122 and P123 and the current rules for Demand Capacity, Credit Assessment Load Factor and application of material doubt;
- Section 2 provides an overview of the implementation methods discussed by the SSMG for the Proposed Modifications and gives details of the issues raised during Modification Group Meetings;
- Section 3 provides the detailed requirements for BSC Agents, BSC Parties, the Transmission Company, BSCCo and the Panel;

- Section 4 details the responses required to this impact assessment; and
- Section 5 gives copies of the impact assessments received from the impact assessment of version 1.0 of this document;

### **1.3 Background**

BizzEnergy submitted both P122 and P123 on 26 March 2003 (reference 1 and 2). The Initial Written Assessments (IWAs), reference 3 and 4, were submitted to the Panel at their meeting on 10 April 2002. The Panel agreed to submit both P122 and P123 to a 3-month Assessment Procedure to be carried out in parallel by the SSMG. The Panel recognised that although P122 and P123 seek to address similar issues they should still be assessed as separate Modification Proposals. The Assessment Reports will be presented to the Panel meeting on 10 July 2003.

#### **1.3.1 Rationale for raising the Modification Proposals**

At the first SSMG meeting the Proposer gave a short presentation on the background for raising P122 and P123, and explained that over the Christmas holiday period last year, Industrial and Commercial Suppliers saw a drop in demand of about 70% which was not reflected in the credit calculations. This resulted in the need for significant cash deposits for Credit Cover purposes as specified by the Code, of thirteen times greater than normal.

There is also a similar effect when there is a material reduction in the portfolio of a Party outside of a BSC Season, as the indebtedness calculation uses pre-portfolio change volumes to calculate indebtedness and leads to an increase in the credit cover requirements.

The Proposer believes both problems are caused by the current rules and not by the trading practices of a particular BSC Party. In the case of one Supplier, they had a "long" position and therefore the Supplier was owed money under the Code, rather than owing money as the current Credit Cover calculations suggested.

P122 seeks to make the Credit Cover arrangements more reflective of real world indebtedness values over holiday periods and P123 seeks to cover the situation where changes in portfolio happen independent of the BSC Season boundaries, giving rise to Credit Cover issues.

The Proposer suggests that for both Modification Proposals the problem is caused by the Energy Indebtedness (EI) calculation, which is based on Credit Assessment Energy Indebtedness (CEI) and Actual Energy Indebtedness (AEI). The issues associated with the calculation are as follows:

- The CEI part of the calculation can be materially unreflective if the Demand Capacity (DC) and / or Credit Assessment Load Factor (CALF) values used are not representative of the Settlement Day for which they are being used;
- The AEI part of the calculation has a significant effect for SVA BM Units as it is based on the GSP Group take of an 'equivalent day' i.e. a Settlement Day approx. 35 days in the past. The Proposer suggested that this could be remedied by changing the "equivalent day" that is used or recalculating the GSP Group Share based on BM Unit Credit Assessment Import Capability (BMCAIC) as currently the calculation does not compare like with like on holidays or days when a portfolio change has taken place.

The Proposer also believed that P122 and P123 would only affect a few BSC Parties and that it is expected that the new processes will only be triggered occasionally.

The Proposer also explained that both P122 and P123 were seeking to change the material doubt provisions that BSCCo has for preventing authorisation of Level 1 Credit Default. Currently the Code only allows BSCCo to look at material doubt once the Energy Contract Volume Aggregation Agent (ECVAA) has issued a Level 1 Credit Default notice to BSCCo and to the Trading Party. The notice is not published on the BSC Website until authorisation has been given by BSCCo and the defined timescales have elapsed. P122 and P123 seek to

allow BSCCo to pre-empt material doubt and enable the Level 1 Credit Default notices to be suspended or quickly cancelled.

### **1.3.2 Current Rules for DC, CALF and material doubt**

An overview of the current rules for DC, CALF and material doubt is given below so that it can be used for comparison during impact assessment of P122 and P123.

#### **1.3.2.1 Credit Assessment Load Factor**

Currently the Code states that CALF is set "from time to time" by BSCCo, in practice this has been implemented as "prior to each BSC Season". The values are calculated by BSCCo in accordance with guidelines set by the Panel, and is not calculated by the Party. The Party may raise an appeal within 2 months of a change to the CALF Guidelines or CALF value. The Panel, or ISG<sup>1</sup>, hears any appeals that are raised.

#### **1.3.2.2 Demand Capacity**

Currently the BSC Party sets the DC for a BM Unit, 10 Working Days prior to the start of each BSC Season. BSC Parties are obliged to change their DC mid-season if the maximum expected DC increases by 0.5MW or by 1%. The Panel may also request that the Party re-estimate the value of the DC of a BM Unit. This process has been used in the past to allow a decrease to the DC of a BM Unit, but only in the case where the DC has not already been met during that BSC Season and where it can be shown that the DC is no longer appropriate.

#### **1.3.2.3 Material Doubt**

BSCCo may have material doubt over whether a BSC Party should be placed into Level 1 Credit Default if any of the following conditions are met:

- ECVAAs has not received Interim Information (II) Settlement Run data from the Settlement Administration Agent (SAA);
- there are problems with the ECVAAs system that leads to the calculation for AEI or CEI being incorrect ;
- if there is evidence to believe that there will be a significant difference between the data used from the II Run and that in the Initial Settlement Run (SF). For example:
  - estimated data from an equivalent day is unrepresentative e.g. in the case of a Bank Holiday the equivalent day (the most recent Settlement Day, which is the same day of the week, for which SF data is available) will not be representative as it is not a Bank Holiday; or
  - changes to portfolio between the last SF Run and the current II Run make estimations unrepresentative.

The Imbalance Settlement Group (ISG) have also agreed a set of guidelines that BSCCo should use when determining if there is material doubt. These guidelines are set out in ISG/21/228 (reference 5).

## **1.4 Glossary of Terms**

The terms detailed below are used in this document. Other acronyms and defined terms take the meanings defined in Section X of the Code.

<b>Acronym</b>	<b>Definition</b>
HOL-CALF	Holiday CALF (Credit Assessment Load Factor)
SSMG	Settlement Standing Modification Group

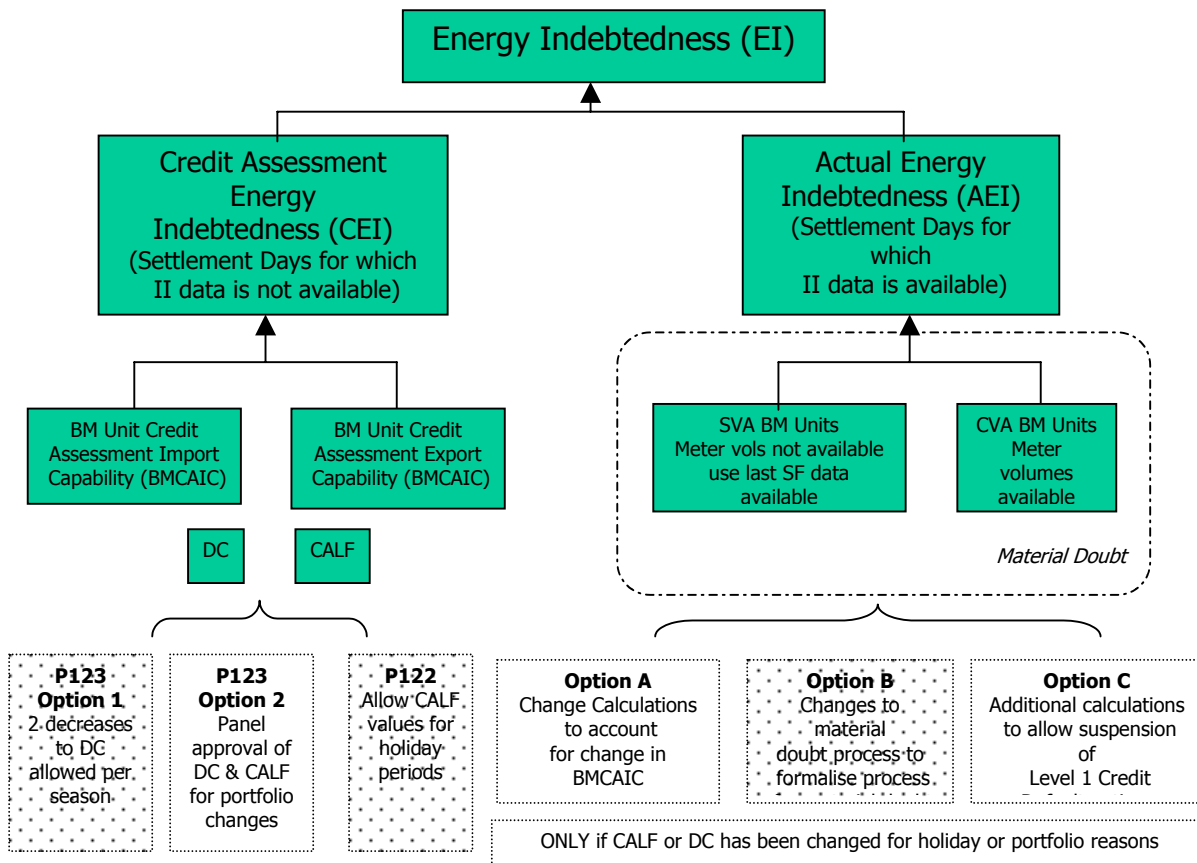
<sup>1</sup> Currently the Panel have delegated authority to ISG for hearing CALF appeals.

SVA	Supplier Volume Allocation
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## 2 THE PROPOSED MODIFICATIONS P122 AND P123

P122 and P123 are seeking to address similar defects however the requirements and issues have been separated into those related only to P122, those related only to P123 and those that could be applied to either P122 or P123. These requirements are detailed in this section along with the implementation solutions preferred by the SSMG.

The following diagram indicates how the different solutions identified interact with the credit calculations.



During the Assessment Procedure the SSMG discussed all of these options and with the aid of the impact assessment responses, reached a view on which were the preferred implementation solutions. Sections 2.1.1 and 2.1.2 detail the chosen solutions and the rationale for the choice and sections 2.2 to 2.4 give details of all the options discussed during the Assessment Procedure.

At their meeting of 27 May 2003 the SSMG agreed that there was not an Alternative Modification to either P122 or P123 and that the previously suggested potential alternative should not be considered further.

### 2.1.1 P122 Preferred Implementation Solution

The SSMG agreed that the preferred implementation solution for P122 is that the Panel will set the Annual Holiday Periods on an annual basis and that Parties will be allowed to request that a CALF value be calculated for use over the holiday periods for SVA BM Units.

The majority of the SSMG agreed that the most appropriate changes to the process for BSCCo to have material doubt over entry into Credit Default would be the process detailed in option B, the formalisation of the material doubt process. The rationale for this is because it is a flexible method of allowing BSCCo to determine if material doubt is applicable by using the most appropriate method of reaching a determination and will allow BSCCo to consider all the pertinent circumstances of each case individually. The SSMG also noted that a guideline document would be developed and published to aid BSCCo in reaching a determination and also to give BSC Parties more confidence in understanding how BSCCo will proceed in situations where material doubt can be determined. This will provide increase assurance to Parties that material doubt will be called where circumstances detailed in the guideline are met.

The Proposer's appointed representative on the SSMG did not agree with the majority of the SSMG and expressed the view that the preferred solution should be to change the BSC Systems to reflect the changes to the calculations as detailed in option A. Part of the rationale for this was that it would provide Parties with the certainty that the holiday period or the portfolio change is being taken into account in the whole of the indebtedness calculation and therefore may prevent entry into credit default. It was also believed that implementation of options B or C would not significantly reduce the timescales for BSCCo to reach a decision on if there was material doubt in the energy indebtedness calculation. This could mean that a Party who does enter Credit Default may see no additional time benefit from the implementation of P122 and P123 as the proportion of the query period used to reach a material doubt determination may not have been reduced.

### **2.1.2 P123 Preferred Implementation Solution**

The SSMG agreed that the preferred implementation solution for P123 is to allow up to two decreases in the DC of an SVA BM Unit per season, without the need for Panel approval. The majority of the SSMG also agreed that Parties should not be allowed request a change to the CALF value of the BM Unit outside of the current timescales. The rationale for choosing this solution was that it provided the most pragmatic solution to the defect identified in the Modification Proposal and that it was consistent with the present arrangements for an increase in DC within season, which does not require an associated change in CALF. The SSMG also noted that CALF is an historic value and therefore it should not be changed during the season for reasons of portfolio change.

The Proposer's appointed member of the SSMG did not agree with this and preferred allowing Parties to change the value of CALF at any time, for reasons of portfolio change as he believed that by not doing so would encourage Parties to submit incorrect DC values to compensate for an incorrect CALF value ie as  $BM\ Unit\ Credit\ Assessment\ Import\ Capability\ (BMCAIC) = DC * CALF$ , Parties may overcompensate the DC value in order to achieve the requisite BMCAIC value if they are not also able to change the CALF value.

The majority of the SSMG also agreed that the same method of determining material doubt should be used as described in P122 above, option B, again noting the Proposer's representative's disagreement for the reasons set out above.

## **2.2 Proposed Modification P122**

In summary P122 seeks to allow:

- Suppliers to have holiday CALF (HOL-CALF) values for SVA BM Units; and
- BSCCo to pre-empt material doubt and suspend, or quickly cancel, level 1 Credit Default notices for those BM Units with a HOL-CALF value.

The Modification Proposal suggests that this could be achieved using the following method, this method was discussed by the SSMG during Modification Group meetings:

- the Panel agree annual and one off holiday periods;



- allow Suppliers to specify HOL-CALF values for each holiday period for SVA BM Units. The SSMG discussed this and agreed that as CALF is calculated by BSCCo it would not be appropriate for Parties to calculate their own, but that they should be allowed to appeal a value calculated by BSCCo;
- BSCCo to apply HOL-CALF values, i.e. submit the values to the CRA for use in the BSC Systems;
- BSCCo to use an alternative credit checking process for BM Units with a HOL-CALF, as specified in section 2.4. This would be triggered by the use of a HOL-CALF value and the submission of evidence by the BSC Party and achieved by:
  - use of alternative measures to determine Actual Energy Indebtedness (AEI);
  - disregarding ECVA Credit Cover Percentage (CCP);
  - recalculation of CCP using alternative method;
  - application of material doubt provisions to suspend, or quickly cancel, any level 1 Credit Default Notices based on the alternative CCP calculation, for Parties using a HOL-CALF value.

The SSMG discussed how P122 could be implemented and the details for the processes associated with HOL-CALF values are given below. The SSMG also discussed the proposed changes to the material doubt and Level 1 Credit Default process and agreed that these should be the same as for P123. The three options discussed are included as a separate section (section 2.4) which is relevant for both P122 and P123. The SSMG also discussed a potential alternative to P122 and this is detailed in section 2.5.

## **2.2.1 Holiday CALF Values**

The SSMG agreed that the implementation of P122 could be broken down into several different requirements. A general overview of the requirements is given below and these have also been described in more detail for specific parties in section 3.

### **2.2.1.1 Determination of Holiday Periods**

The SSMG agreed that the Panel will, prior to the start of the BSC Year, initially determine 2 years worth of annual holiday periods and then a further years worth of holidays each year after that. These holiday periods will be the same for all SVA BM Units. The SSMG also agreed that the holiday periods should initially consist of two periods, the Christmas New Year period and the Easter Period. However this can be changed or added to, by the Panel when determining the holiday periods.

In terms of implementation the SSMG agreed that BSCCo will issue a consultation prior to the start of the BSC Year detailing the suggested holiday periods for the next BSC Year that requires a holiday period to be defined. The results of this will then be presented to the Panel in order to determine what the annual holiday periods will be. An example of how this will work should P123 be implemented during the BSC Year 2003 – 2004, would be that the holidays for the 2003- 2004 and 2004 – 2005 will be published prior to implementation. Then prior to the start of the next BSC Year (2004 – 2005) the holidays for 2005-2006 will be published.

The SSMG discussed what the holiday periods should be and if, for example, the period should cover the whole period from Christmas to New Year or if it should be limited to public holidays. The SSMG agreed that the holiday period should encompass the whole period where it was expected that the load would be different. They suggested that the Easter Period could be a nine day period, from the Thursday before Easter to the Friday after Easter. The SSMG also discussed the Christmas – New Year period but did not reach a conclusion. The SSMG agreed that it was not necessary at this stage to define the exact holiday periods and that a consultation would be held during implementation of P122, aimed at finalising the holiday periods, should it be approved. The diagram below shows possible periods for the Christmas – New Year period depending on which days the Bank Holidays fall.

Friday	22	21	20	19		
Saturday	23	22	21	20	19	
Sunday	24	23	22	21	20	19
Monday	25	24	23	22	21	20 19
Tuesday	26	25	24	23	22	21 20
Wednesday	27	26	25	24	23	22 21
Thursday	28	27	26	25	24	23 22
Friday	29	28	27	26	25	24 23
Saturday	30	29	28	27	26	25 24
Sunday	31	30	29	28	27	26 25
Monday	1	31	30	29	28	27 26
Tuesday	2	1	31	30	29	28 27
Wednesday	3	2	1	31	30	29 28
Thursday	4	3	2	1	31	30 29
Friday	5	4	3	2	1	31 30
Saturday		5	4	3	2	1 31
Sunday			5	4	3	2 1
Monday				5	4	3 2
Tuesday					5	4 3

**Key**

Weekend

Bank Holiday

Potential Holiday Period

**2.2.1.2 Additional Holiday Periods**

The SSMG discussed the additional holiday periods that could potentially arise, as described in the Modification Proposal. These were thought to be:

- Periods where individual SVA generating plant or large SVA demand sites were going to be on an outage;
- Periods where there was a GSP Group specific or “customer type specific” holiday, e.g. school holidays or “Wakes weeks”; and
- Periods where there was a general strike.

The SSMG agreed that none of these additional holiday periods should be considered under P122 as credit is a national issue and not limited to a specific GSP Group or customer type. Therefore the SSMG believed that introducing this type of holiday period could increase the complexity of the appeals process, with little associated benefit.

The also agreed that a period such as a general strike did not fall within the scope of the defect identified in the Modification Proposal as it would apply to all BM Units and not just SVA BM Units. Therefore the SSMG agreed that periods such as this should not be considered under P122.

**2.2.1.3 Calculation of Holiday CALF**

The SSMG agreed that the process for requesting HOL-CALF values would be as shown in the diagram in Annex A1.2. They also agreed that HOL-CALF values would be calculated for each holiday period.

Prior to the start of the BSC Season containing a holiday period, BSCCo will issue a circular to BSC Parties, reminding them of the need to submit a request for calculation of a HOL-CALF value for any SVA BM Units for which a value is required.

Any BSC Party wishing to take advantage of a HOL-CALF value for an SVA BM Unit will notify BSCCo prior to the calculation of the seasonal CALF values that they wish to take advantage of this facility for named SVA BM Units. Parties will not be allowed to request the calculation of a HOL-CALF value at any other time.

Upon receipt of a request BSCCo will calculate HOL-CALF values for those BM Units that requested a HOL-CALF value, following the same timescales and process as for seasonal CALF values. The HOL-CALF values will not necessarily be the same for all annual holiday periods and will be calculated in accordance with the CALF Guidelines. It should be noted that for any BM Unit with a HOL-CALF value the seasonal CALF value will also be recalculated and will exclude data from the holiday period.

**2.2.1.4 Issuing of HOL-CALF Values**

BSCCo will notify the CRA of the CALF values for a BSC Season using the current process and timescales, and at the same time will include the HOL-CALF values for those SVA BM Units for which a HOL-CALF was requested, if a holiday period falls in that BSC Season.

The CALF values will issued prior to the start of the BSC Season and following the determination if an appeal is made. The values will be assigned as follows:

BM Unit ID	Credit Assessment Load Factor (CALF)	Effective From Date*	Effective To Date
SVA BMU-1	Seasonal CALF Value	Season Start date	(Holiday Start date) – 1
SVA BMU-2	Seasonal CALF Value	Season Start date	(Holiday Start date) – 1
etc .....			
SVA BMU-1	Holiday CALF Value	(Holiday Start date)	(Holiday End date)
SVA BMU-2	Holiday CALF Value	(Holiday Start date)	(Holiday End date)
etc.....			
SVA BMU-1	Seasonal CALF Value	(Holiday End date) + 1	Season End date
SVA BMU-2	Seasonal CALF Value	(Holiday End date) + 1	Season End date

As is the current practice, separate reports will be sent by BSCCo to the CRA for each set of dates for the SVA BM Units that have requested a HOL-CALF value be calculated.

For the purposes of this impact assessment it has been assumed that 100 BM Units will request HOL-CALF values, twice a year. This is based on 4 BSC Parties<sup>2</sup> requesting HOL-CALF for both holiday periods and all those BSC Parties appeal their calculated CALF and HOL-CALF values.

**2.2.1.5 HOL-CALF Appeals**

The same rules for appealing CALF values will apply to HOL-CALF values, see section 1.3.2.1 for current rules.

**2.3 Proposed Modification P123**

In summary P123 seeks to allow:

- Suppliers to submit revised DC and / or appeal CALF values for SVA BM Units, due to portfolio change; and
- BSCCo to pre-empt material doubt and suspend, or quickly cancel, level 1 Credit Default notices for those BM Units with a holiday CALF value.

The Modification Proposal suggests that this could be achieved using the following method:

- allow Suppliers to decrease DC during a BSC Season for reasons of portfolio change;
- allow Suppliers to appeal CALF values at any time, for SVA BM Units for reasons of portfolio change;
- BSCCo to use an alternative credit checking process for BM Units with a CALF or DC changed for reasons of portfolio change, as specified in section 2.4. This would be achieved by:
  - use of alternative measures to determine Actual Energy Indebtedness (AEI);
  - disregarding ECVAAs Credit Cover Percentage (CCP);
  - recalculation of CCP using alternative method;
  - application of material doubt provisions to suspend, or quickly cancel, any level 1 Credit Default Notices based on the alternative CCP calculation, for Parties using a CALF or DC value changed for reasons of portfolio change.

<sup>2</sup> Currently on average 4 BSC Parties appeal CALF values for SVA BM Units.

### **2.3.1 Change to DC / CALF for reasons of portfolio change**

The SSMG noted that the current process for increasing the magnitude of DC mid-season does not require any authorisation, the Party submits a request to the CRA and the CRA changes the DC value as defined in BSCP15 'BM Unit Registration'. The SSMG agreed that if Parties were allowed to decrease their DC without any form of authorisation or limit to the number of times that it could happen, Parties could potentially decrease the DC on a daily basis as demand drops across a BSC Season and that this would lead to a significant increase in the cost of administering the process. Therefore the SSMG agreed that this was not appropriate and that if Parties were to be allowed to decrease their DC when they felt it to be necessary, a limit should be placed on the number of times per season that it could be carried out.

The SSMG agreed that there were two options for implementing the changes to DC and CALF for reasons of portfolio change. These options are:

1. Allow DC and CALF to be changed mid-season but only with the approval of the Panel and only for reasons of portfolio change;
2. Allow a limited number of mid-season changes to decrease DC, using the current procedure with some additional validation to ensure that the limit is not exceeded, but do not allow mid-season changes to CALF other than inside the current timescales as described in section 1.3.2.1;

The SSMG agreed after considering the impact assessment responses that the preferred method would be option 2. The rationale for this view was that it is the most pragmatic solution to the problem and that it was consistent with the present arrangements for an increase in DC within season, which does not require an associated change in CALF. They also discussed if Parties should be allowed to appeal CALF values at any time in the season for reasons of portfolio change and the majority agreed that this was not necessary as due to the long timescales involved in CALF appeals the current timescales were thought to be sufficient and practical.

#### **2.3.1.1 Option 1: Formal approval of DC and CALF changes**

The SSMG agreed that in order to limit the risk faced by BSC Parties and to limit the circumstances in which the DC can be decreased for SVA BM Units, the method should include formal approval by the Panel.

The SSMG agreed that the process will be as show in the diagram in annex A1.3 namely, the Party will submit an appeal to reduce DC, and/or if appropriate a CALF appeal, to the Panel (or Panel subcommittee, as the Panel has currently delegated the authority for approving CALF appeals to ISG) for approval. The reasons for this must only be for reasons of portfolio change and must be supported with evidence of a change in portfolio. If the appeal is successfully upheld the values will be submitted by BSCCo to the CRA for use in the BSC Systems.

The SSMG noted that one disadvantage of this method is that it could take 5 weeks for the Panel to make a determination on a request, if paper day for the next meeting is missed and the appeal is then sent to the next meeting.

The impact assessment should indicate if there is any difference in the implementation method, cost and timescale required if this process were open to all BM Units and not just SVA BM Units.

#### **2.3.1.2 Option 2: Decreases to DC without approval and mid season CALF changes**

The SSMG agreed that in order to limit the risk faced by BSC Parties and to limit the potential increase in the volume of amendments to be processed by the CRA, Parties would only be able to have two mid-season decreases to DC per season per SVA BM Unit. If any more than two are received the CRA should reject them, this will require amendment to the CRA validation rules. The suggested process for changing DC mid-season is given in annex A1.4.

The obligation, currently in the Code, to increase the magnitude of DC if the Party is aware that the maximum expected metered volume of a BM Unit increases by 1% or 0.5MW, remains and will not be changed.

The SSMG agreed that the process for appealing CALF values will not be changed. They initially discussed the possibility of Parties being allowed to submit an appeal, for reasons of portfolio change, at any time, and not only within 2 months of a change in the CALF value/guidelines. However the SSMG agreed that this was not necessary and should not be allowed.

The SSMG agreed that the disadvantage of this method was that if there was no validation on the DC there may be less incentive for Parties to put in a "correct" DC and therefore they may use it to compensate for a CALF which will still require formal approval for a change. However in doing this they would be in breach of the Code and that this would be an incentive to declare DC values correctly.

The BSC Agent impact assessment response indicated that the current process used by the Central Registration Agent is to get approval from BSCCo before changing any DC value mid season.

There are two potential approaches for validating that there are only two DC changes per SVA BM Unit per season, these are:

1. BSCCo retains a register of the DC changes and authorises only two decreases in DC magnitude per SVA BM Unit per season. This is consistent with the current informal process used by BSCCo and CRA where all DC changes are submitted to BSCCo for validation and authorisation before a change is made; or
2. CRA implements additional validation to ensure that only two decreases in DC magnitude per SVA BM Unit per Season.

The impact assessment should indicate if there is any difference in the implementation method, cost and timescale required if this process was limited to SVA BM Units.

## **2.4 P122 and P123 Changes to Level 1 Credit Default / material doubt process**

The SSMG initially agreed that there were three solutions to solving the defect in the Credit Default process identified in P122 and P123. These solutions are:

- A) Change the Energy Indebtedness calculations to include the use of the current or latest BMCAIC in determination of SVA GSP Group shares to be used in the II Run;
- B) Use the existing process for material doubt but enhance the current guidelines to include more formal guidelines on the type of calculations that BSCCo should be using for verifying material doubt, for example in the case of portfolio change and over holiday periods; and
- C) Include in the Code, an additional process that BSCCo has to use to be able to determine that the Level 1 Credit Default notice be suspended based on an "alternative calculation of EI", or quickly cancelled, for change of portfolio and holiday periods, including definition of the alternative calculation within the Code;

All three options were considered by BSC Agents, BSCCo and the Transmission Company in their impact assessment of P122 and P123. The SSMG discussed the impact assessment responses and agreed that the most pragmatic solution would be option B as it does not constrain BSCCo when reaching a decision on material doubt and will also make it clearer to Parties on the type of issues that are considered when reaching a decision on material doubt. The SSMG agreed that by introducing a guideline for BSCCo to follow when considering material doubt would allow fine tuning, or application to specific circumstances, of the calculations to be carried out unlike under option C where they would be added to the Code.

The majority of the SSMG agreed that option C was not practical as it would introduce calculations into the Code that may not necessarily be the most accurate calculations to use and may need some fine tuning. Option C would also constrain BSCCo and would add an additional process into the credit checking process. This would constrain BSCCo when dealing with credit default notices especially when relating to Parties who have submitted a change to DC or CALF for reasons of portfolio change or over a holiday period.

The Proposer's appointed representative on the SSMG believed that option A was the most appropriate implementation option because it would change the calculations for all SVA BM Units, not only when requested, and would also provide parties with more certainty about their credit cover over holiday periods and when a portfolio change had taken place.

The Proposer's appointed representative also believed that this option would provide a reasonable timescale for calculation of AEI, as it would be carried out as part of the settlement process, therefore giving the affected Party as much time as possible to raise any additional credit cover should it be necessary. The other members of the SSMG did not agree with this as they believed that the cost of implementing the solution was not justified as they believed that there would only be a limited number of Parties who would request that either option B or option C be triggered and therefore the cost of option A was not warranted.

### **2.4.1 Option A – Change the Energy Indebtedness calculation**

This option involves a change to the calculations carried out by the SAA when determining the data to be provided to the ECVAA for use in the Energy Indebtedness calculation and would therefore affect all SVA BM Units. The process would be a change to the settlement process and ECVAA procedures and not carried out in parallel to them, as for options B and C.

Currently when the II run has taken place in SAA, a credit / debit report, containing cashflows for all Parties is sent to ECVAA. This is used to calculate credited energy volumes using the Credit Assessment Price, which then feeds into the Indebtedness Calculation to give AEI. This AEI value is then used in the Energy Indebtedness calculation for the days that it is available and the CEI value (i.e. BMCAIC which is based on  $CALF * DC$ ) is used for all other Settlement Days.

In SAA, volumes for SVA BM Units are not received until the SF run. Approved Modification Proposal P2 implemented estimation of these supplier volumes at II by using the volumes from a previous equivalent day where SF data is available, and scaling those values against the GSP Group Takes for the current day and the equivalent day.

Currently the estimation used to calculate AEI does not reflect significant changes in an SVA BM Unit's consumption as the equivalent days do not reflect the holiday or portfolio change. For example, where a major portfolio change has effect from settlement day d, the volume estimated for d is currently based on an equivalent day d' which may be 3 or 4 weeks earlier. Furthermore, subsequent days are similarly afflicted until either real data is received, or until d' is a day for which real data has been received which reflects the change in portfolio.

Under this option the AEI calculations carried out will be changed to take account of the modified CALF and / or DC values to include an additional weighting for SVA BM units where the Import capability (BMCAIC) has changed. This will change the AEI calculation to "correct" the estimated II data by simply adjusting the metered volumes to reflect the change in GSP Group share resulting from portfolio or holiday change to the Import Capability. The calculation process would be as follows and would be the same for both P122 and P123:

1. Determine the estimation date d' as at present;
2. SAA will calculate the Import Capability for each BM Unit for both d and d' in the same way as ECVAA.

3. For each individual BM Unit, find the factor which scales the Import or Export Capability<sup>3</sup> on d' to the Import or Export Capability on d;
4. Adjust the volume on d' by the factor determined in step 3. This adjustment accounts for any change in capability between the two dates, e.g. no change gives the same volume and halving the import capability halves the volume.
5. Sum the adjusted volumes from step 4. This value (g') effectively replaces the GSP group take for d' in the current calculations;
6. Calculate the scaling factor as: GSP group take for d / g' (from step 5).
7. Multiply each of adjusted volumes obtained in step 4 by the factor obtained in step 6 to give the estimated volume for each BM Unit for day d.

The following illustrates this with a simple example:

GSP Group Take (d') = -150  
 GSP Group Take (d) = -100

BM Unit	Vol (d')	BMCAIC (d')	BMCAIC (d)	Adjusted BMCAIC (step 3)	Adjusted Vol (d') (step 4)	Estimated Vol (d) (step 7)
BMU_A	-50	-100	-100	1	-50	-40
BMU_B	-50	-100	-50	0.5	-25	-20
BMU_C	-50	-100	-100	1	-50	-40
<b>TOTAL</b>					<b>-125 (step 5)</b>	<b>-100 (step 5)</b>

Step 6 Group Correction Factor =  $-100 / -125 = 0.8$

The group also discussed if there should be an additional requirement for P122, to change the 'equivalent day' that is being used for the AEI calculations such that during defined annual holiday periods the equivalent day is the last available Sunday rather than as currently, where an equivalent day of the week is used. The impact assessment response indicated that changing the equivalent day could be carried out but that this change should only be carried out if the change to the AEI calculation previously mentioned was not implemented. The SSMG agreed that the method that addresses both P122 and P123 would be the preferred method should option A be implemented and therefore the SSMG agreed not to consider an amendment to the equivalent day.

## 2.4.2 Option B – Change the current material doubt process

The SSMG noted the current process for determining the material doubt, and this is shown in A1.3. Currently Parties can submit evidence to BSCCo prior to, or in anticipation of, any Level 1 Credit Default Notice being issued. BSCCo can review the evidence and do some analysis once they have received the evidence, however BSCCo cannot reach any decision on whether there is material doubt in the calculation of AEI until the receipt of a Level 1 Credit Default notice, as defined by the Code i.e. to enable consideration of all circumstances at the time of issue of the Level 1 Credit Default Notice.

In order to trigger the determination by BSCCo of material doubt the Party must request that BSCCo exercise material doubt for the reasons explained in the evidence previously provided, or any new evidence submitted by the Party to BSCCo.

The SSMG discussed how this process may be made more robust, as fast as possible and give Parties more certainty over the fact that BSCCo will find that there is material doubt.

The SSMG agreed that the process for establishing material doubt in itself would be unchanged. Parties would be required to provide sufficient evidence to demonstrate to BSCCo that their case is valid, such that BSCCo can reach a view on material doubt and carry out any necessary calculations prior to any notice being

<sup>3</sup> Note that in general SVA BM Units have a P/C flag set to consumption and therefore it will be the Import Capability that should be used, however some SVA BM Units have a P/C flag set to production and therefore the Export Capability should be used for these BM Units.

issued, so that a final determination can be reached as soon as possible after the receipt of a Level 1 Credit Default Notice.

The change to the current process for P122 and P123 is that the material doubt process will include a reference to a Panel guideline, or BSC Procedure, that BSCCo would be obliged to follow when reaching a determination on material doubt. The guideline will include a calculation, such as that described in option C below, that should be used by BSCCo when considering if there is an over calculation of indebtedness in circumstances such as those described in P122 or P123. Based on this calculation and on other circumstances as permitted in the guidelines and the Code, BSCCo will be able to reach a determination on material doubt as fast as possible. This method would allow Parties to replicate the calculation themselves and be more certain that material doubt would be called to cancel the Level 1 Credit Default notice.

The SSMG agreed that this method would allow fine tuning of the calculation without the need for a Modification and would also give BSCCo enough flexibility, without burdening them with too much responsibility, to reach a sensible decision on material doubt. The SSMG felt that currently BSCCo is constrained by the Code and that this change would provide a commonsense approach albeit ensuring that BSCCo operates within less onerous constraints set down by the Panel (i.e. less onerous than for option C).

The SSMG also recognised that although BSCCo can carry out an additional calculation of the AEI of a Party once the data is available from the SAA, they will still need to wait until the Credit Default notice has been issued and the latest contract notification data has been checked before they can be sure that it is the AEI calculation that is over calculating the indebtedness and therefore material doubt can be determined.

The majority of the SSMG agreed that option B is the preferred implementation method for both P122 and P123.

### **2.4.3 Option C – Additional process for suspension of Level 1 Credit Default**

The third option considered by the SSMG was to include the alternative calculation of AEI in the Code as a separate process to the determination of material doubt. Upon receipt of evidence from a Party and if they have changed CALF and /or DC for reasons of P122 / P123 then BSCCo will be required to start calculating the Party's Energy Indebtedness using the alternative indebtedness calculations.

These calculations will be carried out once a day, during working hours, upon receipt by BSCCo of the II data from the SAA. If BSCCo then receive a Level 1 Credit Default Notice they will be able to immediately, or as soon as practicable, verify the calculation and inform the Party that they are not in Level 1 Credit Default and that the notice has been suspended as a consequence of the outcome of the alternative calculation. This is dependent on the calculations showing that the alternative energy indebtedness is below the threshold for Level 1 Credit Default otherwise BSCCo will confirm that the notice has not been suspended.

BSCCo will continue to monitor the alternative energy indebtedness of the Party on a daily basis and if the values rises above the threshold for Level 1 Credit Default, BSCCo will remove the suspension of the Level 1 Credit Default Notice and may authorise entry into Level 1 Credit Default. At this point BSCCo will still have the option to exercise material doubt, following the existing process and ISG Guidelines. The BSC Agent impact assessment indicated that this may require system changes to the ECVAA software as currently it is not possible to authorise a Party's entry into level 1 credit default if the ECVAA calculates that they should be in level 2 Credit Default.

The SSMG agreed that there were several different methods of reassessing the AEI of a party. One of these is the method described in option A or a slightly different method as detailed below:

The energy indebtedness calculation would altered to amend the GSP Group share from the equivalent day to reflect the change in portfolio / holiday reduction in demand for the affected Party. This method for doing this would be as follows:

1. BSCCo will calculate a revised share Altshare; for each GSP Group as:



$$Altshare_i = BMCAIC_a / \sum_i BMCAIC_i$$

where:

- a* is the BM Unit in a GSP belonging to the affected party;  
*i* is each BM Unit in the GSP Group

2. In Section T4.2.2 of the Code, where Alternative Methodology applies (i.e. the II run for any day where the standard methodology does not apply), BSCCo will calculate for the SVA BM Units of the affected Party:

$$QM_{ij} = GSPGT_j * Altshare_i$$

3. BSCCo will require the GSP Group Take for each GSP Group and each Settlement Period of a Settlement Day. This information can be obtained from CDCA for each aggregation run (CDCA-I029). These GSP Group Takes will then be used to calculate the "alternative QM<sub>ij</sub>" as shown above.
4. BSCCo will then compare the QM<sub>ij</sub> calculated by the SAA for the same BM Units with that calculated by BSCCo using the alternative method. BSCCo will then be able to track the discrepancies and use them to perform step 5.
5. This volume can then be compared with QAEI<sub>aj</sub> as calculated by the SAA. The volume of energy described in step 4 above i.e. QM<sub>ij</sub> calculated by BSCCo, is then divided into 2 parts:
- A proportion to be valued at SBP sufficient to bring a short position into balance (which could be zero);
  - A remainder valued at SSP (potentially zero), which represents any net over-delivery.
6. Step 5 delivers two sums of money. The net additional money for the trading day is summed for the day and divided by CAP to give a value of AEI. The sum of the AEI can be stored as a single daily number, which will not change for the duration of the application of the alternative methodology.
7. When calculating the CCP, BSCCo will sum the relevant number of Settlement Days of this calculated additional energy to EI<sub>pj</sub> and reassess CCP<sub>pj</sub> as necessary. i.e. BSCCo will replicate to the relevant degree, the SAA AEI calculation with it's own calculation including a Trading Charge adjustment via steps 5 and 6.

This method means that on a daily basis the additional energy should be added in and the credit cover percentage reassessed. As this data will already be prepared, it should only take a relatively short period of time to rescind any default notice issued by the ECVA.

Note this alternative calculation does not seek to fully replicate the Trading Charges calculation, a "missing" volume of energy has been found and applied to the imbalance calculation part of Trading Charges. It is suggested that this should normally be more than sufficient and it is only where a more precise calculation is needed for some reason that "material doubt" might then need to apply e.g. if the Residual Cashflow Reallocation Cashflow becomes a big negative number and is therefore material.

The SSMG agreed that option C would force BSCCo to operate under a very constrained methodology albeit a different constraint to that currently in place. The SSMG also agreed that option B would allow similar calculations to be carried out but would give BSCCo more freedom in their application and interpretation. Option C would require BSCCo to have information available on an operational basis and the impact assessment from BSCCo indicated that TOMAS (the performance monitoring software used) is essentially monitoring software and not operational software and therefore may not necessarily be available when the relevant SAA report arrives. In addition option C methodology may not be robust to all potential

circumstances that may arise and this could lead to a new Modification Proposal each time a new circumstance, not covered arises.

## **2.5 Potential Alternative to P122 and P123**

The SSMG believed that a possible solution to the defect identified in both P122 and P123 would be to change the material doubt provisions in the Code to allow BSCCo to have more discretion in its application, across the entire Energy Indebtedness calculation (both CEI and AEI) therefore not requiring any other changes.

It was suggested that the provisions should not be limited to situations such as holiday periods or portfolio change but that BSCCo should be given the vires to apply material doubt whenever the Party provided sufficient evidence to show that either the CEI or the AEI part of the EI calculation is unrepresentative. This would alleviate the need for HOL-CALF values or DC / CALF changes due to portfolio change and would potentially be a minimum cost solution. BSC Parties would however be required to provide evidence to show that the CALF / DC values that had been used are no longer representative for a BM Unit and therefore lead to an incorrect value of EI being calculated.

Implementing a process such as this would increase the risk involved in determining that there is material doubt. Further issues that need to be resolved with this process if it is to be progressed further are:

- any additional liability potentially placed on BSCCo;
- if this type of material doubt be limited to just SVA BM Units how it will be applied in the case where a Party has CVA and SVA BM Units;
- given that BSCCo will need some kind of evidence that the Party should not be placed in Level 1 Credit Default, whether the Code needs to specify the type of calculations that BSCCo should be doing; and
- whether BSCCo would require some kind of guideline document for use in determining when material doubt should be applied to ensure that it is always carried out in a fair and transparent way.

The SSMG agreed at their meeting of 27 May 2003 that the potential alternative modification would not be progressed any further.

### **3 REQUIREMENTS**

The requirements have been broken down into the individual requirements for BSC Agents, BSC Parties the Transmission Company and BSCCo.

#### **3.1 Requirements for Party Systems and Processes**

The following detailed requirements should be considered for responding to the impact assessment on BSC Party systems and processes. These requirements have been updated in line with the solutions detailed in section 2.

##### **3.1.1 P122 Holiday CALF Process**

###### ***3.1.1.1 Receive Consultation on Annual Holiday Periods***

BSCCo will issue a consultation prior to the start of the BSC Year detailing the suggested holiday periods for the following BSC Year. An example of how this will work should P123 be implemented during the BSC Year 2003 – 2004, would be that the holidays for the 2003- 2004 and 2004 – 2005 will be published during implementation. Prior to the start of the next BSC Year (2004 – 2005) the holidays for 2005-2006 will be published.

This consultation will be issued to all BSC Parties. Responses will be sent to BSCCo who will collate the responses and present the proposed Holiday Periods to the Panel for final approval.

The suggested holiday periods will be determined as detailed in section 2.2.1.1.

###### ***3.1.1.2 Request HOL-CALF values***

For each BSC Season and prior to the start of the BSC Season, BSCCo will issue a reminder to BSC Parties for requests for HOL-CALF Values. BSC Parties will be required to submit requests to BSCCo detailing the SVA BM Units for which they require HOL-CALF values to be calculated. Note that this will be carried out such that the HOL-CALF values will be calculated at the same time as the seasonal CALF values are calculated.

###### ***3.1.1.3 Receive calculated HOL-CALF Values***

The HOL-CALF values will be published at the same time and in the same way as the CALF values are published. This is currently carried out 2-months prior to the start of a BSC Season.

###### ***3.1.1.4 Appeal HOL-CALF Value***

BSCCo will handle any HOL-CALF appeals in the same way that CALF appeals are handled and will present the appeals to ISG, therefore BSC Parties will be able to raise HOL-CALF appeals using the same process and timescales, as for CALF values.

The BSC Party will be required to provide appropriate evidence to support any appeal to the HOL-CALF value.

###### ***3.1.1.5 Using HOL-CALF Values***

If Parties use CALF values in any calculations that they carry out in their systems, for example in verification of CCP, EI etc, they will need to be able to use the HOL-CALF values over the defined holiday periods.

##### **3.1.2 P123 Changes to DC and / or CALF for reasons of portfolio change**

###### ***3.1.2.1 Allow changes to decrease DC mid-season***

BSC Party systems should be capable of decreasing the DC mid season in they wish to make use of the functionality introduced by P123. This is the same for both implementation options.

The impact assessment should indicate if there is any difference in the implementation method and timescale required if the process were not limited to SVA BM Units.

### **3.1.2.2 Additional requirements for Option 1: Formal approval of DC and CALF changes**

BSC Parties will submit requests for mid-seasonal decreases to DC to BSCCo with supporting evidence, this must only be for reasons of portfolio change. The BSC Party may also include a request for a CALF appeal at the same time, and for the same reasons.

The Panel or ISG will then hear the DC decrease request in conjunction with any CALF appeal for the same reasons.

### **3.1.2.3 Additional requirements for Option 2: Decreases to DC without approval and mid season CALF changes**

BSC Parties will submit requests to decrease DC mid-season in the same way as currently, via form 4.4 in BSCP15 (equivalent to the CRA-I005).

A request to appeal a CALF value will be processed in the same way as currently and using the same timescales, with evidence submitted to support the appeal.

## **3.1.3 P122 and P123 Process for Suspension of Level 1 Credit Default Notice**

### **3.1.3.1 Requirements for Option A – Change to the Energy Indebtedness calculation**

The only requirement for this option would be if the Party replicates the calculations carried out by ECVA and in which case they would need to change to use the method described in section 2.4.1.

### **3.1.3.2 Requirements for Option B – Change the current material doubt process**

Under this option Parties would be required to provide sufficient evidence to demonstrate to BSCCo that their case is valid, such that BSCCo can reach a view on material doubt and carry out any necessary calculations.

### **3.1.3.3 Requirements for Option C – Additional process for suspension of Level 1 Credit Default**

Under this option Parties will be required to provide evidence to BSCCo and will be required to request that the “alternative energy indebtedness calculation” be used to enable any Level 1 Credit Default Notices to be suspended, or quickly cancelled.

## **3.2 Requirements for BSC Systems and Processes**

The following detailed requirements were considered during the high level impact assessment of the BSC Systems and processes and have not been updated to reflect the changes that were discussed by the SSMG on 27 May 2003. The impact assessment response received from the BSC Agents is included in section 5.1.

### **3.2.1 P122 Holiday CALF Process**

#### **3.2.1.1 CRA Receive HOL-CALF Values**

The HOL-CALF values and the CALF values for a BM Unit will be sent by BSCCo in the CRA-I011 ‘Receive CALF Report’. The format of the report will not be changed.

The CALF values will be issued prior to the start of the BSC Season or following the determination of an appeal. The values will be assigned as follows:

BM Unit ID	Credit Assessment Load Factor (CALF)	Effective From Date*	Effective To Date
SVA BMU-1	Seasonal CALF Value	Season Start date	(Holiday Start date) – 1
SVA BMU-2	Seasonal CALF Value	Season Start date	(Holiday Start date) – 1

etc .....			
SVA BMU-1	Holiday CALF Value	(Holiday Start date)	(Holiday End date)
SVA BMU-2	Holiday CALF Value	(Holiday Start date)	(Holiday End date)
etc.....			
SVA BMU-1	Seasonal CALF Value	(Holiday End date) + 1	Season End date
SVA BMU-2	Seasonal CALF Value	(Holiday End date) + 1	Season End date

As is the current practice, separate reports will be sent for each set of dates for the SVA BM Units that have requested a HOL-CALF value be calculated.

**3.2.1.2 CRA Input HOL-CALF values into CRA System**

The CRA will enter the CALF values into the system when they are received. It is not envisaged that the current processes be changed however the impact assessment should indicate if this is not the case.

The BSC Agent impact assessment should indicate the potential increase in effort that this would have based on the assumption that 100 BM Units per year have HOL-CALF values assigned and should also flag any other volume related issues e.g. any volume related sensitivity and / or any volumetric thresholds.

**3.2.1.3 CRA Identifying HOL-CALF Values in BSC Systems**

There will be no requirement to differentiate between seasonal CALF values as a HOL-CALF values within the BSC System other than by 'effective from' and 'effective to' dates.

**3.2.2 P123 Changes to DC and / or CALF for reasons of portfolio change**

The first two requirements detailed in this section should be considered for both Option 1 and Option 2 described previously. Requirements 3.2.2.3 and 3.2.2.4 should only be considered for the relevant option.

**3.2.2.1 Allow changes to decrease DC mid-season**

The CRA should allow changes to DC to be made mid season and this should include decreasing DC. This is the same for both implementation options, options 1 and 2.

It is anticipated that the turn round for changes to DC could be relatively short. The impact assessment response should confirm what the minimum time required from receiving a request to change the DC to implementing the change in the system is.

The impact assessment should indicate if there is any difference in the implementation method, cost and timescale required if the implementation solution for both option 1 and option 2 were limited to SVA BM Units (i.e. BM Units of type G and S).

**3.2.2.2 CRA Process changes to CALF mid-season**

The BSC System should process mid-season changes to CALF in the same way that it currently handles CALF values submitted following a successful appeal. It is not anticipated that this will require any changes to the current processes or software. Any volumetric sensitivities should be highlighted.

**3.2.2.3 Additional requirements for Option 1: Formal approval of DC and CALF changes**

If a request to decrease the DC of a BM Unit is received by the CRA, it should ensure that the request has come from BSCCo and not from the BSC Party. This should not require changes to form 4.4 in BSCP15 or to the BM Unit Registration Data (CRA-I005) as BSCCo can be counted as a BSC Party. The impact assessment should confirm that this is true.

If the request has been submitted by a BSC Party other than BSCCo, the request should be rejected.

**3.2.2.4 Additional requirements for Option 2: Decreases to DC without approval and mid season CALF changes**

The CRA will be required to keep a record of the number of times that the DC for a BM Unit is decreased during a season.

The CRA will reject any requests to decrease the DC of a BM Unit, if two decreases to DC have already been made during a BSC Season. The impact assessment should indicate if it is possible to implement a manual solution for this or if BSC System changes are necessary.

### 3.2.3 P122 and P123 Process for Suspension of Level 1 Credit Default Notice

#### 3.2.3.1 Requirements for Option A – Change the Energy Indebtedness calculation

The BSC System should be changed such that the AEI part of the Energy Indebtedness calculation is calculated as described below.

The AEI calculations carried out by SAA should be changed to take account of the modified CALF and / or DC values to include an additional weighting for SVA BM units where the Import capability (BMCAIC) has changed. This will change in the AEI calculation to “correct” the estimated II data by simply adjusting the metered volumes to reflect the change in GSP Group share resulting from portfolio or holiday change to the Import Capability. The calculation process would be as follows and would be the same for both P122 and P123:

1. Determine the estimation date  $d'$  as at present;
2. SAA will calculate the Import Capability for each BM Unit for both  $d$  and  $d'$  in the same way as ECVA.
3. For each individual BM Unit, find the factor which scales the Import or Export Capability<sup>4</sup> on  $d'$  to the Import Capability on  $d$ ;
4. Adjust the volume on  $d'$  by the factor determined in step 3. This adjustment accounts for any change in capability between the two dates, e.g. no change gives the same volume and halving the import capability halves the volume.
5. Sum the adjusted volumes from step 4. This value ( $g'$ ) effectively replaces the GSP group take for  $d'$  in the current calculations;
6. Calculate the scaling factor as: GSP group take for  $d$  /  $g'$  (from step 5).
7. Multiply each of adjusted volumes obtained in step 4 by the factor obtained in step 6 to give the estimated volume for each BM Unit for day  $d$ .

The following illustrates this with a simple example:

GSP Group Take ( $d'$ ) = -150

GSP Group Take ( $d$ ) = -100

BM Unit	Vol ( $d'$ )	Import Capability ( $d'$ )	Import Capability ( $d$ )	Adjusted Import Capability (step 3)	Adjusted Vol ( $d'$ ) (step 4)	Estimated Vol ( $d$ ) (step 7)
BMU_A	-50	-100	-100	1	-50	-40
BMU_B	-50	-100	-50	0.5	-25	-20
BMU_C	-50	-100	-100	1	-50	-40
<b>TOTAL</b>					<b>-125 (step 5)</b>	<b>-100 (step 5)</b>

Step 6 Group Correction Factor =  $-100 / -125 = 0.8$

#### 3.2.3.2 Additional Requirement for Option A: Changes to "equivalent day" – P122 only

An additional requirement that could be introduced into the implementation of P122 would be to change the 'equivalent day' that is being used for the AEI calculations such that during defined annual holiday period the last available Sunday is used rather than an equivalent day of the week. The impact assessment response should include the additional cost and timescale for implementation of this for P122 only. It should be noted that this solution does not account accurately for BM Units that behave differently on Sundays and holidays.

<sup>4</sup> Note that in general SVA BM Units have a P/C flag set to consumption and therefore it will be the Import Capability that should be used, however some SVA BM Units have a P/C flag set to production and therefore the Export Capability should be used for these BM Units.

### **3.2.3.3 Requirements for Option B – Change the current material doubt process**

No requirements have been identified for this option as it is to be carried out by BSCCo.

### **3.2.3.4 Requirements for Option C – Include additional process for suspension of Level 1 Credit Default**

No requirements have been identified for this option as it is to be carried out by BSCCo.

## **3.2.4 Potential Alternative to P122 and P123**

No requirements have been identified for BSC Systems and processes.

## **3.3 Requirements for Transmission Company Systems and Processes**

No additional requirements were identified to the Transmission Company systems over and above those that have been identified for all BSC Parties. The impact assessment response confirmed this and is included in section 5.2.1.

## **3.4 Requirements for BSCCo Systems and Processes**

The following detailed requirements were considered during the high level impact assessment carried out by BSCCo however they have been updated to include the potential requirement to formalise the current approval process for approving DC values. The impact assessment response received from the BSCCo is included in section 5.3.

### **3.4.1 P122 Holiday CALF Process**

The impact assessment from BSCCo should determine the amount of additional effort needed to carry out the HOL-CALF process and should also give details of any changes to systems used to calculate CALF values.

#### **3.4.1.1 Determine and Consult on Annual Holiday Periods**

BSCCo will issue a consultation prior to the start of the BSC Year detailing the suggested holiday periods for the next BSC Year that requires a holiday period to be defined. An example of how this will work should P123 be implemented during the BSC Year 2003 – 2004, would be that the holidays for the 2003- 2004 and 2005 – 2005 will be published during implementation. Then at the start of the next BSC Year (2004 – 2005) the holidays for 2005-2006 will be published. This consultation will be issued to all BSC Parties. Responses will be sent to BSCCo who will collate the responses and present the resultant Holiday Periods to the Panel.

The suggested holiday periods will be determined as detailed in section 2.2.1.1 and will be agreed by the Panel.

#### **3.4.1.2 Issue HOL-CALF Request Reminder**

Prior to the issue date for CALF values at the start of the BSC Season, BSCCo will issue a reminder to BSC Parties giving the date by which all HOL-CALF requests must be received.

#### **3.4.1.3 Receive requests for HOL-CALF values**

BSCCo will receive requests from SVA BSC Parties for those BM Units for which they would like a HOL-CALF to be calculated. These requests should be collated and should then be used during the HOL-CALF and CALF calculation process.

BSCCo should reject any request for HOL-CLF values that is received outside of the timescales defined within the reminder.

For the purposes of this impact assessment it has been assumed that 100 BM Units will request HOL-CALF values, twice a year.

The BSCCo impact assessment should indicate the potential increase in effort that this would have, based on the assumption that 100 BM Units per year request to have HOL-CALF values assigned.

#### **3.4.1.4 Calculate HOL-CALF Values**

BSCCo will calculate HOL-CALF values for those BM Units for which they have been requested. This calculation will be limited to SVA BM Units. The calculation method for HOL-CALF values will be specified within the CALF Guidelines and will be carried out as detailed in section 2.2.1.3 of this document.

The impact assessment should determine the amount of time needed to make the necessary changes to BSCCo systems, processing and documentation and should also determine the amount of effort needed to carry out these additional calculations.

#### **3.4.1.5 Issue HOL-CALF Values**

The HOL-CALF values will be published at the same time and in the same way as the CALF values are published.

The HOL-CALF values will be sent to the CRA at the same time and in the same way as the seasonal values are sent. The only exception to this will be in the case of a change to the HOL-CALF or CALF value as a result of an appeal. The CALF values will be issued in the same format as currently (CRA-I011) and will be issued on three separate forms. See section 3.2.1.1 for an example of how the data will be sent to the BSC Agent.

#### **3.4.1.6 Handling HOL-CALF Appeals**

BSCCo will handle any HOL-CALF appeals in the same way that CALF appeals are handled and will present the appeals to the Panel or ISG.

### **3.4.2 P123 Changes to DC and / or CALF for reasons of portfolio change**

#### **3.4.2.1 Process to change CALF mid-season**

BSCCo will be required to handle and support appeals to change CALF values mid-season i.e. outside of the current timescale, however these will only be allowed for reasons of portfolio change.

The impact assessment should indicate if there is any difference in the implementation method, cost and timescale required if both processes were limited to SVA BM Units.

#### **3.4.2.2 Additional requirements for Option 1: Formal approval of DC and CALF changes**

BSCCo will receive and facilitate appeals to change DC and or CALF mid-season for reasons of portfolio change.

If the appeal is upheld, BSCCo will submit the new DC values to the CRA using form 4.4 in BSCP15 equivalent to the BM Unit Registration Data CRA-I005.

The impact assessment should indicate if there is any difference in the implementation method, cost and timescale required if the process were limited to SVA BM Units.

The impact assessment response should also give an estimate of the time and effort required to process the additional CALF and DC appeals.

#### **3.4.2.3 Additional requirements for Option 2: Decreases to DC without approval and mid season CALF changes**

The current process employed by BSCCo to validate any mid season changes to DC or GC would need to be formalised in BSCP15. An additional requirement would be for BSCCO to implement a level of validation when authorising DC decreases in magnitude mid season. This would also mean that BSCCo would hold a register of the number of times that an SVA BM Unit has decreased the magnitude of it's DC value in a



season. BSCCo will then reject any requests received where two decreases have already taken place for that BM Unit in that BSC Season.

No further requirements have been identified for option 2 other than the requirement to facilitate mid season changes to CALF as detailed in section 3.4.2.1.

### **3.4.3 P122 and P123 Process for Suspension of Level 1 Credit Default Notice**

#### ***3.4.3.1 Requirements for Option A – Change the Energy Indebtedness calculation***

Under this option there will be no additional requirements placed on BSCCo, other than if TOMAS replicates the calculations carried out by SAA. If this is the case the impact assessment should give details of the changes required and an estimate of the timescale and effort required for development of the system.

The current material doubt process will not be changed.

#### ***3.4.3.2 Requirements for Option B – Change the current material doubt process***

Under this option BSCCo will carry out the additional calculations as specified in a BSCP or guideline document in order to facilitate reaching a decision on if there is material doubt in the AEI calculation, as outlined in section 2.4.2.

BSCCo will only perform these additional monitoring calculations upon the request of the BSC Party and if the conditions of P122 or P123 have been fulfilled.

In the impact assessment response BSCCo should suggest the additional calculation that it is currently able to carry out with the information that it has available. The impact assessment response should also determine if additional information is required and where this information should be obtained.

The impact assessment response should also provide a view on the feasibility and ease of using an additional calculation in order to predict the EI values and pre-empt material doubt.

#### ***3.4.3.3 Requirements for Option C – Include additional process for suspension of Level 1 Credit Default***

Under this option BSCCo will carry out additional calculations and maintain a log of their values for all Parties that request the process be triggered. Before doing this BSCCo will ensure that the Parties meet the criteria for portfolio change under P123 or have a HOL-CALF value assigned under P122.

The impact assessment response from BSCCo should determine if it is possible to carry out the calculations as specified in section 2.4.3, and if all the required data is currently available, if not then the response should determine what additional data is required. The impact assessment response should also determine the timescale and development effort needed to develop a system to perform these calculations, and the effort that will be required to operate the system.

### **3.4.4 Potential Alternative to P122 and P123**

#### ***3.4.4.1 Application of material doubt***

There will be an increase in the circumstances where material doubt can be applied to prevent Parties from entering to Level 1 Credit Default. This may increase the complexity of determining which cases apply and which don't.

The impact assessment response should indicate what processes and procedures BSCCo feel they need to have in place to be able to determine that material doubt exists. These processes should be able to be carried out in a transparent and consistent way.

The impact assessment should also indicate if it is believed that by widening the material doubt provisions any additional monitoring should be carried out and what the additional resources are required.

### **3.5 Requirements for the BSC Panel**

#### **3.5.1 P122 Holiday CALF Process**

##### ***3.5.1.1 Determine Annual Holiday Periods***

The suggested holiday periods will be determined as detailed in section 2.2.1.1 and will be agreed by the Panel. This will be based on the consultation responses from BSC Parties.

##### ***3.5.1.2 Hearing HOL-CALF Appeals***

HOL-CALF appeals will be carried out in the same way that CALF appeals are carried out. The Panel has currently delegated authority to the ISG for hearing and ruling on CALF appeals. It is envisaged that the Panel will also delegate authority for hearing and ruling on HOL-CALF appeals to the ISG.

#### **3.5.2 P123 Changes to DC and / or CALF for reasons of portfolio change**

##### ***3.5.2.1 Hearing Mid-season CALF Appeals***

The BSC Panel will be required to hear and determine any mid-season CALF appeals that are raised for reasons of portfolio change. This will be the same for both options.

##### ***3.5.2.2 Additional requirements for Option 1: Formal approval of DC and CALF changes***

The BSC Panel will be required to hear and determine any mid-season DC and /or CALF appeals that are raised for reason of portfolio change.

Currently ISG hear 40-50 CALF appeals per year and the impact assessment should determine if it would be possible for ISG to hear any additional CALF and DC appeals that may arise from implementation of P123.

##### ***3.5.2.3 Additional requirements for Option 2: Decreases to DC without approval and mid season CALF changes***

No further requirements have been identified for option 2 other than the requirement to hear and determine mid season changes to CALF as detailed in section 3.5.2.1.

#### **3.5.3 P122 and P123 Process for Suspension of Level 1 Credit Default Notice**

No requirements have been identified for the Panel, as they are not involved in the Level 1 Credit default process.

## 4 RESPONSES REQUIRED

Responses are required to both the impact assessment and to the consultation questions attached in Annex 2.

Impact assessment responses are required from BSC Parties and from core industry document owners and a list of the timescales for implementation required are detailed below.

### 4.1 Core Industry Document Owners

Core Industry Document Owners should indicate if the requirement specified in section 2 for both P122 and P123 will have an impact on the Core Industry Documents that they own. If no response is received, or if the response does not indicate any impact on the respondents Core Industry Documents it will be assumed that there is no impact.

### 4.2 BSC Party Response

The BSC Party responses should give details of the expected impact and the timescales for implementation of P122 and P123. The requirements that are to be assessed are detailed within section **Error! Reference source not found.** of this document.

#### P122 Holiday CALF

Option	Timescale for implementation	Effort for on going operation
P122		

#### P123 Portfolio change options

Option	Timescale for implementation	Effort for on going operation
1		
2		

#### P122 / P123 Material Doubt options

Option	Timescale for implementation	Effort for on going operation
A		
B		
C		

BSC Parties should also indicate whether there are any other impacts or requirements that have not been highlighted in this document.

## 5 RESPONSES RECEIVED TO HLIA OF VERSION 1 OF THIS REQUIREMENTS SPECIFICATION

### 5.1 BSC Agent Response

The BSC Agent response should give details of the expected impact and the cost and timescales for implementation of P122 and P123. The requirements that are to be assessed are detailed within section 3.1 of this document:

#### P122 Holiday CALF

Option	Cost of implementation	Timescale for implementation	Cost of on going operation
P122	£3069	2 weeks	£0

#### P123 Portfolio change options

Option	Cost of implementation	Timescale for implementation	Cost of on going operation
1	£3069	2 weeks	£0
2	£3069	2 weeks	£0

#### P122 / P123 Material Doubt options

Option	Cost of implementation	Timescale for implementation	Cost of on going operation
A	£29680 (change specific) / £102860 (total price)	9 weeks	£0
A – P122 equiv day	£27230 (change specific) / £110350 (total price)	10 weeks	£0
B	£0	N/A	N/A
C	Unable to assess but will be greater than option A	Unable to assess but will be greater than option A	Unable to assess

### Requirements Summary

Ref:	Requirement	Detailed Description	Comments / Assumptions
P122			
3.1.1.1	CRA: Receive HOL-CALF values	Receive values in same format as currently, with separate forms for each date range.  Confirm that there is no change to current process.	There are no changes to the current CRA process.
3.1.1.2	CRA: Input HOL-CALF values	Confirm if input process should be updated.  Confirm effort needed for additional volumes (100 BM Units per year with HOL-CALF values).  Indicate any volume related issues.	There are no changes to the input process.  Assuming only 100 BM Units per year, then no extra manpower costs incurred. If volume is greater than (say) 1000 BM Units per annum, then approx. extra 1 Man days effort per annum
3.1.1.3	CRA: Identifying HOL-CALF values	Confirm the assumption that there are no requirements is correct.	Confirm assumption is correct
P123			

Ref:	Requirement	Detailed Description	Comments / Assumptions
3.1.2.1	CRA: Allow decreases to DC	<p>Confirm that system allows mid-season changes to DC</p> <p>Confirm that system allows decrease in DC</p> <p>Provide cost / timescale if the changes required for OPTION 1 and OPTION 2 (if any) were to be limited to SVA BM Units.</p> <p>Confirm minimum timescale needed to change DC</p>	<p>System does allow mid-season changes to DC, and a decrease in the DC (with a warning).</p> <p>There are approx. 700 SVA BM Units and 400 BM units currently registered – the limitation to SVA BM Units will have little impact – the biggest impact will be the number of mid-season changes that are received.</p> <p>The current working practice is that all DC Changes (irrespective of decrease or increase) are referred to the Elexon Registration Team for approval. The CRA needs one working day from approval to change DC in the system .</p>
3.1.2.2	CRA: Process mid-season CALF changes	<p>Confirm that the assumption that no changes are required to current process.</p> <p>Any volumetric sensitivities should be highlighted.</p>	<p>No changes are require to current process, which is that all DC Changes (irrespective of decrease or increase) are referred to the Elexon Registration Team for approval.</p> <p>CRA can cope with up to around 50 DC changes per day. Assuming only 100 DC changes per Season, then no extra manpower costs are incurred. If volume is greater than about 250 DC changes per season (1000 per annum), then an extra man days effort will be required per annum.</p>
3.1.2.3	CRA: OPTION 1: Formal DC process	<p>Receive request to decrease DC from BSCCo.</p> <p>Reject request if mid season decrease received from BSC Party.</p> <p>Confirm no change to CRA-I005 required.</p>	<p>The current working practice is that all DC Changes (irrespective of decrease or increase) are referred to the Elexon Registration Team for approval. Suggest keep same process, so do not reject if from BSC Party, but refer to Elexon as now.</p> <p>CRA I005 needs no change</p>
3.1.2.4	CRA : OPTION 2: Decreases to DC without approval	<p>Record number of DC decreases per BM Unit per BSC Season</p> <p>Check no more than 2 decreases per BSC Season</p> <p>Reject request if more than 2 decreases in a season have been</p>	<p>CRA could keep a manual record to monitor this (through a spreadsheet) – this may be time consuming and prone to error requiring changes to the OSM and LWIs.</p> <p>Alternatively, as all DCs are</p>

Ref:	Requirement	Detailed Description	Comments / Assumptions
		requested Provide information on manual and software solution	referred to Elexon, Elexon could monitor this, or the obligation could be placed on the BSC Party to not submit more than 2 DCs per season. CRA can cope with monitoring up to around 50 DC changes per day. Assuming only 100 DC changes per Season, then no extra manpower costs incurred. If volume is greater than about 250 DC changes per season (1000 per annum), then an extra man days effort will be required per annum.
<b>P122 / P123 Material Doubt</b>			
3.1.3.1	OPTION A changes to BSC Agent calculations	Changes to II Calculations as detailed	Changes will be made as detailed in the requirements specification for P122 & P123 (14 May 2003).
3.1.3.2	OPTION A: – P122 Only – changes to equivalent day calculation	Additional changes to II Calculations for holidays period equivalent days	Additional changes will be made, but this will be mutually exclusive because either of these alternatives for Option A compensate for the same issue (i.e. if both alternatives are applied, then the compensation will take place twice).
3.1.3.3	OPTION B	Confirm that the assumption that no changes are required to current process.	No changes are required to the current process.
3.1.3.4	OPTION C	Confirm that the assumption that no changes are required to current process.	Changes will be required to the current process. If it is determined that the party is in level 1 default (but not level 2) then Authorisation is needed to enable the level 1 default but not to enable level 2 default. Changing to the credit default handling process (as developed for CP703) would be required to accommodate this. If BSCCo take on responsibility for the level 1 process, only issuing Credit Default Authorisation when a party enters level 2 default, then new flows between ECVA and BSCCo and processes behind them will be needed.
<b>P122 / P123 Potential Alternative</b>			

Ref:	Requirement	Detailed Description	Comments / Assumptions
3.1.4	Potential alternative	Confirm that the assumption that no changes are required to current process.	No changes are required to the current process

The BSC Agent response should also indicate if there are any other changes to BSC Systems, processes and documentation that have not been highlighted within this document.

## 5.2 Transmission Company

The requirements specification version 1.0 was issued to the Transmission Company for impact assessment and they were requested to give details of the expected impact and the timescales for implementation of P122 and P123.

The Transmission Company were also asked to indicate if there were any other impacts or requirements that were highlighted in the requirements specification. The response received is included below for information.

### 5.2.1 Transmission Company Response

In response to your email dated 15 May we have reviewed the Requirements Specification (*version 1.0*) for P122 and 123.

At this stage the initial indications are that there are no significant impacts on our systems and processes resulting from the Modification Proposals P122 and P123. We believe that any resulting changes to our business processes could be handled manually and we would require 10 days notice to implement.

This represents our initial view and we look forward to providing a further assessment in response to the full Transmission Company Analysis to be received in due course.

## 5.3 BSCCo Response

The different departments within BSCCo should indicated if the implementation of P122 and P123, as described in section 3.4 of this document, will have any impact on the departmental systems and processes. The timescales and ELEXON effort that is required to implement and sustain the changes should be provided.

### P122 Holiday CALF

Option	Effort for implementation	Timescale for implementation	Effort for on going operation
P122	12 man days	Up to 1 season lead time	21 man days

### P123 Portfolio change options

Option	Effort for implementation	Timescale for implementation	Effort for on going operation
1 (Panel)	18 man days	Up to 1 season lead time	18 man days
2 (Max 2)	17 man days	Up to 1 season lead time	12 man days

### P122 / P123 Material Doubt options

Option	Effort for implementation	Timescale for implementation	Effort for on going operation
A	70 man days (including Participant education)	Logica + 12 weeks to fit with BSC Release plan	No additional effort identified
B	40 man days (including Participant education)	6 weeks (to fit with BSC Release plan)	No additional effort identified
C	42 man days (including Participant education)	6 weeks (to fit with BSC Release plan)	No additional effort identified

Ref:	Requirement	Detailed Description	Comments / Assumptions
<b>P122</b>			
3.4.1.1	Determine and consult on annual holiday periods	Hold consultation and present results to Panel.	Approx 5 WD needed needed depended on methodology used, volume of consultation responses and follow up required.
3.4.1.2	Issue reminder for submission of HOL-CALF requests	Issue reminder to all BSC Parties	May generate helpdesk calls – allow 1 WD per season
3.4.1.3	Receive HOL-CALF requests	Receive and process requests	1 WD per season for Winter and Spring
3.4.1.4	Calculate HOL-CALF values	How should H-CALF be calculated and how will the systems used handle this calculation? Effort to carry out calculations based on 100 BM Units per year. Change to CALF calculation for those BM Units with HOL-CALF. Estimate time and effort and ease of process	General – I don't know that there will be only 100 BM Units per year as it could be the case that all suppliers want them.
3.4.1.5	Issue HOL-CALF values	Publish HOL-CALF details with CALF details. Will require 3 forms in seasons where there is a holiday period. Determine additional effort required.	Existing queries will be modified to calculate these
3.4.1.6	Handle HOL-CALF Appeals	Appeals will be handled in same way as for CALF. Confirm no process changes required.	
3.5.1.1	Panel to determine annual holiday periods	Confirm that there are no additional process changes required and that the Panel will be able to determine holiday periods.	Extra 4 WD to generate holiday CALFs
3.5.1.2	Panel to hear HOL-CALF appeals	Confirm that current process will handle the HOL-CALF appeals.	Not much extra effort on BSCCo's part
<b>P123</b>			
3.4.2.1	Process to change CALF mid season	Confirm that BSCCo can handle process to change CALF mid season.	For each appeal should allow 1 WD for the end to end process, less if the HOL-CALF appeal is on top of a standard CALF appeal
3.4.2.2	Option 1	Confirm if CRA-I005 is appropriate for BSCCo to submit DC values on. Confirm that BSCCo can handle process for submitting DC.	Based on the assumption of 4 parties requesting HOL-CALF, allow 8 extra WD per year
3.4.2.3	Option 2	Confirm that there are no further requirements for BSCCo other than 3.4.2.1.	OK
3.5.2.1	Panel hear CALF appeals	Panel or subcommittee will hear and determine additional mid season CALF appeals. Confirm that this will be handled under current process	OK. Other CALF appeals currently heard by ISG
3.5.2.2	Option 1: Panel	Panel will hear and determine on	P123



Ref:	Requirement	Detailed Description	Comments / Assumptions
	obligations	decreases to DC. Confirm that this will be handled under current process.	
3.5.2.3	Option 2: Panel obligations	Confirm that there are no additional requirements on the Panel for this option, over and above 3.5.2.1.	Need to confirm what "effective from" date would be given to changed CALF.
<b>P122 / P123 Material Doubt</b>			
3.4.3.1	Option A	Confirm if changes to TOMAS are required. Confirm assumption that no other changes are required.	Ad hoc assumption made of 3 per season
3.4.3.2	Option B	Confirm if "additional calculation" is practical within the Credit Default timescales. Suggestions of appropriate "additional calculation". Confirm if process is feasible and if it will improve the timescales for determining if material doubt can be applied.	In practice Parties tend to use the BSCP15/4.1 (nobody has ever used the electronic version). BSCCo doesn't have facility to submit the electronic version
3.4.3.3	Option C	Confirm system changes necessary to carry out and record additional calculations. Confirm that all the required data is available.	OK
3.5.3	Panel Requirements	Confirm that there are no additional processes to be carried out by the Panel.	OK
<b>P122 / P123 Potential Alternative</b>			
3.4.4.1	Material doubt over whole of EI calculation	Indicate the processes and procedures that should be in place should this option be implemented	These appeals will potentially fall outside the 2-month window defined in the Code.
3.5.4	Panel requirements	Confirm that there are no additional processes to be carried out by the Panel.	The CALF Guidelines could be changed such that evidence of a portfolio change triggers a recalculation and hence re-opens the appeals window. Need to confirm if:

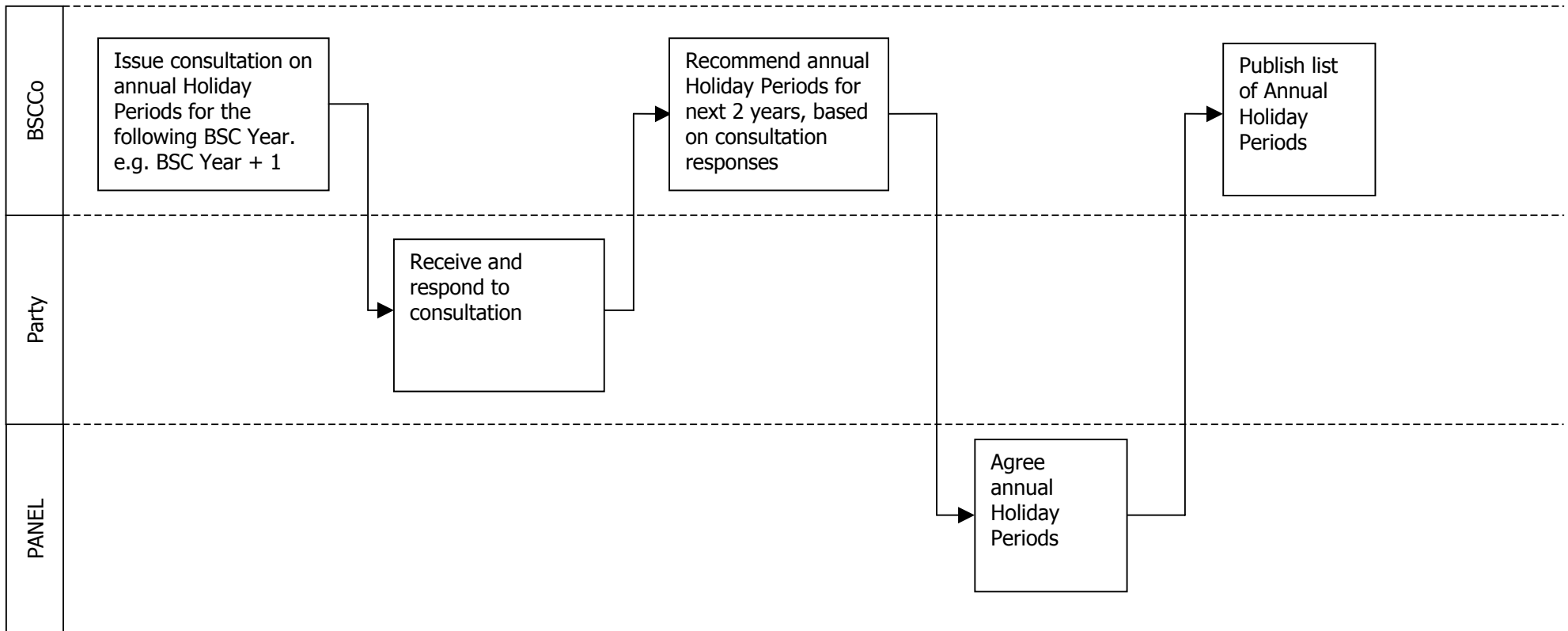
Additional comments on Option C as outlined in the Requirements Spec:

- The data required to perform these calculations **is** currently available in TOMAS (SF Group Take used for latest II, BMCAIC for all dates up to latest II).
- However, performing the calculations required is far from trivial.
- Calculations could be performed via a SQL query
- Depending on how frequently Parties required these 'alternative' credit calculations to be run, this mod has the potential for a significant operational impact on Service Delivery.
- This proposal would introduce an operational dependence on ELEXON which raises certain questions – for example, would we need to run these calculations on weekends / Bank Holidays?
- Is there any reason why Central Services can't do this – for example calculating both percentages all the time for us to use the new one when appropriate, or having a query that could be run when the need arises.

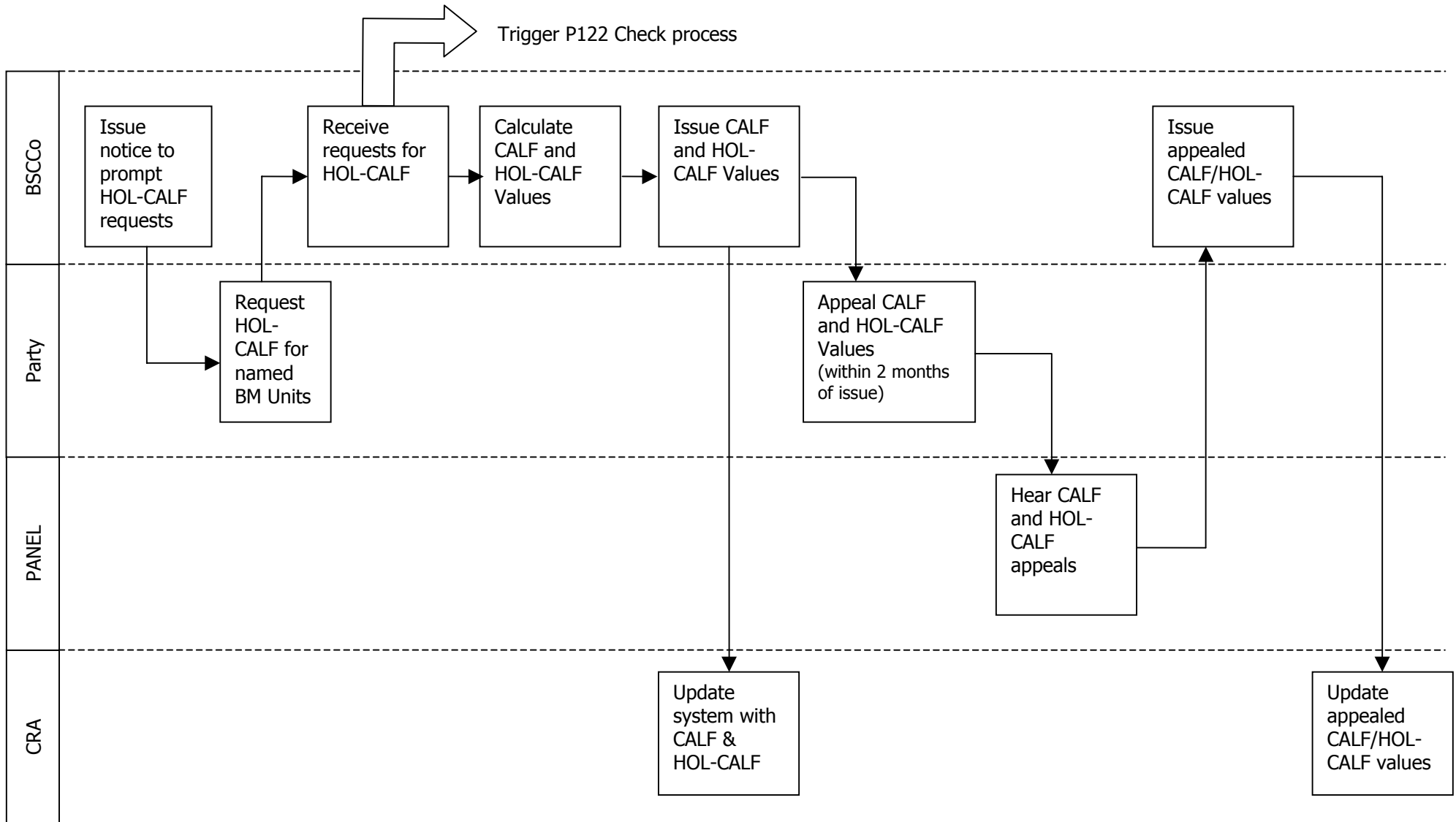
- It is important to note that TOMAS is a monitoring system - not a production settlement system. Any calculation we could do would be constrained by TOMAS being available, the supporting IT infrastructure being available, the data having been loaded etc. This means that the calculation would have to be caveatted accordingly. We could not support a very prescriptive calculation that required exact data / times without turning ourselves into a production outfit.

**ANNEX 1 PROCESS DIAGRAMS**

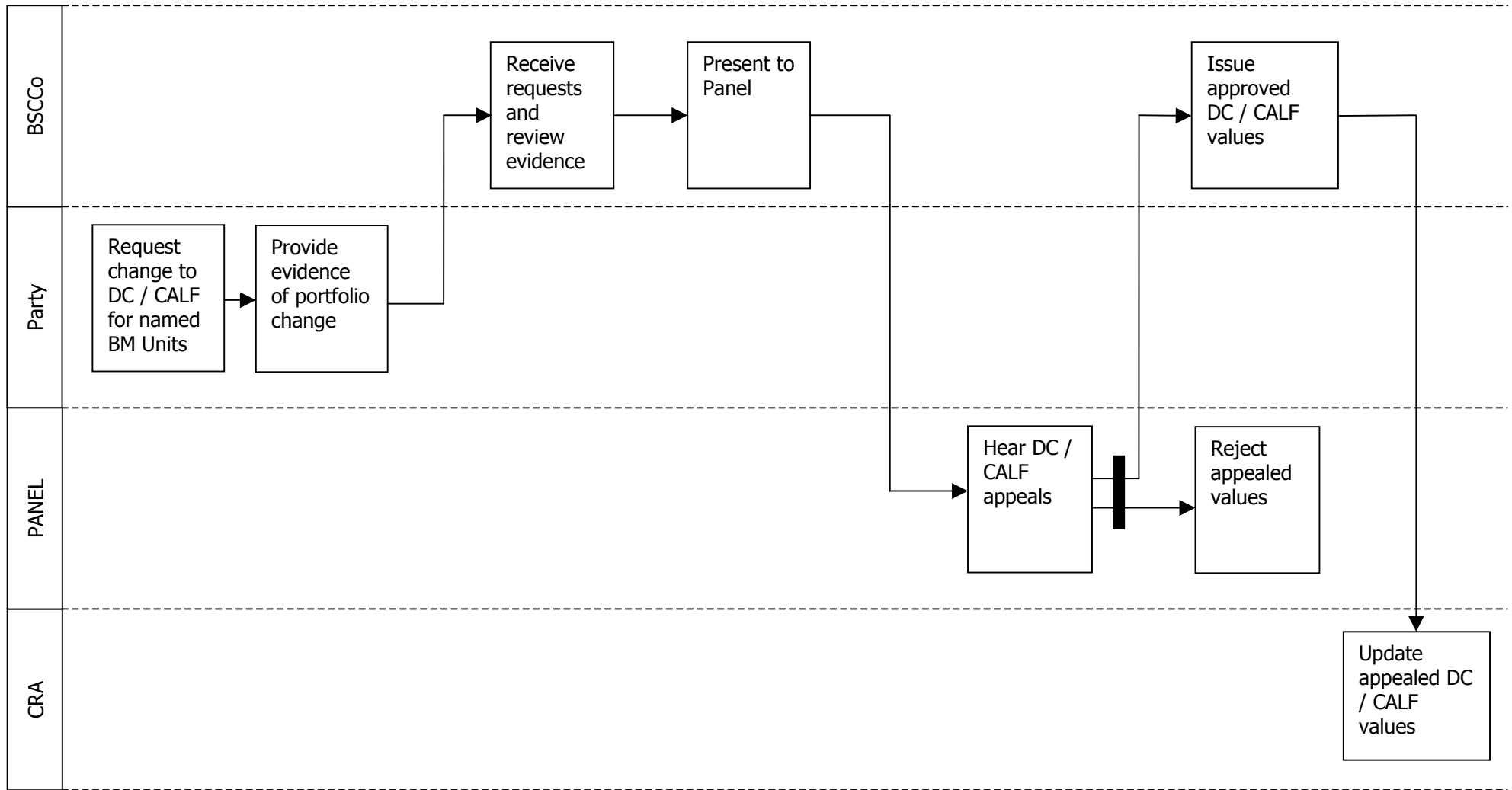
**A1.1 P122 DETERMINATION OF HOLIDAY PERIODS (AT THE START OF EACH BSC YEAR)**



**A1.2 P122 HOLIDAY CALF REQUEST PROCESS (PRIOR TO START OF NEXT BSC SEASON)**

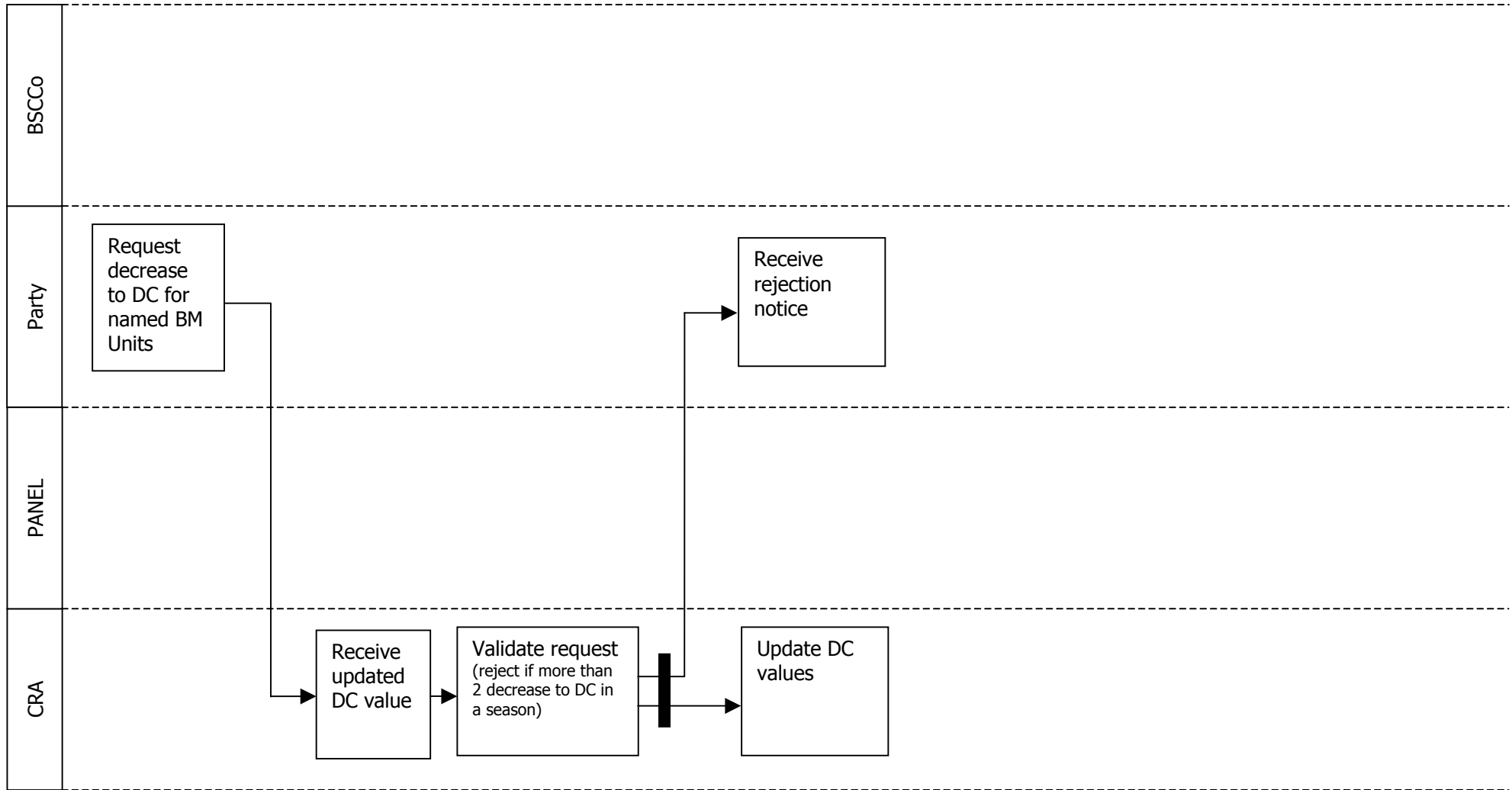


**A1.3 P123 OPTION 1 – FORMAL DC / CALF PROCESS**



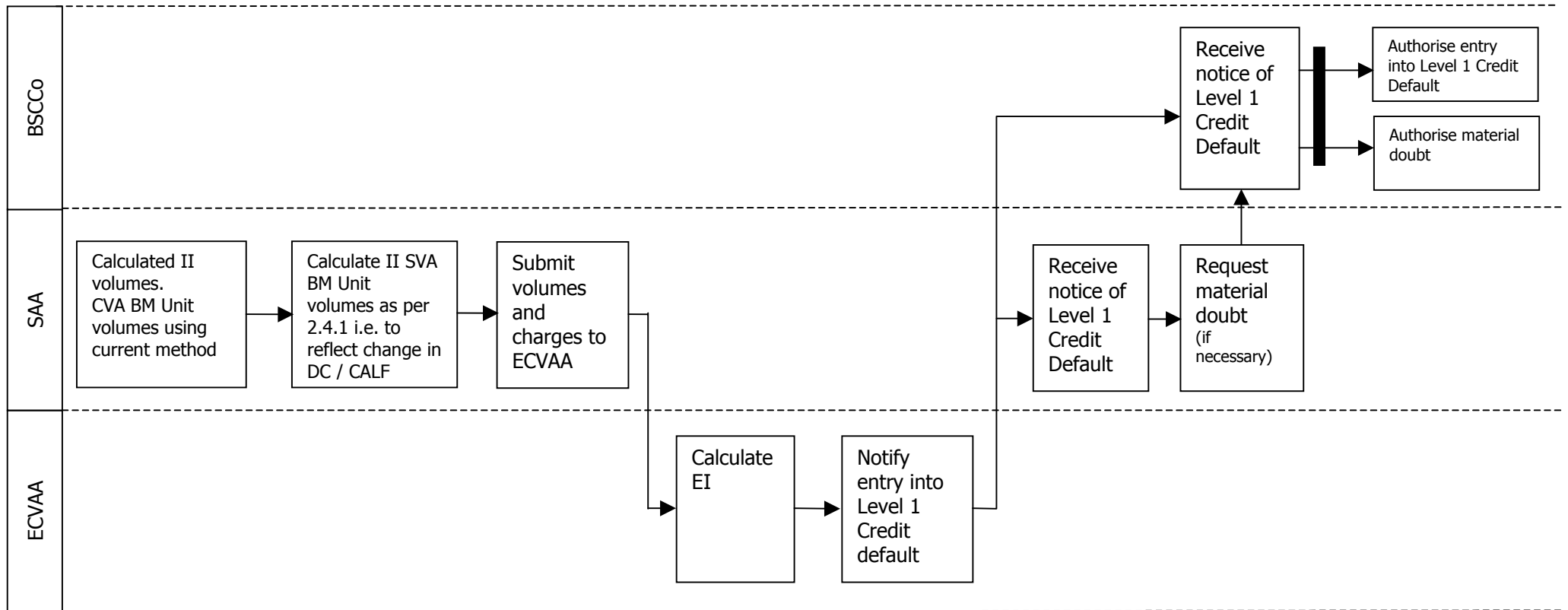
**A1.4 P123 OPTION 2 – DECREASING DC WITHOUT FORMAL APPROVAL MID SEASON**

(CALF process is the same as currently but can be triggered at any point during a BSC Season for reasons of portfolio change)

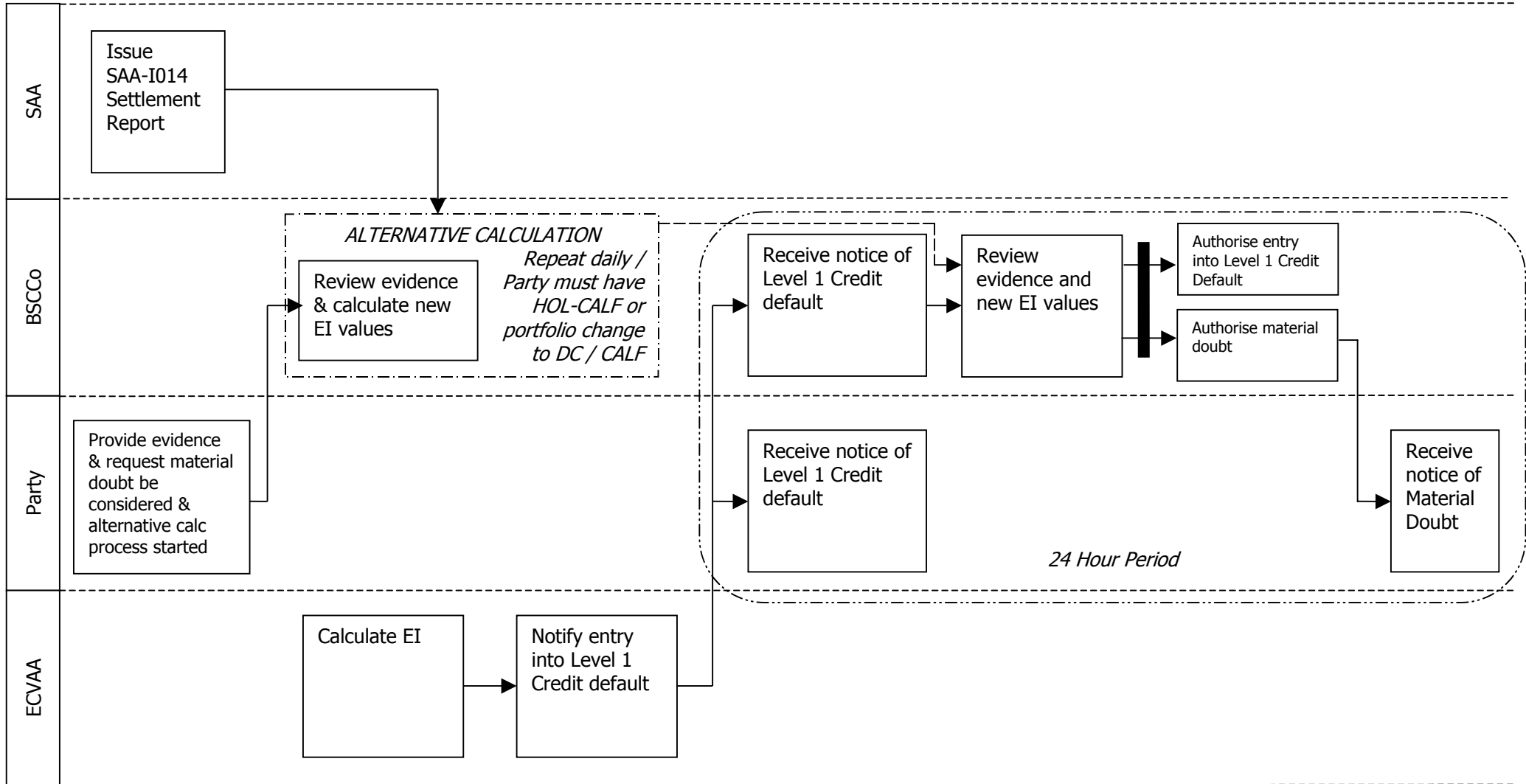


### A1.5 OPTION A – CHANGES TO ENERGY INDEBTEDNESS CALCULATION

There are no substantial changes to the current process, the major change is to the calculations carried out by SAA.

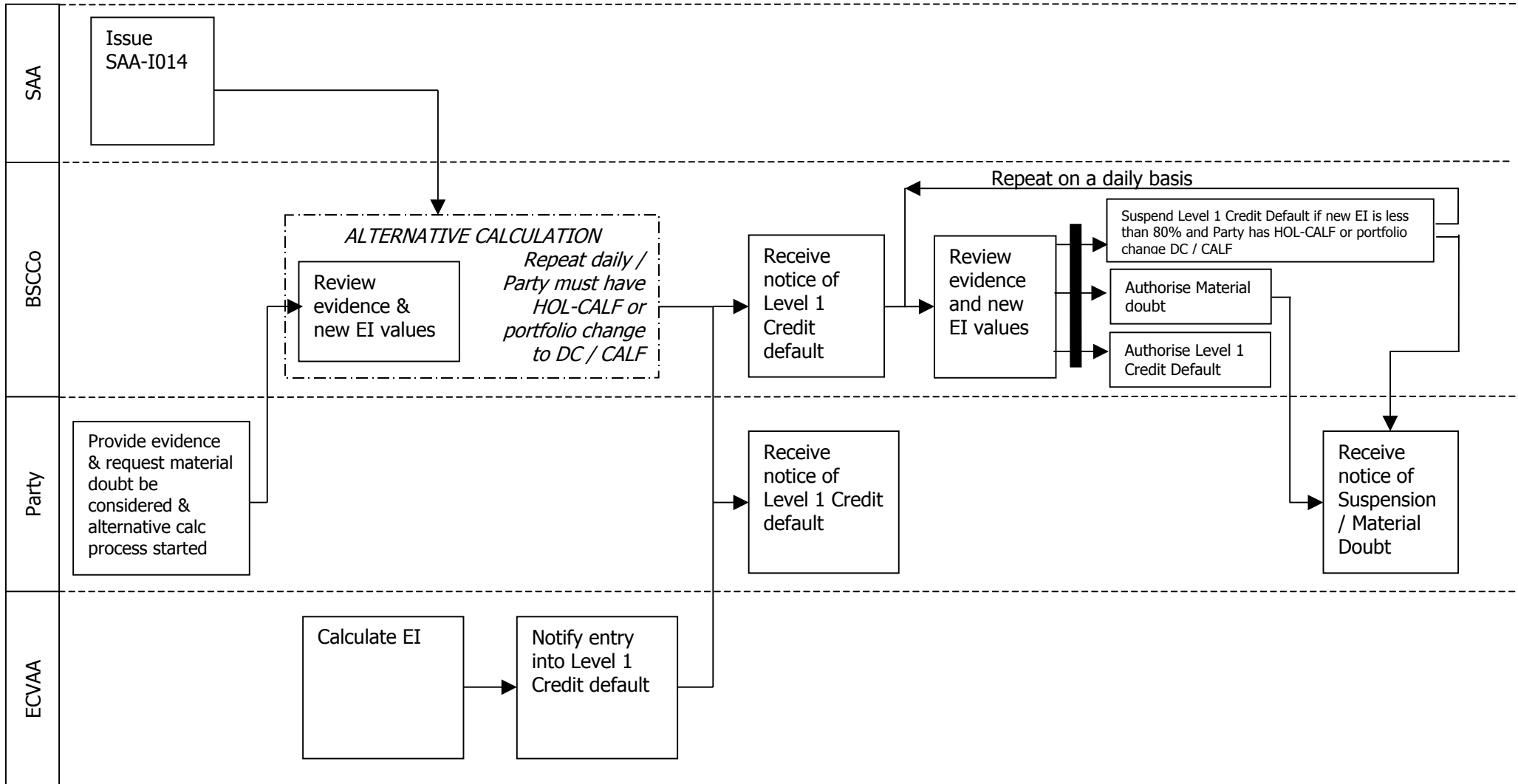


**A1.6 OPTION B - MATERIAL DOUBT PROCESS**





**A1.7 OPTION C – SUSPENSION OF CREDIT DEFAULT NOTICE BASED ON ALTERNATIVE CALCULATION**



## ANNEX 2 CONSULTATION QUESTIONS

### A2.1 P122 ASSESSMENT CONSULTATION QUESTIONS

BSC Parties and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent Name:</b>	
<b>No. of BSC Parties Represented</b>	
<b>BSC Parties Represented</b> <i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i>	
<b>No. of Non BSC Parties Represented</b>	
<b>Non BSC Parties represented</b> <i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>	
<b>Role of Respondent</b>	Supplier / Generator / BSC Agent / Party Agent / other – please state <sup>5</sup>

Q	Question	Response <sup>5</sup>	Rationale
1	Do you agree that holiday periods should be limited to the Christmas-New Year period and Easter period as described in the document? Please give rationale	Yes / No	
2	Do you agree with the SSMG view that the rules for assigning a holiday CALF value should be in the CALF Guidelines? Please give rationale	Yes / No	
3	Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P122? Please give rationale.	Yes / No	

<sup>5</sup> Delete as appropriate – please do not use strikethrough, this is to make it easier to analyse the responses

Q	Question	Response <sup>5</sup>	Rationale
4.	Do you support the implementation approach described preferred by the Modification Group? Please give rationale	Yes / No	
5.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes / No	
6.	Does P122 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	Yes / No	
7.	Do you believe Proposed Modification P122 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes / No	
8.	Are there any further comments on P122 that you wish to make?	Yes / No	

Please send your responses by **17:00 on Monday 16 June 2003** to [Modifications@elexon.co.uk](mailto:Modifications@elexon.co.uk) and please entitle your email '**P122 Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Joanne Ellis / Mandi Francis on 020 7380 4300, email address [Joanne.ellis@elexon.co.uk](mailto:Joanne.ellis@elexon.co.uk) or [mandi.francis@elexon.co.uk](mailto:mandi.francis@elexon.co.uk).

## A2.2 P123 ASSESSMENT CONSULTATION QUESTIONS

BSC Parties and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent Name:</b>	
<b>No. of BSC Parties Represented</b>	
<b>BSC Parties Represented</b> <i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i>	
<b>No. of Non BSC Parties Represented</b>	
<b>Non BSC Parties represented</b> <i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>	
<b>Role of Respondent</b>	Supplier / Generator / BSC Agent / Party Agent / other – please state <sup>6</sup>

Q	Question	Response <sup>5</sup>	Rationale
1	Do you agree with the SSMG that the preferred implementation approach for change DC and CALF for reasons of portfolio change is option 2? Please give rationale	Yes / No	
2	Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P123? Please give rationale.	Yes / No	
3	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes / No	
4	Does P123 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	Yes / No	

<sup>6</sup> Delete as appropriate – please do not use strikethrough, this is to make it easier to analyse the responses

Q	Question	Response <sup>5</sup>	Rationale
5	Do you believe Proposed Modification P123 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)	Yes / No	
6	Are there any further comments on P123 that you wish to make?	Yes / No	

Please send your responses by **17:00 on Monday 16 June 2003** to [Modifications@elexon.co.uk](mailto:Modifications@elexon.co.uk) and please entitle your email '**P123 Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Joanne Ellis / Mandi Francis on 020 7380 4300, email address [Joanne.ellis@elexon.co.uk](mailto:Joanne.ellis@elexon.co.uk) or [mandi.francis@elexon.co.uk](mailto:mandi.francis@elexon.co.uk).