
Paper	Modification Consultation
Date	25 April 2002
Paper Title	Modification Proposal P68 'Modification to the BSC relating to the setting of Supplier Caps for use in the Supplier Charges (Liquidated Damages) calculation'
Purpose of Paper	For Consultation and High Level Impact Assessment
Synopsis	This paper presents the progress made on Modification Proposal P68 and requests that Parties undertake a consultation on the questionnaire appended to this paper. It is intended that the results of consultation will be considered by the Volume Allocation Modification Group prior to the Assessment Report being presented to the Panel on 16 May 2002. Responses to this consultation and impact assessment are required by 5 p.m. on Tuesday 7th May 2002.

1 Introduction

- 1.1 Modification Proposal P68 was raised by the Panel on 14 February 2002. The Modification Proposal seeks to amend the BSC relating to the setting of Supplier Monthly Caps for use in the Supplier Charges (Liquidated Damages) calculation.
- 1.2 The Supplier Monthly Cap is calculated on the basis of a Supplier's Supplier Deemed Take in the relevant GSP Group for the relevant month. However, Supplier Deemed Take can legitimately be a negative value, for example when a Supplier's Active Export (AE) is greater than the sum of its Active Import (AI) and Unmetered Supplies (UMS). This can occur when a Supplier has a large volume of energy sourced from exemptable generation.
- 1.3 Should a negative Supplier's Monthly Cap be determined then the calculated Supplier Charges arising from any non-performance will be negative, i.e. a payment to the Supplier, rather than a payment from the Supplier. This will in turn impact the overall funds available for redistribution to other Suppliers. Modification Proposal P68 seeks to address this anomaly.
- 1.4 Where a Supplier fails to meet the agreed Performance Levels then Supplier Charges are levied on that Supplier. These charges are set to reflect the loss likely to be suffered by other Parties as a result of the failure.
- 1.5 The rules governing the calculation of the Supplier Charges are set out in Section S-1 of the BSC. The calculations are conducted on a monthly basis and are performed by Grid Supply Point (GSP) Group, using the Performance Assurance Reporting & Monitoring System (PARMS).
- 1.6 The calculations include the computation of a financial cap for each Supplier's liabilities within a GSP Group (the Supplier's Monthly Cap). Where the calculated net liabilities for the Supplier in that GSP Group exceed this cap, then they are scaled according to a defined formula to ensure that they do not exceed this cap. This formula expresses the Supplier Charges as a multiple of the Supplier's Monthly Cap (see BSC, S1, 4.1.3). Supplier Charges are levied against Suppliers for under-performance against the standards set out in Annex S-1 of the BSC.
- 1.7 The Modification Proposal has been considered by the Volume Allocation Modification Group (VAMG). Which has identified that the Modification Proposal could be implemented by replacing the use of Supplier Deemed Take in the calculation of Supplier Charges by a new term called

Supplier Cap Take. This would be defined as the take at GSP Group level for a SVA Supplier during a Settlement Period.

- 1.8 The VAMG has prepared a draft Assessment Report a copy of which is attached for information.
- 1.9 In accordance with its terms of reference the VAMG is carrying out a consultation and high-level impact assessment on Modification Proposal P68.
- 1.10 Responses to this consultation should be provided to Modifications@elexon.co.uk by **5 p.m. on Tuesday 7th May 2002**. Any queries relating to this consultation should be referred to the ELEXON help desk on 0207 380 4222.

1.1 CONSULTATION AND HIGH LEVEL IMPACT ASSESSMENT

As required by its terms of reference, the Volume Allocation Modification Group is carrying out a consultation and high-level impact assessment on Modification Proposal P68. Attachment 1 provides the consultation questions. Attachment 2 provides the high-level impact assessment. Both are attached in Word format to the Email sent.

If you receive this consultation and impact assessment from ELEXON Modifications please complete the consultation questionnaire, Attachment 1, and return your response by **5 p.m. on Tuesday 7th May 2002** to the following e-mail address: modifications@elexon.co.uk. Please entitle your e-mail 'P68 Consultation Response'.

If you receive this consultation and impact assessment via your SCA please complete the high-level impact assessment, Attachment 2, and return your response by **5 p.m. on Tuesday 7th May 2002**.