



30 November 2001

URGENT MODIFICATION REPORT
Modification Proposal P57:
Amendment To BSC Failing Supplier
Process To Allow A Legal Entity To
Have Two Party Ids For A Short
Period

Prepared by ELEXON on behalf of the Balancing
and Settlement Code Panel

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I DOCUMENT CONTROL

a Authorities

Version	Date	Author	Signature	Change Reference
1.0	03/12/01	ELEXON		Final Version for Authority

b Distribution

Name	Organisation
Each BSC Party	Various
Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
energywatch	energywatch
Core Industry Document Owners	Various

c Intellectual Property Rights and Copyright

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1 DESCRIPTION OF PROPOSED MODIFICATION

The BSC Failing Supplier Process is defined in Section K paragraph 7 of the Balancing and Settlement Code (the Code) and makes provision for the appointment of a Replacement Supplier in the circumstances of a Supplier of Last Resort direction from the Authority or a trade sale.

The process to appoint a Replacement Supplier in the circumstance of a trade sale only allows the Replacement Supplier to assume ownership of the BM Units of the failing Supplier. Without purchasing the company of the failing Supplier, there is no process that allows a Replacement Supplier to continue to operate the assets of the failing Supplier under the legal entity of the Replacement Supplier (i.e. retaining separate Production and Consumption accounts for the BM Units of the failing Supplier within the legal entity of the Replacement Supplier and/or retaining two registration identities to the Replacement Supplier).

An amendment to the Code is proposed to allow a Replacement Supplier to operate in this way in the circumstances of a trade sale.

It is proposed to amend Section K7 to allow the process described above in the circumstances of a trade sale, as described in Section K7.2.1.

It is not currently proposed to allow this process in any other circumstances.

High level analysis in the time available indicates that no changes to central BSC systems will be required to implement this change. However this will only be substantiated if a full impact assessment is commissioned. A separate database may need to be maintained as part of CRS to ensure that the identities are associated with the Replacement Supplier (similar to a facility implemented for the PES Transfer Scheme).

2 RECOMMENDATION

The BSC Panel recommends to the Authority that:

[The Proposed Modification, as set out in the legal text attached to this report be approved and implemented with immediate effect.]

3 RATIONALE FOR RECOMMENDATIONS

The current rules prevent a party from having more than one id. However, current issues surrounding the future of BSC signatories and the protection of customers following the termination or sale of a party have identified that there are circumstances where the ability to run two ids for a temporary period would be beneficial.

The current rules prevent a Party from holding more than one Production Account and more than one Consumption Account. However, current issues surrounding the future of BSC signatories and the protection of customers following the termination or sale of a party have identified that there are circumstances where the ability to run two sets of accounts and identities for a temporary period would be beneficial.

The Panel therefore considers that the Proposed Modification will better facilitate the achievement of the Applicable BSC Objectives by addressing the lack of an ability to provide an effective and timely transfer of customers and responsibilities between parties which could be detrimental to the operation of the market. This proposal provides for the quickest possible solution in such circumstances. In

particular, the Panel is of the view that the objective set out in Transmission Licence Condition C3.3(c) ('Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity') will be furthered by this modification.

4 STATEMENT OF URGENCY

In considering the Proposer's request that this proposal be afforded urgent status under the provisions of F2.9 of the Code the Panel took account of the prevailing situation whereby two companies within the Enron group which are signatories to the Code had gone into Administration in the UK and that a buyer was being sought for a further Enron subsidiary, Enron Direct, which is also a BSC Party and a supplier to about 167,000 industrial and commercial customers. Under these circumstances the Panel agreed that such a proposal should be treated as an Urgent Modification Proposal.

5 PROCEDURE AND TIMETABLE

Modification Proposal P57 was submitted by BGT on 03 December 2001, with a recommendation that the proposal be treated as an Urgent Modification Proposal pursuant to BSC F2.9. After seeking the views of BSC Panel Members on 03 December 2001, the Panel Chairman consulted the Authority on the urgency of the proposal. The Authority consented to the urgent treatment of the proposal and directed that the Modification Report should be completed and submitted for determination by 8pm on 03 December 2001. The Authority also directed that a short period of consultation (1 hour) on this proposal should be factored into the timetable. The Panel was advised that to facilitate any sale a recommendation would have to be submitted to the Authority by 8.00pm on Monday 3 December and accordingly delegated authority to make a recommendation to the Authority to the Panel Chairman in the light of responses to the consultation.

The Panel considered that if approved, given the speed with which this Modification was processed and the limited length of the consultation period allowed within the timetable, it would wish to submit the Modification to review by a Modification Group in accordance with the procedure outlined in Section 2.9.7 of the Code. One particular issue that a number of Panel Members indicated that they would wish to be considered under any such review would be the period for which a party would be allowed to have more than one Party ID (the period of 3 months is suggested under the proposal). Some Panel Members were of the opinion that this was too long, but recognised that, under the circumstances, a full assessment of this issue was not possible at this time.

Consultation responses on the proposal were invited between 6.00pm and 7.00pm on Monday 3 December. It was subsequently judged to be infeasible to complete the legal drafting for the modification in the extremely short time available. It was also judged that, as the legal changes were relatively substantive, a second consultation should be undertaken. The draft Modification Report, including the draft legal text was issued on Tuesday 4 December, with responses sought by 12.00pm. An extension of the urgent timetable was sought by the Panel and granted by the Authority, such that the Modification Report should be submitted to for decision by 12.30pm on Tuesday 4 December.

6 SUMMARY OF RESPONSES

Copies of all consultation responses received are included in Annex 2.

6.1 Initial Consultation Responses

While few responses were received (attached in Annex 2) a number of parties raised concerns regarding the brevity of the consultation period. One respondent, supporting the Proposal, suggested that the period of 3 months be extended to 4. A second respondent asked a number of technical questions the answers to which are reflected in the legal drafting which accompanies this Report.

6.2 Second Consultation Responses

7 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

See Attachment 1.

ANNEX 1 – COPY OF MODIFICATION PROPOSAL

Modification Proposal	MP No: P57 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Amendment To BSC Failing Supplier Process To Allow A Legal Entity To Have Two Party Ids For A Short Period	
Submission Date <i>(mandatory by proposer):</i> 01 December 2001	
Description of Proposed Modification <i>(mandatory by proposer):</i> Amend the BSC to allow a party to have more than one Party ID for a short period in exceptional circumstances (ie. Supplier of Last Resort provisions, termination of User etc.) The period of 3 months is suggested to match in with the current timeframes for meeting BSC requirements in respect of metering arrangements. It is anticipated that Elexon would be responsible for any decision in respect of the application and enforcement of such an option. However, Ofgem could be asked to be the arbiter should BSC parties prefer.	
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i> The current rules prevent a party from having more than one id. However, current issues surrounding the future of BSC signatories and the protection of customers following the termination or sale of a party have identified that there are circumstances where the ability to run two ids for a temporary period would be beneficial. The current rules prevent a Party from holding more than one Production Account and more than one Consumption Account. However, current issues surrounding the future of BSC signatories and the protection of customers following the termination or sale of a party have identified that there are circumstances where the ability to run two sets of accounts and identities for a temporary period would be beneficial.	
Impact on Code <i>(optional by proposer):</i> The BSC Failing Supplier Process is defined in Section K paragraph 7 of the Balancing and Settlement Code (the Code) and makes provision for the appointment of a Replacement Supplier in the circumstances of a Supplier of Last Resort direction from the Authority or a trade sale. The process to appoint a Replacement Supplier in the circumstance of a trade sale only allows the Replacement Supplier to assume ownership of the BM Units of the failing Supplier. Without purchasing the company of the failing Supplier, there is no process that allows a Replacement Supplier to continue to operate the assets of the failing Supplier under the legal entity of the Replacement Supplier (i.e. retaining separate Production and Consumption accounts for the BM Units of the failing Supplier within the legal entity of the Replacement Supplier and/or retaining two registration identities to the Replacement Supplier). An amendment to the Code is proposed to allow a Replacement Supplier to operate in this way in the circumstances of a trade sale. It is proposed to amend Section K7 to allow the process described above in the circumstances of a trade sale, as described in Section K7.2.1. It is not currently proposed to allow this process in any other circumstances.	
Impact on Core Industry Documents <i>(optional by proposer):</i>	

Modification Proposal	MP No: P57 <i>(mandatory by BSCCo)</i>
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i> A separate database may need to be maintained as part of CRS to ensure that the identities are associated the Replacement Supplier (similar to the facility implemented for the PES Transfer Scheme).	
Impact on other Configurable Items <i>(optional by proposer):</i>	
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i> The Applicable BSC Objectives are set out in paragraph 3 of Condition C3 of the Transmission Licence, as follows: (a) The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence; (b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System; (c) Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity; (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements. We believe all the relevant objectives are affected by circumstances whereby the lack of an ability to provide an effective and timely transfer of customers and responsibilities between parties could be detrimental to the operation of the market. This proposal provides for the quickest possible solution in such circumstances.	
Details of Proposer: Name: Simon Goldring Organisation: British Gas Trading Limited Telephone Number: 01753-758051 Email Address: Simon.Goldring@Centrica.co.uk	
Details of Proposer's Representative: Name: Simon Hadlington Organisation: British Gas Trading Limited Telephone Number: 01753- 758056 Email Address: Simon.hadlington@Centrica.co.uk	

Modification Proposal	MP No: P57 <i>(mandatory by BSCCo)</i>
Details of Representative's Alternate: <p style="margin-left: 40px;">Name: n/a</p> <p style="margin-left: 40px;">Organisation:</p> <p style="margin-left: 40px;">Telephone Number:</p> <p style="margin-left: 40px;">Email Address:</p>	
Attachments: NO If Yes, Title and No. of Pages of Each Attachment:	

ANNEX 2 – CONSULTATION RESPONSES



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Our Ref.
Your Ref.
03 December 2001

Dear Sir

Urgent Modification Proposal 57: Amendment to BSC Failing Supplier Process to Allow a Legal Entity to Have Two Party IDs for a short period

Thank you for the opportunity of responding to this modification. This response is on behalf of British Gas Trading, Accord Energy, Centrica King's Lynn and Centrica Peterborough. As Proposer of this modification we support the implementation of the proposal.

This modification will facilitate all Applicable BSC Objectives. It is particularly important this modification is implemented with immediate effect considering the current market situation.

Yours faithfully

Danielle Lane
Transportation Analyst

Npower

A couple of specific questions:

- 1) Will the two Party Ids be treated as though they were separate BSC Parties for the purposes of Settlement Invoicing, Credit Cover etc?
- 2) What will the effect on the other be if one of the Party Ids goes into Default/Credit Default?

Further comments:

- 3) We would seek confirmation that the perceived implied restriction against having more than more than one "registration identity" only relates to Party Ids and not Market Participant Ids, since there are at least two precedents of BSC Parties having more than one Market Participant Id without any implication from Elexon that this is not BSC compliant.
- 4) What is the proposed modification to the wording of BSC Section K7?

Best regards,

Richard Harrison

Npower Finance - Commercial Services

NETA & BSC Issues Manager

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Modifications Secretary
Elexon Limited
Third Floor, 1 Triton Square
3rd December 2001
London NW1 3BX

Dear Sir,

Thank you for the opportunity to comment on Modification Proposal P57.

We agree with the justification for the Proposed Modification in terms of the following Applicable BSC Objectives :

- (c) Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity;
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

We believe that these objectives are affected by circumstances whereby the lack of an ability to provide an effective and timely transfer of customers and responsibilities between parties could be detrimental to the operation of the market. This proposal appears to provide for the quickest possible solution in such circumstances, as asserted in the proposal.

We therefore support P 57.

However, we believe that these applicable objectives would be even better facilitated if the period in the modification were to be 4 months rather than three.

Yours sincerely
Liz Anderson
(London Electricity, South Western Electricity, Jade Power and Sutton Bridge Power)