

September 2001

**MODIFICATION REPORT**  
**MODIFICATION PROPOSAL P2 –**  
**Revision of the Methodology for**  
**Assessing Credit Indebtedness**

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

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## 1 SUMMARY AND RECOMMENDATIONS

### 1.1 Recommendation

Modification Proposal P2 proposes that the calculation of indebtedness for credit-checking purposes should be enhanced to use actual prices and metered volumes. The proposal states that this would protect Parties from the expense of having to post inappropriate levels of credit cover, and also the risk of a defaulting Party having unsecured settlement liabilities.

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal during the Assessment Phase, and the resultant findings of this report, the BSC Panel recommends that:

**The Proposed Modification set out in Section 7 of this report be approved, with an Implementation Date of 30 September 2002.**

### 1.2 Background

Modification Proposal P2 was submitted by British Gas on 27<sup>th</sup> March 2001, and submitted to the Definition Procedure (as defined in section F2.5 of the Balancing and Settlement Code) by the BSC Panel meeting on 5<sup>th</sup> April 2002. The BSC Panel meeting on 31<sup>st</sup> May 2001 agreed the Definition Report prepared by the Credit Modification Group, and submitted the Modification Proposal to the Assessment Procedure (as defined in section F2.6 of the Balancing and Settlement Code). The Assessment Report was then presented to the BSC Panel at the meeting on 26<sup>th</sup> July 2001. Further details of the process followed can be found in Section 4 of this report.

### 1.3 Rationale for Recommendations

The view of the Credit Modification Group, as described in the P2 Assessment Report, is that Modification Proposal P2 would facilitate achievement of the following Applicable BSC Objectives:

- Modification Proposal P2 would significantly reduce the unnecessary costs and risks imposed on Trading Parties by inaccuracies in the current methodology for assessing credit indebtedness. It would therefore remove a significant and material inefficiency in the operation of the balancing and settlement arrangements, hence facilitating achievement of the BSC Objective in condition 7A(3)(d) of the Transmission License.
- To the extent that the unnecessary costs and risks arising from the current methodology act as a deterrent to participation in the electricity market, Modification Proposal P2 would also facilitate achievement of the BSC Objective in condition 7A(3)(c) of the Transmission License (i.e. promoting effective competition in the generation and supply of electricity).

The BSC Panel meeting on 26<sup>th</sup> July 2001 noted the finding of the Credit Modification Group that Modification Proposal P2 would better facilitate the achievement of the Applicable BSC Objectives, and endorsed their recommendation that the draft Modification Report include a recommendation to approve the Modification Proposal. The BSC Panel meeting on 23<sup>rd</sup> August 2001 confirmed this recommendation.

Further details of the rationale for accepting the Modification Proposal can be found in the P2 Assessment Report.

## **2 INTRODUCTION**

This Report has been prepared by ELEXON Ltd., on behalf of the Balancing and Settlement Code Panel ('the Panel'), in accordance with the terms of the Balancing and Settlement Code ('BSC'). The BSC is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the BSC.

This Modification Report is addressed and furnished to the Gas and Electricity Markets Authority ('the Authority') and none of the facts, opinions or statements contained herein may be relied upon by any other person.

An electronic copy of this document can be found on the BSC website, at [www.elexon.co.uk](http://www.elexon.co.uk)

### **3 PURPOSE AND SCOPE OF THE REPORT**

BSC Section F sets out the procedures for progressing proposals to amend the BSC (known as 'Modification Proposals'. These include procedures for proposing, consulting on, developing, evaluating and reporting to the Authority on potential modifications.

The BSC Panel is charged with supervising and implementing the modification procedures. ELEXON provides the secretariat and other advice, support and resource required by the Panel for this purpose. In addition, if a modification to the Code is approved or directed by the Authority, ELEXON is responsible for overseeing the implementation of that amendment (including any consequential changes to systems, procedures and documentation).

A Modification Report must be prepared and submitted to the Authority in respect of each proposed modification and must contain:

- (a) The recommendation of the Panel as to whether or not the Proposed Modification or any Alternative Modification should be made;
- (b) The proposed Implementation Date for implementation of the Proposed Modification or any Alternative Modification;
- (c) The matters set out in Annex F-1 of the BSC. This will usually be in the form of the relevant Assessment Report where the Proposal has been submitted to a Modification Group prior to the Report Phase;
- (d) An explanation of the Panel's rationale should the Panel form a different view of any matters contained in the Modification Group Report; and
- (e) A summary of the representations made by Parties and interested third parties during the consultation undertaken in respect of the Proposed Modification and any Alternative Modification.

## 4 HISTORY OF PROPOSED MODIFICATION

Modification Proposal P2 was submitted by British Gas Trading Ltd. on 27<sup>th</sup> March 2001, and proposes that the calculation of indebtedness for credit-checking purposes should be enhanced to use actual prices and metered volumes. The proposal states that this would protect Parties from the expense of having to post inappropriate levels of credit cover, and also the risk of a defaulting Party having unsecured settlement liabilities.

The BSC Panel meeting on 5th April 2001 agreed that Modification Proposal P2 should be submitted to the Definition Procedure (as defined in section F2.5 of the Balancing and Settlement Code). This Definition Procedure was carried out by the Credit Modification Group, who concluded that Trading Parties are being exposed to significant risks and costs as a result of inaccuracies in the current credit-checking methodology.

The BSC Panel meeting on 31<sup>st</sup> May 2001 agreed the Definition Report prepared by the Modification Group, and agreed that Modification Proposal P2 should be submitted to the Assessment Procedure (as defined in section F2.6 of the Balancing and Settlement Code). In the course of the Assessment Procedure, the Modification Group issued for consultation and assessment a detailed description of two possible Modification Proposals:

- Modification Proposal P2, as proposed by British Gas Trading; and
- An Alternative Modification Proposal (developed by the Modification Group) which sought further to increase the accuracy of the credit-checking process by using a more accurate method of estimating indebtedness in the period prior to actual data becoming available.

Having reviewed the responses to this consultation, and assessed the costs and benefits of each Modification Proposal, the Modification Group concluded that Modification Proposal P2 would better facilitate the achievement of the Applicable BSC Objectives. Details of the analysis undertaken can be found in the Assessment Report.

The BSC Panel meeting on 26<sup>th</sup> July 2001 considered the Assessment Report prepared by the Credit Modification Group, and endorsed their recommendation that the draft Modification Report should recommend acceptance of Modification Proposal P2. The draft Modification Report was then issued for consultation.

The BSC Panel meeting on 23<sup>rd</sup> August 2001 considered the consultation responses; confirmed that the Final Modification Report should recommend acceptance of Modification Proposal P2; and agreed the legal text required to give effect to the Modification.

## 5 DESCRIPTION OF PROPOSED MODIFICATION

A full description of Modification Proposal P2 can be found in Section 5.3 of the P2 Assessment Report. The key points are:

- In order to ensure accurate calculation of indebtedness, credit-checking should take into account not just Energy Imbalance charges, but also all the other Trading Charges calculated by the SAA system i.e. Residual Cashflow Reallocation Cashflow, BM Unit Cashflow, Non-Delivery Charges and Information Imbalances.
- The Settlement Administration Agent (SAA) Interim Information run will be the source of Trading Charge data for the indebtedness calculation. This means that indebtedness will be based on Trading Charges calculated by SAA for that portion of the 29-day credit period for which an Interim Information run has been performed. For the remainder of the 29-day credit period, indebtedness will be estimated on the basis of Credit Assessment Price (CAP) and Credit Assessment Load Factor (CALF) as currently.
- In order to allow the SAA Interim Information run to calculate meaningful Trading Charges, the SAA system will be enhanced to estimate metered volumes for Supplier BM Units. This will be done by apportioning the GSP Group Take for day D between Supplier BM Units in proportion to their market share on a recent comparable day for which data is available.

The following table summarises the method used to calculate indebtedness under Modification Proposal P2:

<b>Data Used to Calculate Indebtedness Under Modification Proposal P2</b>		
	<b>Days With Interim Information Data (i.e. D-28 to D-7)</b>	<b>Days Without Interim Information Data (i.e. D-6 to D)</b>
<b>Price Used to Estimate Energy Imbalance</b>	Actual SSP/SBP	Credit Assessment Price
<b>Contract Volume Used to Estimate Energy Imbalance</b>	Actual Contract Volumes	Actual Contract Volumes
<b>Metered Volume Used to Estimate Energy Imbalance</b>	CVA – actual metered volumes SVA – estimated volumes (derived from GSP Group Take, and actual market share 21 days previously)	CALF-based estimate (i.e. BMCAEC <sub>i</sub> or BMCAIC <sub>i</sub> )
<b>Method Used to Estimate Other Trading Charges</b>	Trading Charges calculated directly by SAA	None (although the Panel could take these other charges into account when setting CAP)



## 6 RATIONALE FOR PANEL RECOMMENDATIONS

The Panel recommendation to accept Modification Proposal P2 was based on the conclusions of the Credit Modification Group, that the Proposal would better facilitate the achievement of the Applicable BSC Objectives. A full description of the Modification Group's reasons for arriving at this conclusion can be found in Section 5.4 of the P2 Assessment Report. The key points are:

- The current methodology for assessing credit indebtedness is over-estimating the indebtedness of certain Parties, potentially obliging them to post unwarrantedly high levels of credit cover. Analysis suggests that these Parties may be having to provide up to £170 million of unwarranted credit cover, at an estimated cost per annum of £1.7 million;
- Conversely, the current methodology for assessing credit indebtedness is under-estimating the indebtedness of certain Parties by some £30 million in total. This potentially allows these Parties to post a level of credit cover that would be insufficient to cover their settlement liabilities in the event of default, with Parties in aggregate bearing the resultant risk;
- Analysis suggests that Modification Proposal P2 would decrease the cost of unwarranted credit from £1.7 million to £0.3 million per annum, as well as reducing considerably the risk of a Party going into default with insufficient credit cover to pay their settlement liabilities. These benefits appear to significantly outweigh the likely cost of implementing the Modification; and
- Implementation of Modification Proposal P2 would therefore remove a significant and material inefficiency in the operation of the balancing and settlement arrangements, and hence facilitate achievement of the BSC Objective in condition 7A(3)(d) of the Transmission License i.e. promoting efficiency in the implementation and administration of the balancing and settlement arrangements.
- It would seem likely that the unnecessary costs and risks imposed on Trading Parties by the current methodology for assessing credit indebtedness may also act as a deterrent to participation in the electricity market, particularly for those organisations with limited ability to raise additional funds. Implementation of Modification Proposal P2 would therefore also facilitate achievement of the BSC Objective in condition 7A(3)(c) of the Transmission License (i.e. promoting effective competition in the generation and supply of electricity).

It should be noted that Modification Proposal P2 does not entirely remove the inaccuracies in the credit-checking methodology, and that it would be possible to implement an Alternative Modification Proposal that reduced still further the unnecessary costs and risks arising from participation in the balancing and settlement arrangements. However, the view of the Modification Group is that such an Alternative Modification Proposal would not further facilitate the Applicable BSC Objectives:

- One approach to increasing further the accuracy of credit checking would be to use actual system prices immediately after Gate Closure (rather than 5 Working Days later, as in Modification Proposal P2). However, this would cause any volatility in system prices to be immediately reflected in credit-checking, potentially causing unpredictable increases in calculated indebtedness, and significantly increasing the costs and risks incurred by Trading Parties in managing their credit cover; and
- Another possible approach to increasing further the accuracy of credit checking would be to obtain more accurate estimates of metered volumes. This is the approach underlying the Alternative Modification Proposal developed by the Modification Group. However, assessment suggests that the additional cost savings achievable through such an approach are relatively minor, and are unlikely to justify the additional cost of implementation.

## **7 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION**

The legal text to give effect to Modification Proposal P2 can be found in Annex 2 to this report:

- Annex A2.1 contains a red-lined version of the text; and
- Annex A2.2 contains a clean version of the text.

## 8 ASSESSMENT

The Modification Group's assessment of the impact of Modification Proposal P2 can be found in sections 6 to 10 of the P2 Assessment Report. The key points are:

- Amendments are required to Sections M, T and X-2 of the Balancing and Settlement Code (BSC). The full text of the required amendments can be found in Annex 2 of this report.
- Minor changes are required to BSC Procedure BSCP01, to describe the new interface from the Settlement Administration Agent (SAA) to the Energy Contract Volume Aggregation Agent (ECVAA).
- Amendments are required to the ECVAA and SAA services and systems.
- There is no impact on Core Industry Documents.
- There is no impact on the business processes Trading Parties are required to undertake in order to meet their obligations under the BSC. However, those Trading Parties who elect to replicate the indebtedness calculations performed by ECVAA (in order to predict and/or verify their indebtedness) may need to update their systems to reflect the changes to ECVAA functionality.

## 9 SUMMARY OF REPRESENTATIONS

### 9.1 Consultation on Draft Modification Report

Copies of all the representations received in response to the Consultation on the Draft Modification Report can be found in Annex 1 to this report. The responses can be summarised as follows:

- Nine representations were received in response to the consultation on the Draft Modification Report, all of which supported the recommendation to implement Modification Proposal P2. One of the representations (from Powergen) expressed disappointment that the Alternative Modification Proposal had not been accepted.
- Powergen expressed disappointment that it was not possible to implement Modification Proposal P2 sooner, pointing out that as a result of the delay, two more changes of season<sup>1</sup> would take place under the current methodology. They suggested that these seasonal changeover periods are the times when demand is most difficult to predict and hence when BSC Parties are most likely to suffer credit default from poor forecasting. They therefore asked for clarification of the reason for the delay, and suggested that the Panel should investigate an interim fix that will reduce BSC Parties' exposure to a defaulting BSC Party whilst the inadequate current methodology is still in existence. This issue is discussed further in section 9.1.1 below.
- Seeboard noted that the legal drafting in Annex 2 of the report didn't specify the rules for 'mapping' Settlement Periods on a clock change day to those on a non clock change day, and vice versa, and asked how market participants would be kept informed of changes to the rules. The legal drafting in Annex 2 to this report has now been updated to address this point.
- British Energy pointed out that the metered volumes from the Interim Information run may include estimated data, which could lead to inaccuracies in calculated credit indebtedness. They therefore proposed that "a mechanism should be in place such that a party experiencing problems with meter data which affect its credit position can, with approval of the panel, seek to have appropriate rapid adjustments made to its credit position. This could comprise a fast track manually input 'adjuster' to the metered volumes in the credit calculation." This issue is discussed further in section 9.1.2 below.
- Innogy expressed the view that, in order to maintain awareness of their credit positions, Parties are likely to replicate the ECVAAs calculations. They therefore suggested that the decision on whether to implement Modification Proposal P2 should consider the cost of changes to market participants' systems.

#### 9.1.1 Possible Requirement for Interim Solution

As noted above, the representation from Powergen expressed concern over the length of time until the proposed implementation of Modification Proposal P2, and the level of risk that BSC Parties would face in the meantime. It proposed that the Panel should consider an interim fix to reduce BSC Parties' exposure to a defaulting BSC Party whilst the inadequate current methodology is still in existence.

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<sup>1</sup> The draft Modification Report proposed an Implementation Date of [1 June 2002], but noted that ELEXON was undertaking an exercise to confirm the Implementation Dates of Modification Proposal P2 and of other Proposed Modifications (taking into account their interaction with the BSC Systems Release 2 project and with each other). Following completion of this exercise, an Implementation Date of 30 September 2002 is now proposed.

The BSC Panel meeting on 23<sup>rd</sup> August 2001 discussed this point, but concluded that such an interim fix would constitute a separate Modification Proposal to P2, and therefore fell outside the *vires* of the Panel.

### 9.1.2 Possible Need for Appeals Procedure

As noted above, the representation from British Energy suggested that an 'appeals procedure' was required to allow the Panel to adjust a Party's credit position, should the calculated credit position be incorrect as a result of errors in the calculation of credit indebtedness.

The BSC Panel meeting on 23<sup>rd</sup> August 2001 discussed this proposal, and concluded that a formal appeal procedure would not be able to operate within the short timescales associated with the credit-checking process. However, the Panel was sympathetic to the view that it would be unreasonable to place a Trading Party in Credit Default purely as a result of estimated meter readings that were unrepresentative of the Party's actual settlement liabilities. They therefore agreed that this should be treated as a special case of ELEXON's existing duty (under paragraph M3.4.3(a) of the Code) not to authorise a Credit Default if there is a material doubt as to whether the Credit Cover Percentage was accurately determined.

In order to clarify this, paragraph M1.2.1(e)(ii) has been added to the legal drafting in Annex 2 of this Report.

Subsequent to the Panel meeting on 23<sup>rd</sup> August 2001, a further email was received from British Energy, providing further clarification of their consultation response. The full text of this email can be found in section **P2\_MR\_005** of Annex 1 of this report. The email acknowledged that the revised legal drafting went some way towards meeting their concerns, but raised some additional issues as follows:

- It suggested that leaving it to BSCCo to decide whether an error in estimated meter readings constituted a "material doubt" was too weak, and that BSCCo should be specifically obliged to consider any query raised by a BSC Party, and to take reasonable steps to determine the relevance and validity of the query.
- It suggested that any inaccuracy in metered volumes could be considered a "material doubt", not just a difference between the metered volumes in the Interim Information run, and those in Initial Settlement.

The legal drafting in Annex 2 of this report has **not** been amended to reflect these suggestions, for the following reasons:

- ELEXON's legal advisers felt that the existing duty on BSCCo to act reasonably and in accordance with its Objectives would oblige it to give due consideration to any suggestion from a Party that paragraph M1.2.1(e)(ii) applied, and that a specific obligation was not therefore required or appropriate.
- Allowing an error in the estimates used at Initial Settlement to constitute a "material doubt" for the purposes of Section M3.4.3(a) could lead to a situation in which a Party's credit cover is less than their settlement liabilities. This would weaken the protection offered to BSC Parties by the credit cover arrangements, and hence lessen the extent to which Modification Proposal P2 facilitates achievement of the BSC Objectives in condition 7A(3)(c) and 7A(3)(d) of the Transmission License.

## 9.2 Previous Consultations on Modification Proposal P2

Summaries and copies of previous consultation responses received and considered by the Modification Group can be found as follows:

- The representations received under the initial consultation on Modification Proposal P2 are addressed in the P2 Definition Report, copies of which are available from the ELEXON website ([www.elexon.co.uk](http://www.elexon.co.uk)).
- A second consultation on the detail of Modification Proposal P2 was undertaken during the Assessment Procedure. The representations received in response to this consultation can be found in the P2 Assessment Report. This Modification Report should be read in conjunction with that Assessment Report.

## ANNEX 1 – REPRESENTATIONS

Representations were received from the following parties:

1.	TXU Europe Energy Trading Ltd	P2_MR_001
2.	Powergen	P2_MR_002
3.	London Electricity	P2_MR_003
4.	SEEBOARD	P2_MR_004
5.	British Energy plc	P2_MR_005
6.	Innogy	P2_MR_006
7.	Scottish & Southern Energy	P2_MR_007
8.	Scottish Power UK plc	P2_MR_008
9.	British Gas Trading	P2_MR_009

**P2\_MR\_001 – TXU Europe Energy Trading Ltd**

Thank you for the opportunity to comment on the above modification proposal.

TXU Europe Energy Trading Ltd (responding on behalf of all TXU Europe companies) support the recommendation that this modification proposal should be implemented.

Regards

Nicola Lea  
Market Development Analyst



## P2\_MR\_002 – Powergen

*Powergen UK plc ('Powergen') welcomes the opportunity to comment on MODIFICATION PROPOSAL NO: P2 Revision of the Methodology for Assessing Credit Indebtedness*

*Powergen provides this response on behalf of itself and the following BSC Parties: Powergen Energy plc, Diamond Power Generation Limited, and Cottam Development Centre Limited.*

Powergen supports this modification and looks forward to it being implemented in a timely manner. However, Powergen still has reservations regarding the long delay until implementation and is disappointed that the Alternative Modification Proposal was rejected. These points are elaborated below.

It is Powergen's view that the current arrangements for calculating credit cover are not satisfactory in estimating the credit cover position of a BSC Party. As a result the current arrangements provide little assurance that a defaulting Party could not result in significant costs being incurred by the industry at large.

Powergen welcomes the Panels decision to recommend that this proposal be accepted, and hence the implied recognition by the Panel of the risks and uncertainties that result from the current credit checking methodology. **Powergen is disappointed that the Alternative Modification Proposal was not accepted** but concedes that the proposal accepted should substantially reduce the uncertainties and risks resulting from the current methodology.

**Powergen is concerned by the long delay until implementation** (1 June 2002) – surprising since the Panel recognises the limitations and implied risks of the current methodology. Powergen would like to highlight that the considerable period until implementation involves two seasonal changes. These seasonal changeover periods are the times when demand is most difficult to predict and hence when BSC Parties are most likely to suffer credit default from poor forecasting. New and relatively inexperienced entrants to the market could compound these risks. BSC Parties will be exposed to these risks until the new methodology is implemented.

Powergen would like clarification of why such a long delay is necessary and why implementation cannot be brought forward. If implementation must be delayed, then Powergen believes that the Panel should investigate an interim fix that will reduce BSC Parties exposure to a defaulting BSC Party whilst the inadequate current methodology is still in existence.

C A Price  
Strategy & Regulation  
Energy Trading  
Powergen

**P2\_MR\_003 – London Electricity**

London Electricity is happy with this modification.

Liz Anderson

(London Electricity, South Western Electricity, Jade Power and Sutton Bridge Power)

**P2\_MR\_004 – SEEBOARD**

We agree with the recommendation from the modification report. However, given we do not have an actual implementation date, we assume that Elexon will keep all participants informed via its change procedures.

With regard to the reference in Annex 2 relating to mapping of Settlement periods, how will participants be informed of any such changes to these rules? Will they be via a new modification report or a new modification proposal?

Sue Fraser  
for DAVE MORTON  
0190 328 3465

## **P2\_MR\_005 – British Energy plc**

British Energy believe that the revised methodology for credit assessment recommended by the Panel would bring improvements and therefore support this modification in principle.

However, BE note that (a) CVA meter readings at the time of the Interim Information Run and Initial Settlement Run may contain missing or erroneous data, and (b) SVA meter data at an early stage of the settlement process have a high inherent level of inaccuracy.

Therefore, we believe that a mechanism should be in place such that a party experiencing problems with meter data which affect its credit position can, with approval of the panel, seek to have appropriate rapid adjustments made to its credit position.

This could comprise a fast track manually input "adjuster" to the metered volumes in the credit calculation. Corrected aggregated meter data would not normally be corrected until subsequent runs of the settlement system.

Regards  
Rachel Ace  
For  
British Energy Power and Energy Trading  
British Energy Generation  
Eggborough Power Ltd

***As described in section 9.1.2 of this report, a further email was received from Martin Mate of British Energy on 28<sup>th</sup> August 2001, clarifying their consultation response, and their views on the Panel's proposed solution to the issue. The text of this email was as follows:***

[the suggested approach to handling our concerns over the effect of potential metering errors on credit position] has potential to resolve our concerns, but needs firming up. Here are our further views.

To restate the concerns associated with using apparently "real" meter data:

1. A problem with CVA metering data at Interim Settlement and possibly beyond, which could take a few days or longer to resolve, could cause problems for the directly affected users, particularly generators or suppliers of directly connected sites. SVA users could also be affected by CVA data errors, but the problem is likely to be more "diluted" for them.
2. Errors in SVA metering are endemic, arising partly from the inability of meter operators and data collectors to perform their roles effectively, partly because of "genuine" metering and data collection problems, partly because of the time delays in NHH data collection and partly through pass-through of CVA errors. These mean that data at Initial Settlement and beyond can be of relatively poor quality. (I consider these problems unavoidable given the absence of effective competition in SVA metering services or appropriate incentivisation by Ofgem).

Your suggestion (or that of the Panel) is to allow BSCCo to consider possible errors it is aware of before issuing or withholding an authorisation notice under BSC section M3.4:

"Where BSCCo is aware that the Trading Charges for a BSC Party and Settlement Day provided to ECVAAs in accordance with T5.3.5 are likely to be significantly different to those calculated by the Initial Settlement Run for that Settlement Day, this may (if BSCCo so decides) constitute a material doubt for the purposes of paragraph 3.4.3(a)(ii)".

This would definitely be an improvement and I make the following detailed comments:

- a. BSCCo is given responsibility under BSC3.4 for authorising a Credit Default. In taking this decision, BSCCo should be obliged to consider any query raised by the affected party with the ECVAAs (eg. default query notice under M3.2.1) or directly with BSCCo. I consider "(if BSCCo so decides)" to be too weak. BSCCo should have an obligation to consider any such queries and take reasonable measures, in the absence of time for the BSC Panel or TDC to do it, to determine the relevance and validity of the query. This is not the same as requiring BSCCo to contact the party - it only requires them to take into account queries or representations that may have already been made.
- b. Reference to "Trading Charges" needs to capture that reference is being made to the final correct Trading Charges expected to be calculated in a subsequent Settlement Run.
- c. Reference to the "Initial Settlement Run" needs to be changed to the "latest Settlement Run from which the credit position of the party has been calculated" or similar, to capture the fact that Interim Settlement data could be wrong (a problem for CVA meters) as well as Initial Settlement (a problem for SVA meters).

I notice that sections M3.5 and M4 allow (I think) for an affected party (only, not its counterparties) to reclaim certain amounts if an error in data (such as meter data) is subsequently found to have caused a credit default. Personally, I would think it worth expending considerable effort up-front to avoid the possibility of unnecessary credit defaults being called. There may be arguments that strict rules would incentivise accurate and fast meter data collection, however these processes are largely in the hands of agents over which only limited direct control can be exercised.

Even with the proposed changes here, parties would still be incentivised to identify significant metering issues quickly and raise them, in order that BSCCo can take them into account if credit problems result,

**P2\_MR\_006 - Innogy**

Below are the comments on behalf of Innogy plc, npower Ltd, npower (Yorkshire) Ltd, npower direct ltd, Yorkshire Electricity Group, Innogy Cogeneration Trading Ltd.

The last of the key points in section 8 states that '.....However those Trading Parties who elect to replicate the indebtedness calculations performed by ECVA .....may need to update their systems to reflect the changes to ECVA functionality.'

Awareness of ones credit position is critical, therefore parties are likely to replicate the ECVA calculations. Introduction of this modification should therefore consider the cost of system changes on market participants.

Regards,  
Terry Ballard  
01905-340507  
07989-493038

**P2\_MR\_007 – Scottish & Southern Energy**

This response is sent on behalf of Southern Electric, Scottish and Southern Energy, Keadby Generation Ltd and SSE Energy Supply Ltd.

We support the recommendation of the Panel, that the Modification as submitted is approved, rather than the Alternative Modification Proposal. We look forward to an early implementation date. We have no further comments on the Draft Report.

Regards  
Robert

**P2\_MR\_008 – Scottish Power UK plc**

**Modification Proposal P2 – Revision of the Methodology for Assessing Credit Indebtedness**

Having reviewed the Draft Modification Report for P2, we support the Modification Group's recommendation that the Proposed Modification, as set out in Section 7, be implemented as soon as possible.

I hope that you find these comments to be helpful. If I may be of any further assistance, please do not hesitate to contact me.

Yours Sincerely,

**James Nixon**

On behalf of:

Scottish Power UK plc, Manweb Plc and Manweb Services Ltd.



**P2\_MR\_009 – British Gas Trading**

Modification Proposal 2: Revision of the Methodology for Assessing Credit  
Indebtedness

Thank you for the opportunity of responding to this modification proposal.

As proposer, British Gas Trading (BGT) fully support the implementation of this modification. We the implementation of Mod P2 would further Applicable BSC Objectives c) and d).

Yours faithfully  
Danielle Lane  
Transportation Analyst

## ANNEX 2 – LEGAL TEXT TO GIVE EFFECT TO MODIFICATION PROPOSAL P2

Proposed text to amend the BSC is as follows. Section A2.1 is the conformed version (using redline and strikeout to show the amendments), while A2.2 is the clean version.

### A2.1 – Conformed Version

*Sections M1.2 to M1.4 amended as follows:*

#### 1.2 Energy Indebtedness

1.2.1 For the purposes of the Code:

(a) in relation to a Settlement Period  $j$  the "Energy Indebtedness" ( $EI_{pj}$ , in MWh) of a Trading Party  $p$  shall be the algebraic sum of:

- i) the algebraic sum of Actual Energy Indebtedness for Trading Party  $p$  for those Settlement Days  $d$  within the 29 day period for which (at Gate Closure for Settlement Period  $j$ ), Gate Closure has passed for the first Settlement Period of the Settlement Day following that on which the Settlement Calendar specifies that the Interim Information Settlement Run for Settlement Day  $d$  is to take place (but excluding those days for which, as a result of a delay in the Interim Information Settlement Run in accordance with Section T1.4, the ECVAA does not receive the Interim Information Settlement Run data from the SAA by Gate Closure for the first Settlement Period of the Settlement Day containing Settlement Period  $j$ ); and
- ii) the algebraic sum of Credit Assessment Energy Indebtedness for Trading Party  $p$  in relation to that Settlement Period and all prior Settlement Periods in days falling within the 29 day period for which paragraph 1.2.1(a)(i) does not apply;

~~the Credit Assessment Energy Indebtedness of that Party in relation to that Settlement Period and all prior Settlement Periods falling within the period of 29 Settlement Days expiring on (and including) the Settlement Day which includes that Settlement Period;~~

(b) a reference to a Trading Party's Energy Indebtedness at any time is to its Energy Indebtedness in relation to the latest Settlement Period for which Gate Closure occurred before such time:-

(c) in relation to a Settlement Period, the 29 day period means the period of 29 Settlement Days expiring on (and including) the Settlement Day which includes that Settlement Period;

(d) for the purposes of paragraph 1.2.1(a)(i), where (by Gate Closure for the first Settlement Period of the Settlement Day containing the Settlement Period  $j$ ), the ECVAA has not received the Interim Information Settlement Run data from the SAA in accordance with Section T5.3.5 for any Settlement Day  $d$  within the 29 day period to which paragraph 1.2.1(a)(i) applies (other than as a result of a delay in the Interim Information Settlement Run in accordance with Section T1.4), the

ECVAA shall use the Credit Assessment Energy Indebtedness for the Settlement Periods in that Settlement Day d but without prejudice to paragraph 4; and

(e) in relation to a Trading Party and Settlement Day, where BSCCo:

i) is aware that the ECVAA has not received relevant Interim Information Settlement Run data from the SAA in accordance with Section T5.3.5; or

ii) has substantial evidence or other reasons to believe that the data to be derived from the Initial Settlement Run for that Trading Party and that Settlement Day are likely to be significantly different (in the context of that particular Trading Party) from the corresponding Interim Information Settlement Run data received by the ECVAA from the SAA in accordance with Section T5.3.5;

the absence of such data or the likelihood of such a significant difference (as the case may be) may, if BSCCo so decides and to the extent that it materially affects matters, constitute a material doubt for the purposes of paragraph 3.4.3(a)(ii).

1.2.2 For the purposes of paragraph 1.2.1, the Credit Assessment Energy Indebtedness ( $CEI_{pj}$ , in MWh) of a Trading Party in relation to a Settlement Period shall be determined as follows:

$$CEI_{pj} = - (\sum_{a,i} CAQCE_{iaj} - \sum_a QABC_{aj})$$

where:

- (a) summation on 'a' extends to the Production Energy Account and Consumption Energy Account of the Trading Party, and
- (b)  $CAQCE_{iaj}$  is the Credit Assessment Credited Energy Volume in accordance with paragraph 1.2.3.

1.2.3 The Credit Assessment Credited Energy Volume ( $CAQCE_{iaj}$ , in MWh) shall be determined:

- (a) for each BM Unit which is a Consumption BM Unit, and for each Energy Account which is a Subsidiary Energy Account for that BM Unit, as follows:

$$CAQCE_{iaj} = (SPD * BMCAIC_i) * (QMPR_{iaj}/100) + QMFR_{iaj}$$

- (b) for each BM Unit which is a Production BM Unit, and for each Energy Account which is a Subsidiary Energy Account for that BM Unit, as follows:

$$CAQCE_{iaj} = (SPD * BMCAEC_i) * (QMPR_{iaj}/100) + QMFR_{iaj}$$

- (c) for each BM Unit which is a Consumption BM Unit, for the Energy Account which is the Lead Energy Account for that BM Unit, as follows:

$$CAQCE_{iaj} = (SPD * BMCAIC_i) - \sum_a CAQCE_{iaj}$$

- (d) for each BM Unit which is a Production BM Unit, for the Energy Account which is the Lead Energy Account for that BM Unit, as follows:

$$CAQCE_{iaj} = (SPD * BMCAEC_i) - \sum_a CAQCE_{iaj}$$

where, for the purposes of paragraphs 1.2.3(c) and 1.2.3(d) only,  $\Sigma_a$  represents the sum over all Energy Accounts other than the Lead Energy Account.

1.2.4 Upon any change in the value of BM Unit Credit Assessment Export Capability or BM Unit Credit Assessment Import Capability for a BM Unit, values of Energy Indebtedness (for relevant Trading Parties) shall be determined (in relation to Settlement Periods in and from the day on which, in accordance with paragraph 1.6, the change becomes effective) as though such change were effective with effect from the first of the 29 days referred to in paragraph 1.2.1.

1.2.5 For the purposes of paragraph 1.2.1, in relation to a Settlement Day d, the Actual Energy Indebtedness of Trading Party p ( $AEI_p$ , expressed in MWh) shall be determined as follows:

$$\underline{AEI_p = \text{Trading Charges} / \text{CAP}}$$

where:

(a) CAP is the Credit Assessment Price in accordance with paragraph 1.4 prevailing at the time the relevant calculation is to be made by the ECVAAs; and

(b) The Trading Charges are the single net credit or debit amount (expressed in £) for that Trading Party, determined by the Interim Information Settlement Run, for Settlement Day d as referred to in paragraph T5.3.3 (c).

1.2.6 The ECVAAs shall determine each Trading Party's Energy Indebtedness in relation to each Settlement Period as soon as reasonably practicable after Gate Closure for that Settlement Period.

### **1.3 Authority for steps under Sections M and P**

1.3.1 In relation to the provisions of this Section M and Section P (and without prejudice to the generality of Section U2.6, but without prejudice to the ability of a Trading Party to raise a Trading Dispute), each Trading Party:

- (a) acknowledges that the calculation of Energy Indebtedness and other matters to be calculated under this Section M involves the possibility of error;
- (b) agrees that (subject to paragraph 3.2.4) the steps provided for in paragraph 3 and Sections P2.4 and P3.4 are to be taken notwithstanding any such error;
- (c) acknowledges that such Trading Party may avoid any such steps being taken, including by providing additional Credit Cover (on the basis that it may withdraw such additional Credit Cover in accordance with paragraph 2.3.3 following resolution of such error).

1.3.2 Each Trading Party:

- (a) hereby authorises the Panel, any Panel Committee, BSCCo, the ECVAAs and the SAA to take any step contemplated by paragraph 3 and Sections P2.4 and P3.4; and
- (b) agrees that (without prejudice to the generality of any other provision of the Code which limits or excludes liability), the Panel, each Panel Committee, BSCCo, and each BSC Agent shall have no liability (in contract or tort including negligence

or otherwise) to such Trading Party for the taking of any such step, except as provided in paragraph 4, and waives any such liability that any such body or person might otherwise have.

1.3.3 Nothing in paragraph 1.3.2(b) shall exclude or limit the liability of any person for death or personal injury resulting from that person's negligence.

#### 1.4 Credit Assessment Price

1.4.1 For the purposes of the Code the "Credit Assessment Price" shall be such amount (in £/MWh) as the Panel shall from time to time determine, after consultation with Trading Parties, as the price which it would be appropriate to use to determine the equivalent financial amount of Trading Parties' Energy Indebtedness for the purposes of this Section M.

1.4.2 Whenever the Panel determines to revise the Credit Assessment Price:

- (a) the Panel shall notify the revised Credit Assessment Price to each Trading Party, ~~and the FAA~~ and the ECVAA;
- (b) the revised Credit Assessment Price shall be effective for the purposes of the Code from the date specified by the Panel, which shall not be earlier than the 20th Business Day following the date of notification by the Panel under paragraph (a).

**No further changes until new section T4.2.2 added as follows:**

4.2.2 For the purposes of the Interim Information Settlement Run only, the BM Unit Metered Volume for Supplier BM Unit i for Settlement Period j in Settlement Day d will be determined as follows:

$$QM_{ij} = GSPGT_j * QM_{ij'} / GSPGT_{j'}$$

where:

- (a) GSPGT<sub>j</sub> is the GSP Group Take received by the SAA from the CDCA in respect of Settlement Period j for the GSP Group in which the Supplier BM Unit i is registered, and
- (b) QM<sub>ij'</sub> and GSPGT<sub>j'</sub> are respectively the values of BM Unit Metered Volume for that Supplier BM Unit and GSP Group Take for that GSP Group in Settlement Period j', and
- (c) Settlement Period j' is defined as follows:
  - (i) if Settlement Day d is not a clock change day, Settlement Period j' is the Settlement Period on Settlement Day d' corresponding to Settlement Period j on Settlement Day d;
  - (ii) if Settlement Day d is a short clock change day, defaulting rules will be applied as follows:
    - (1) if Settlement Period j is one of the first two Settlement Periods of Settlement Day d, Settlement Period j' is the Settlement Period on Settlement Day d' corresponding to Settlement Period j on Settlement Day d;

(2) if Settlement Period j is not one of the first two Settlement Periods of Settlement Day d, Settlement Period j' is the second Settlement Period after the Settlement Period on Settlement Day d' corresponding to Settlement Period j on Settlement Day d;

(iii) if Settlement Day d is a long clock change day, defaulting rules will be applied as follows:

(1) if Settlement Period j is one of the first four Settlement Periods of Settlement Day d, Settlement Period j' is the Settlement Period on Settlement Day d' corresponding to Settlement Period j on Settlement Day d;

(2) if Settlement Period j is not one of the first four Settlement Periods of Settlement Day d, Settlement Period j' is the second Settlement Period prior to the Settlement Period on Settlement Day d' corresponding to Settlement Period j on Settlement Day d;

or, in the case of paragraphs (ii) and (iii), such other or supplementary defaulting rules as may be approved from time to time by the Panel and notified by BSCCo to Trading Parties and the Transmission Company;

(d) Settlement Day d' is the most recent Settlement Day prior to Settlement Day d, that is not a clock change day and is the same day of the week as Settlement Day d, and for which the Initial Settlement Run has taken place;

(e) in this paragraph 4.2.2, corresponding means corresponding in sequence (that is to say, the first Settlement Period of a Settlement Day corresponds to the first Settlement Period of another Settlement Day and so on).

**No further changes until new section T5.3.5 added as follows:**

5.3.5 In relation to each Settlement Day, following the Interim Information Settlement Run, the SAA shall provide to the ECVAA the data and information specified in paragraphs 5.3.2 and 5.3.3, relating to each Interim Information Settlement Run, on the day that the Settlement Calendar specifies the Interim Information Settlement Run for the Settlement Day is to take place (subject to paragraph 1.4).

**No further changes until section U2.3.2 is amended as follows:**

2.3.2 In addition to the foregoing, an interim Settlement Run ("Interim Information Settlement Run"), and an interim Volume Allocation Run in respect of Central Volume Allocation (an "Interim Information Volume Allocation Run"), not giving rise to Settlement, will be carried out before the Initial Settlement Run, for the purposes of informing Trading Parties and the Transmission Company of the amounts expected to give rise to payments under the Initial Settlement Run and enabling them to identify and seek correction of any errors they believe to have been made in the determination of such amounts, and for the purposes of Section M1.2.

**No further changes until definitions in Table X-2 of Annex X-2 amended as follows:**

<u>Actual Energy Indebtedness</u>	<u>AEI<sub>p</sub></u>	<u>MWh</u>	<u>The amount determined as such in accordance with Section M1.2.5.</u>
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## A2.2 – Clean Version

*Sections M1.2 to M1.4 amended as follows:*

### 1.2 Energy Indebtedness

1.2.1 For the purposes of the Code:

- (a) in relation to a Settlement Period  $j$  the "**Energy Indebtedness**" ( $EI_{pj}$ , in MWh) of a Trading Party  $p$  shall be the algebraic sum of:
  - i) the algebraic sum of Actual Energy Indebtedness for Trading Party  $p$  for those Settlement Days  $d$  within the 29 day period for which (at Gate Closure for Settlement Period  $j$ ), Gate Closure has passed for the first Settlement Period of the Settlement Day following that on which the Settlement Calendar specifies that the Interim Information Settlement Run for Settlement Day  $d$  is to take place (but excluding those days for which, as a result of a delay in the Interim Information Settlement Run in accordance with Section T1.4, the ECVAA does not receive the Interim Information Settlement Run data from the SAA by Gate Closure for the first Settlement Period of the Settlement Day containing Settlement Period  $j$ ); and
  - ii) the algebraic sum of Credit Assessment Energy Indebtedness for Trading Party  $p$  in relation to that Settlement Period and all prior Settlement Periods in days falling within the 29 day period for which paragraph 1.2.1(a)(i) does not apply;
- (b) a reference to a Trading Party's Energy Indebtedness at any time is to its Energy Indebtedness in relation to the latest Settlement Period for which Gate Closure occurred before such time;
- (c) in relation to a Settlement Period, the 29 day period means the period of 29 Settlement Days expiring on (and including) the Settlement Day which includes that Settlement Period;
- (d) for the purposes of paragraph 1.2.1(a)(i), where (by Gate Closure for the first Settlement Period of the Settlement Day containing the Settlement Period  $j$ ), the ECVAA has not received the Interim Information Settlement Run data from the SAA in accordance with Section T5.3.5 for any Settlement Day  $d$  within the 29 day period to which paragraph 1.2.1(a)(i) applies (other than as a result of a delay in the Interim Information Settlement Run in accordance with Section T1.4), the ECVAA shall use the Credit Assessment Energy Indebtedness for the Settlement Periods in that Settlement Day  $d$  but without prejudice to paragraph 4; and
- (e) in relation to a Trading Party and Settlement Day, where BSCCo:
  - i) is aware that the ECVAA has not received relevant Interim Information Settlement Run data from the SAA in accordance with Section T5.3.5; or
  - ii) has substantial evidence or other reasons to believe that the data to be derived from the Initial Settlement Run for that Trading Party and that Settlement Day are likely to be significantly different (in the context of that particular Trading Party) from the corresponding Interim



Information Settlement Run data received by the ECVAA from the SAA in accordance with Section T5.3.5;

the absence of such data or the likelihood of such a significant difference (as the case may be) may, if BSCCo so decides and to the extent that it materially affects matters, constitute a material doubt for the purposes of paragraph 3.4.3(a)(ii).

1.2.2 For the purposes of paragraph 1.2.1, the Credit Assessment Energy Indebtedness ( $CEI_{pj}$ , in MWh) of a Trading Party in relation to a Settlement Period shall be determined as follows:

$$CEI_{pj} = - (\sum_{a,i} CAQCE_{iaj} - \sum_a QABC_{aj})$$

where:

- (a) summation on 'a' extends to the Production Energy Account and Consumption Energy Account of the Trading Party, and
- (b)  $CAQCE_{iaj}$  is the Credit Assessment Credited Energy Volume in accordance with paragraph 1.2.3.

1.2.3 The Credit Assessment Credited Energy Volume ( $CAQCE_{iaj}$ , in MWh) shall be determined:

- (a) for each BM Unit which is a Consumption BM Unit, and for each Energy Account which is a Subsidiary Energy Account for that BM Unit, as follows:

$$CAQCE_{iaj} = (SPD * BMCAIC_i) * (QMPR_{iaj}/100) + QMFR_{iaj}$$

- (b) for each BM Unit which is a Production BM Unit, and for each Energy Account which is a Subsidiary Energy Account for that BM Unit, as follows:

$$CAQCE_{iaj} = (SPD * BMCAEC_i) * (QMPR_{iaj}/100) + QMFR_{iaj}$$

- (c) for each BM Unit which is a Consumption BM Unit, for the Energy Account which is the Lead Energy Account for that BM Unit, as follows:

$$CAQCE_{iaj} = (SPD * BMCAIC_i) - \sum_a CAQCE_{iaj}$$

- (d) for each BM Unit which is a Production BM Unit, for the Energy Account which is the Lead Energy Account for that BM Unit, as follows:

$$CAQCE_{iaj} = (SPD * BMCAEC_i) - \sum_a CAQCE_{iaj}$$

where, for the purposes of paragraphs 1.2.3(c) and 1.2.3(d) only,  $\sum_a$  represents the sum over all Energy Accounts other than the Lead Energy Account.

1.2.4 Upon any change in the value of BM Unit Credit Assessment Export Capability or BM Unit Credit Assessment Import Capability for a BM Unit, values of Energy Indebtedness (for relevant Trading Parties) shall be determined (in relation to Settlement Periods in and from the day on which, in accordance with paragraph 1.6, the change becomes effective) as though such change were effective with effect from the first of the 29 days referred to in paragraph 1.2.1.

1.2.5 For the purposes of paragraph 1.2.1, in relation to a Settlement Day d, the Actual Energy Indebtedness of Trading Party p ( $AEI_p$ , expressed in MWh) shall be determined as follows:

$$AEI_p = \text{Trading Charges} / \text{CAP}$$

where:

- (a) CAP is the Credit Assessment Price in accordance with paragraph 1.4 prevailing at the time the relevant calculation is to be made by the ECVAA; and
- (b) The Trading Charges are the single net credit or debit amount (expressed in £) for that Trading Party, determined by the Interim Information Settlement Run, for Settlement Day d as referred to in paragraph T5.3.3 (c).

1.2.6 The ECVAA shall determine each Trading Party's Energy Indebtedness in relation to each Settlement Period as soon as reasonably practicable after Gate Closure for that Settlement Period.

### **1.3 Authority for steps under Sections M and P**

1.3.1 In relation to the provisions of this Section M and Section P (and without prejudice to the generality of Section U2.6, but without prejudice to the ability of a Trading Party to raise a Trading Dispute), each Trading Party:

- (a) acknowledges that the calculation of Energy Indebtedness and other matters to be calculated under this Section M involves the possibility of error;
- (b) agrees that (subject to paragraph 3.2.4) the steps provided for in paragraph 3 and Sections P2.4 and P3.4 are to be taken notwithstanding any such error;
- (c) acknowledges that such Trading Party may avoid any such steps being taken, including by providing additional Credit Cover (on the basis that it may withdraw such additional Credit Cover in accordance with paragraph 2.3.3 following resolution of such error).

1.3.2 Each Trading Party:

- (a) hereby authorises the Panel, any Panel Committee, BSCCo, the ECVAA and the SAA to take any step contemplated by paragraph 3 and Sections P2.4 and P3.4; and
- (b) agrees that (without prejudice to the generality of any other provision of the Code which limits or excludes liability), the Panel, each Panel Committee, BSCCo, and each BSC Agent shall have no liability (in contract or tort including negligence or otherwise) to such Trading Party for the taking of any such step, except as provided in paragraph 4, and waives any such liability that any such body or person might otherwise have.

1.3.3 Nothing in paragraph 1.3.2(b) shall exclude or limit the liability of any person for death or personal injury resulting from that person's negligence.

### **1.4 Credit Assessment Price**

1.4.1 For the purposes of the Code the 'Credit Assessment Price' shall be such amount (in £/MWh) as the Panel shall from time to time determine, after consultation with Trading

Parties, as the price which it would be appropriate to use to determine the equivalent financial amount of Trading Parties' Energy Indebtedness for the purposes of this Section M.

1.4.2 Whenever the Panel determines to revise the Credit Assessment Price:

- (a) the Panel shall notify the revised Credit Assessment Price to each Trading Party, the FAA and the ECVAA;
- (b) the revised Credit Assessment Price shall be effective for the purposes of the Code from the date specified by the Panel, which shall not be earlier than the 20th Business Day following the date of notification by the Panel under paragraph (a).

**No further changes until new section T4.2.2 added as follows:**

4.2.2 For the purposes of the Interim Information Settlement Run only, the BM Unit Metered Volume for Supplier BM Unit  $i$  for Settlement Period  $j$  in Settlement Day  $d$  will be determined as follows:

$$QM_{ij} = GSPGT_j * QM_{ij}' / GSPGT_{j'}$$

where:

- (a)  $GSPGT_j$  is the GSP Group Take received by the SAA from the CDCA in respect of Settlement Period  $j$  for the GSP Group in which the Supplier BM Unit  $i$  is registered, and
- (b)  $QM_{ij}'$  and  $GSPGT_{j'}$  are respectively the values of BM Unit Metered Volume for that Supplier BM Unit and GSP Group Take for that GSP Group in Settlement Period  $j'$ , and
- (c) Settlement Period  $j'$  is defined as follows:
  - (i) if Settlement Day  $d$  is not a clock change day, Settlement Period  $j'$  is the Settlement Period on Settlement Day  $d'$  corresponding to Settlement Period  $j$  on Settlement Day  $d$ ;
  - (ii) if Settlement Day  $d$  is a short clock change day, defaulting rules will be applied as follows:
    - (1) if Settlement Period  $j$  is one of the first two Settlement Periods of Settlement Day  $d$ , Settlement Period  $j'$  is the Settlement Period on Settlement Day  $d'$  corresponding to Settlement Period  $j$  on Settlement Day  $d$ ;
    - (2) if Settlement Period  $j$  is not one of the first two Settlement Periods of Settlement Day  $d$ , Settlement Period  $j'$  is the second Settlement Period after the Settlement Period on Settlement Day  $d'$  corresponding to Settlement Period  $j$  on Settlement Day  $d$ ;
  - (iii) if Settlement Day  $d$  is a long clock change day, defaulting rules will be applied as follows:
    - (1) if Settlement Period  $j$  is one of the first four Settlement Periods of Settlement Day  $d$ , Settlement Period  $j'$  is the Settlement Period on

Settlement Day d' corresponding to Settlement Period j on Settlement Day d;

- (2) if Settlement Period j is not one of the first four Settlement Periods of Settlement Day d, Settlement Period j' is the second Settlement Period prior to the Settlement Period on Settlement Day d' corresponding to Settlement Period j on Settlement Day d;

or, in the case of paragraphs (ii) and (iii), such other or supplementary defaulting rules as may be approved from time to time by the Panel and notified by BSCCo to Trading Parties and the Transmission Company;

- (d) Settlement Day d' is the most recent Settlement Day prior to Settlement Day d, that is not a clock change day and is the same day of the week as Settlement Day d, and for which the Initial Settlement Run has taken place;
- (e) in this paragraph 4.2.2, corresponding means corresponding in sequence (that is to say, the first Settlement Period of a Settlement Day corresponds to the first Settlement Period of another Settlement Day and so on).

**No further changes until new section T5.3.5 added as follows:**

5.3.5 In relation to each Settlement Day, following the Interim Information Settlement Run, the SAA shall provide to the ECVAA the data and information specified in paragraphs 5.3.2 and 5.3.3, relating to each Interim Information Settlement Run, on the day that the Settlement Calendar specifies the Interim Information Settlement Run for the Settlement Day is to take place (subject to paragraph 1.4).

**No further changes until section U2.3.2 is amended as follows:**

2.3.2 In addition to the foregoing, an interim Settlement Run ("Interim Information Settlement Run"), and an interim Volume Allocation Run in respect of Central Volume Allocation (an "Interim Information Volume Allocation Run"), not giving rise to Settlement, will be carried out before the Initial Settlement Run, for the purposes of informing Trading Parties and the Transmission Company of the amounts expected to give rise to payments under the Initial Settlement Run and enabling them to identify and seek correction of any errors they believe to have been made in the determination of such amounts, and for the purposes of Section M1.2.

**No further changes until definitions in Table X-2 of Annex X-2 amended as follows:**

Actual Energy Indebtedness	AEI <sub>p</sub>	MWh	The amount determined as such in accordance with Section M1.2.5.  <i>The Actual Energy Indebtedness is the net energy contribution determined to be allocated to a Trading Party for Settlement Periods as defined in Section M1.2.1.</i>
...	...	...	...

BM Unit Metered Volume	QM <sub>ij</sub>	MWh	In respect of a Settlement Period: (i) in relation to a BM Unit (other than
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			<p>an Interconnector BM Unit) comprising CVA Metering Systems, the Metered Volume (as determined in accordance with Section R);</p> <p>(ii) in relation to an Interconnector BM Unit of an Interconnector User, the quantity determined in accordance with Section R7.4.2 (but without prejudice to Section T1.4.6);</p> <p>(iii) in relation to an Interconnector BM Unit allocated to an Interconnector Error Administrator, the quantity determined in accordance with Section T4.1; and</p> <p>(iv) in relation to a Supplier BM Unit, the quantity determined in accordance with Section T4.2.1 or (for the purposes only of the Interim Information Settlement Run) Section T4.2.2.</p>
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Credit Assessment Energy Indebtedness	CEI <sub>pj</sub>	MWh	<p>The amount determined as such in accordance with Section M1.2.2.</p> <p><i>The Credit Assessment Energy Indebtedness is the net energy contribution determined to be allocated to a Trading Party for Settlement Periods as defined in Section M1.2.1.</i></p>
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**No further changes until following acronym added to Table X-3 of Annex X-2:**

AEI <sub>p</sub>	MWh	Actual Energy Indebtedness
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