



Meeting name	BSC Panel
Date of meeting	23 August 2001
Paper Title	REVISED LEGAL DRAFTING FOR MODIFICATION PROPOSAL P2 – REVISION OF THE METHODOLOGY FOR ASSESSING CREDIT INDEBTEDNESS
Purpose of Paper	For Decision
Synopsis	This Addendum to paper P/29/008 describes changes proposed to the P2 legal drafting as a result of a review by ELEXON's legal advisers.

1. BACKGROUND

- 1.1 Panel paper P/29/008 noted that the review of the P2 legal drafting by ELEXON's legal advisers would not be completed by the deadline for circulating papers to Panel Members (i.e. noon on Friday 17th August). It therefore proposed that any changes to the legal drafting would be circulated to Panel Members at a later date (prior to the meeting on 23rd August).
- 1.2 The review of the legal drafting has now been completed, and has identified a number of changes that are required to the legal drafting originally circulated with paper P/29/008.

2. CHANGES REQUIRED TO LEGAL DRAFTING

- 2.1 Attachment 1 to this Addendum contains the proposed text for modifying the Code, following the review by ELEXON's legal advisers. In order to identify the changes that have been made, the text is redlined against that which was circulated in Attachment 2 to paper P/29/008.
- 2.2 In addition to minor clarifications, the following changes have been made to the drafting:
 - New paragraph M1.2.1(d) clarifying that if the Energy Contract Volume Aggregation Agent (ECVAA) does not receive indebtedness data from the Settlement Administration Agent (SAA) within the expected timescales, ECVAA will continue to estimate indebtedness using Credit Assessment Price and Credit Assessment Load Factor (but without prejudice to the ability of the Party to claim Credit Cover Error Compensation in accordance with section M4 of the Code). Section 3 of this Addendum provides more detail on the rationale for this.
 - New paragraph M1.2.1(e) clarifying that if the Energy Contract Volume Aggregation Agent (ECVAA) does not receive indebtedness data from the Settlement Administration Agent (SAA) within the expected timescales, ELEXON may choose to regard this as a "material doubt" when deciding whether to authorise a Credit Default in accordance with paragraph M3.4.3 of the Code.
 - New paragraph 4.2.2(c) stating the rules for estimation of SVA metered volumes on clock change days. The inclusion of these rules in the Code addresses a point raised by Seaboard in their consultation response.

3. WHAT HAPPENS IF THE SAA FAILS TO PROVIDE DATA?

3.1 The review of the legal drafting identified two possible options for the wording of the definition of Energy Indebtedness under Modification Proposal P2. Full details of these options are given in Attachment 2 to this Addendum. The key difference between the two relates to the situation in which ECVAAs fail to receive indebtedness data from SAA in a timely manner, and therefore has to continue estimating indebtedness:

- Option (a) would define Energy Indebtedness as being based on ECVAAs-estimated indebtedness values up until the point at which ECVAAs should (according to the Settlement Calendar) receive data from the SAA. In the event that data wasn't received, and as a result of the continuing use of estimated data a Trading Party was placed in Credit Default, that Party would be able to claim Credit Cover Error Compensation in accordance with section M4 of the Code.
- Option (b) would define Energy Indebtedness as being based on ECVAAs-estimated indebtedness values up until the point at which ECVAAs did in fact receive data from the SAA. This option would provide no recourse to a Party placed in Credit Default as a result of failure by ECVAAs to receive data from SAA in a timely manner.

3.2 It could be argued that option (b) is unjust, in that an individual BSC Party might have to bear the financial consequences of an error made by a BSC Agent. The Panel is therefore invited to approve the text in Attachment 1, which is based on option (a).

4. RECOMMENDATIONS

4.1 The Panel is invited to:

- **NOTE that the review of the legal drafting identified two possible options for modifying the Code:**
 - (a) **The text in Attachment 1, which allows BSC Parties to invoke the Credit Cover Error Compensation rules in section M4 of the Code if they are erroneously placed in Credit Default as a result of failure by ECVAAs to receive data from SAA in a timely manner; or**
 - (b) **The alternative text provided in Attachment 2, which would not allow BSC Parties to invoke the Credit Cover Error Compensation rules under these circumstances;**
- **APPROVE the proposed text for modifying the Code as set out in Attachment 1.**

Chris Rowell
ELEXON Trading Department

List of enclosures

Attachment 1: Proposed text for modifying the Code

Attachment 2: Alternative text for option (b)