

## ANNEX 2 – BSC PARTY CONSULTATION RESPONSES

### c Second Consultation Responses

Consultation issued 18 November 2002

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	EECL	P98_ASS2_001	
2.	Duke Energy	P98_ASS2_002	
3.	International Power	P98_ASS2_003	2
4.	NGC	P98_ASS2_004	1
5.	J.Aron & Company and the European Power Source Company (U.K.) Ltd	P98_ASS2_005	2
6.	Entergy-Koch	P98_ASS2_006	2
7.	CECL, IETS, RPCL and SPAL	P98_ASS2_007	4
8.	Dynegy	P98_ASS2_008	1
9.	British Gas Trading	P98_ASS2_009	1
10.	Edison Mission Energy	P98_ASS2_010	3
11.	British Energy	P98_ASS2_011	3
12.	Automated Power Exchange (UK) Ltd	P98_ASS2_012	1
13.	Scottish and Southern	P98_ASS2_013	4
14.	EdF Trading & Electricite de France	P98_ASS2_014	2
15.	Barclays Capital	P98_ASS2_015	1
16.	Magnox Electric	P98_ASS2_016	1
17.	Powergen	P98_ASS2_017	15
18.	Scottish Power	P98_ASS2_018	6
19.	Teeside Power	P98_ASS2_019	1
20.	ConocoPhillips	P98_ASS2_020	1
21.	Innogy	P98_ASS2_021	9

**P98\_ASS2\_001 – EECL**

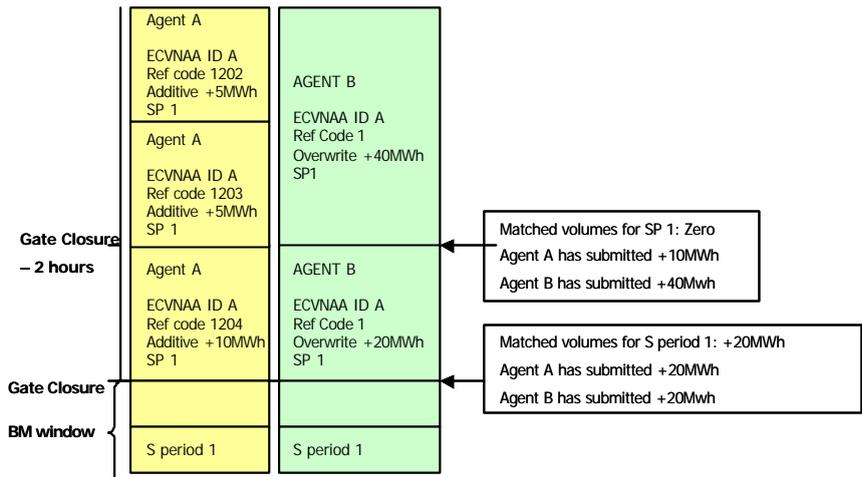
Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale: while EECL accepts that this risk is potentially significant having appropriate contractual and credit terms can be used to manage it.</b></p> <p><b>If counterparties feel this risk is unbearable there are third party notification systems/services available to manage it.</b></p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><del>YES</del> / NO</p> <p><b>Rationale: responsibility for contract failure is clearly defined in the Grid Trade Master Agreement, industry participants are familiar with this process and it has become ingrained in the trading process.</b></p> <p>None</p> <p><b>Rationale: Parties already have an incentive to build robust systems and processes</b></p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p><del>YES</del> / NO</p> <p><b>Rationale:</b></p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p>YES / NO</p> <p><b>Rationale:</b></p> <p><b>Rationale:</b></p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p><del>YES</del> / NO</p> <p><b>Rationale: We do not see how dual notification will improve liquidity and we would expect liquidity to remain broadly the same (or potentially reduce).</b></p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system</p>	<p>SINGLE / <del>DUAL</del></p> <p><b>Rationale: This decision cannot be made irrespective of incumbents systems (if the</b></p>

Question	Response
<p>incumbent Parties are using)?</p>	<p><b>new entrant wishes to trade in the market place)</b></p>
<p><b>Q6.</b> CP755 Enhanced ECVAA Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p><b>YES / NO</b> <b>Rationale:</b></p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p><del><b>YES / NO</b></del></p> <p><b>Rationale: EECL believes a voluntary dual notification service will unnecessarily complicate the trading function (with counterparties forcing small players to adopt single and dual notification with different counterparties) and will require significant investment in systems and resources from participants.</b></p> <p><b>YES / NO</b></p> <p><b>Rationale: Only if forced to by counterparties</b></p> <p><b>YES / NO</b></p> <p><b>Rationale:</b></p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p><del><b>YES / NO</b></del></p> <p><b>Rationale: EECL believes that dual notification would have been the best approach if adopted from the outset of NETA though given that the current system appears to be working satisfactorily EECL feel the extra investment required to move to dual notification is unwarranted.</b></p>
<p><b>Any further comments:</b></p> <p><b>The current single notification process does have benefits for small and large participants:</b></p> <ul style="list-style-type: none"> <li>• <b>It relieves small merchant participants of the need for a 24-hour commercial team.</b></li> <li>• <b>It allows large participants an element of control over what is notified and hence reduces the risks they face when contracting with smaller players (in effect</b></li> </ul>	

Question	Response
<p>helping smaller players liquidity)</p> <p>EECL believes a voluntary dual notification service will unnecessarily complicate the trading function (small players will be forced to adopt both single and dual notification with different counterparties) and will require significant investment.</p> <p>EECL accepts that dual notification would have been the preferred from the outset of NETA though question the benefits it will offer in the current environment.</p>	

**P98\_ASS\_002 – Duke Energy**

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale:</b> Erroneous or malicious notifications are identified as a high risk due to the exposure to system prices. The GTMA supports provisions for one counter party to request the other to cease notifications and / or modify existing notifications. In reality the behaviour of defaulting counter parties behaviour cannot be guaranteed. By implementing the dual system, parties will be able to limit the liability to system prices for future notifications due to the knowledge of the extent of any imbalance.</p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><b>YES</b></p> <p><b>Rationale:</b> Yes, providing that the central systems reports clearly state what each party volume notifications were at the time of gate closure.</p> <p><b>Rationale:</b> Robustness of each parties notification systems will be raised as a greater issue, simply because dual notification requires both parties notification systems to be operational at the same time.</p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p><b>YES</b></p> <p><b>Rationale:</b> The potential liability a party can incur is a much greater magnitude than the smearing costs of the BSC central services cost.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for</p>	<p>YES / NO – Depends on the rules</p> <p><b>Rationale:</b> It is important that changes to participant systems are as minimal as possible, and that the dual notification process is also as simple as possible. The process for submitting I-004 flows under dual notification should remain the same as under the singular basis, albeit with two agents.</p>



Question	Response
<p>example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p>A party should not be restricted on the type of notification it can submit; additive or overwrite, single day or multiple day notifications, date and or character reference codes. The type of notification submitted by one agent does not necessarily have to match the other parties agent notification to create a match. It is the ECVNAA ID and relevant settlement period that should determine whether Agent A volumes should be matched against Agent B volumes.</p> <p>For the avoidance of doubt, one party should be permitted to notify under additive, and the other under overwrite. The central systems should create two notification stacks under one authorisation and match against these volumes.</p> <p><b>Rationale:</b> If the implementation of p98 allows the flexibility described above then it will be implemented by the majority of Industry.</p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any</p>	<p><b>YES</b></p> <p><b>Rationale:</b> Less notification risk</p>

Question	Response
<p>change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p><b>DUAL</b></p> <p><b>Rationale:</b> Less notification risk</p>
<p><b>Q6.</b> CP755 Enhanced ECVAA Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p><b>YES</b></p> <p><b>Rationale:</b> Acceptance feedback reports do not prevent malicious notifications</p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p><b>YES</b></p> <p><b>RATIONALE:</b> AS PER ARGUAMENTS ALREADY STATED</p> <p><b>YES</b></p> <p><b>Rationale:</b> As an organisation we would advocate the implementation of the dual system to reduce our notification risk subject to the following:</p> <p>The proposed dual system should not remove individual parties flexibility in the type of notification accepted and processed by central systems. If the P98 solution required every party to standardise their notifications, then it is doubtful whether every party system could support a one chosen method. This would be a barrier to entry to the dual notification system.</p> <p><b>NO</b></p>

Question	Response
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p><b>YES</b></p>
<p><b>Any further comments:</b></p> <p>It is important that the dual and single notifications can operate hand in hand. In the event of a system problem by one agent the dual notification process would be paralysed. In the circumstance described above it is important for both parties to switch to singular notification</p> <p><b>“The chain is only as strong as the weakest link”</b></p>	

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**P98\_ASS2\_003 – International Power**

**BSC Parties responding on behalf of (please list all Parties):** Deeside Power Development Company & Rugeley Power Ltd

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale:</b> Very little impact</p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><b>YES</b></p> <p><b>Rationale:</b> Can more easily prove who was at fault.</p> <p><b>Rationale:</b></p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p><b>NO</b></p> <p><b>Rationale:</b> Once a trade has been agreed under single notification and there is a c/party default the non-defaulting party cannot reverse the position. Dual Notification does not resolve this problem.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p>	<p><b>NO</b></p> <p><b>Rationale:</b> Most systems are already built and there will be a reluctance to change.</p>

<p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p><b>NO</b>  <b>Rationale:</b> Most people have indicated that they do not support dual notification</p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?   Please provide rationale for your response.</p>	<p><b>NO</b>  <b>Rationale:</b> Small players may need to contract earlier in order to ensure they can notify successfully as they do not have out of office hours trading set ups. No reason to think that trading will become more liquid.</p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p><b>SINGLE / DUAL</b>  <b>Rationale:</b> Depends on 24 hour desk question. If 24 hour then probably set up for dual. Gets round the problem of which party takes notification risk, otherwise use single.</p>
<p><b>Q6.</b> CP755 Enhanced ECVAA Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p><b>NO</b>  <b>Rationale:</b> The new report will assist checking. Dual notification is an unnecessary change.</p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?   Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?   Has your response changed since the initial consultation</p>	<p><b>NO</b>  <b>Rationale:</b> If people want it they should pay. I am concerned that some parties will refuse to deal with single notifiers.   <b>NOT SURE</b>  <b>Rationale:</b> If it became the norm may have to.   <b>NO</b>  <b>Rationale:</b></p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p><b>NO</b>  <b>Rationale:</b> It could work against smaller players.</p>
<p><b>Any other comments:</b></p>	

**P98\_ASS2\_004 – NGC**

See section 13 of the Assessment Report

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**P98\_ASS2\_005 – J. Aron & Company and The European Power Source Company**

**BSC Parties responding on behalf of (please list all Parties):**

**J. Aron & Company**

**The European Power Source Company (U.K.) Ltd**

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale:</b> We consider the risk to be materially apparent in the event of a counterparty default, where the defaulting party fails to act in accordance with the defaulting rules as set out in the GTMA (either maliciously or in error). Liabilities under day-to-day trading conditions are adequately covered in existing contractual arrangements.</p> <p>Note that many of the uncertainties surrounding the handling of notifications under a counterparty default situation could be reduced by other mechanisms both inside (e.g. P110) and outside the scope of the BSC.</p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><b>YES / NO</b> No</p> <p><b>Rationale:</b> Under single notification the notification agent has responsibility to notify correctly and the non-notifier has responsibility to check via the 7-day report (or Acceptance Report). Both parties can be liable if they do not perform these duties in accordance with the GTMA</p> <p>Actual liability for missing or invalid notifications will invariably be case specific and require evidence to prove that liability. Incentives on a party to notify in a timely manner, and the robustness of their notification system should be the same under both single and dual notification systems</p> <p>Dual notification therefore does not improve the incentives or clarify the legal responsibility to any lesser or greater extent</p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do</p>	<p><b>YES / NO</b> No</p> <p><b>Rationale:</b> In addition to the development of</p>

Question	Response
<p>you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p>central systems, each BSC Party would incur significant legal resource renegotiating and redrafting GTMAs in addition to the IT and Operational expense of modifying internal notification systems.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p><b>YES / NO</b></p> <p><b>Rationale:</b> Depends on how the Dual notification processes are legally drafted between the counterparties. Our view would be that forward trades down to day ahead would continue to be sent as a batch, however much more careful monitoring of the notification systems within day may be necessary to ensure counterparty positions are posted and matched correctly. Note that most dual notification systems in use for European gas/power trading rely on day ahead matching and indeed some European market operators are allowing single party notifications for short-term timescales.</p> <p>We would be unwilling to implement the changes suggested above, as we are not convinced of the benefits. We suspect that the market as a whole would also not participate in a dual notification system under “normal” operating conditions.</p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p><b>YES / NO</b> No</p> <p><b>Rationale:</b> Market efficiency is unlikely to be improved close to real time, and may be reduced due to risk of delays in the matching process, which could result in no notification being submitted to central systems.</p> <p>In addition having two different notification processes may split the market with some counterparties only willing to notify using one particular method – this may also reduce liquidity (as there are fewer counterparties available).</p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p><b>SINGLE / DUAL</b></p> <p><b>Rationale:</b> This would depend on the strength of feeling of incumbent parties, as the notification methodology would have to be negotiated into any new GTMA between a new market entrant and that incumbent.</p>
<p><b>Q6.</b> CP755 Enhanced ECVAA Reporting (implementation of the Acceptance</p>	<p><b>YES / NO</b> No</p>

Question	Response
<p>Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p><b>Rationale:</b> Acceptance feedback reports reduce the risk of short-term single party volume notifications, as errors can be detected at an earlier stage. Using the AFRs, a counterparty can determine in close to real-time what its notified positions are with each counterparty, significantly reducing any benefits of the optional dual matching process.</p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p><b>YES / NO</b> No</p> <p><b>Rationale:</b> No perceived benefit. We would be unwilling to move away from single party contract notifications at this time, as we have confidence in our internal systems and procedures to mitigate risks associated with single party notifications. However we are keen to investigate other mechanisms that may alleviate contract imbalance risks associated with counterparty default or BSC Party failure.</p> <p>No</p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p><b>YES / NO</b> No</p> <p><b>Rationale:</b> We perceive no benefit from an optional dual contract notification system under normal trading, where sufficient contractual arrangements are already in place to legally cover incorrect notifications, whether malicious or otherwise. Therefore the modification proposal fails to improve the efficiency of the market, neither promoting nor facilitating trading close to real time.</p> <p>If anything having two voluntary notification systems may reduce market liquidity if some counterparties chose only to trade with counterparties favouring one method.</p>

**P98\_ASS2\_006 – Entergy-Koch**

**BSC Parties responding on behalf of (please list all Parties): Entergy-Koch Trading Ltd, Damhead Creek Ltd**

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale:</b> EKT puts a high significance on the unlimited liability of erroneous notifications. As the notification agent for the majority of our counterparties we are faced with high levels of operational risk</p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><b>YES</b></p> <p><b>Rationale:</b> The requirement of matching positions ensures ex-ante discussion of trade details</p> <p><b>Rationale:</b> It will make the split in risk between counterparties more equitable. Currently the notifier takes a much greater share of the risk</p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p><b>YES</b></p> <p><b>Rationale:</b> While the costs of implementation of P98 seem excessive, it is likely that the market will benefit from a much more efficient notification process, which over the long term will out weigh the costs</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p><b>No</b></p> <p><b>Rationale:</b> Most counterparties notify throughout the day by exception rather than send large batches, which tend to overload Central Systems</p> <p><b>Rationale:</b> EKT would continue to notify trade by trade</p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p>	<p><b>Yes</b></p> <p><b>Rationale:</b> There may be some increase as parties are able to monitor positions within day.</p>

Question	Response
Please provide rationale for your response.	
<b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?	<b>DUAL</b> <b>Rationale:</b> It reduces operational risk
<b>Q6.</b> CP755 Enhanced ECVAA Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?	<b>YES</b> <b>Rationale:</b> The same arguments apply
<b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?  Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?  Has your response changed since the initial consultation	<b>YES</b> <b>Rationale:</b> the Market should be given a choice  <b>YES</b> <b>Rationale:</b> We would implement as an organisation as it would reduce our operational risks  <b>NO</b> <b>Rationale:</b>
<b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?	<b>YES</b> <b>Rationale:</b> It improves efficiency of the BSC

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**P98\_ASS2\_007 – CECL, IETS, RPCL and SPAL**

**BSC Parties responding on behalf of (please list all Parties):**

**Coryton Energy Co Ltd, InterGen Energy Trading and Shipping Ltd, Rocksavage Power Co Ltd, Spalding Energy Co Ltd**

Question	Response
<b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?	<b>Rationale:</b>  Great significance. Although the instances of erroneous notifications by Counterparties are relatively low, the monetary impact can be huge.

Question	Response
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p>YES</p> <p>Rationale:</p> <p>As dual notification implies both parties must submit the same thing it should be relatively simple to determine whether one or both parties are at fault. This should bring legal clarity to the responsibility for mis-notification.</p> <p>Rationale:</p> <p>We would not expect a significant change to the incentives on notifiers to notify correctly.</p> <p>The introduction of dual notification is likely to lead to an initial increase in notification errors as operators become familiar with new systems and processes.</p> <p>Parties may well improve the resilience of their systems as both parties would have to be able to notify the trades. A back-up system would be essential in the event that a parties main system for notification was unavailable.</p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p>YES</p> <p>Rationale:</p> <p>Yes but only over the very long term and only if compulsory. The benefit would have been considerably greater had Ofgem listened to industry concerns raised when single notification was originally proposed. To introduce dual notification now will require considerable spend on system revisions, developing new business processes and re-training staff but ultimately will substantially reduce the instances and costs of notification errors. Of course these costs MAY be recouped quickly if dual notification avoids misnotification of a large volume on a day with large spread between the system prices.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as</p>	<p>NO</p> <p>Rationale:</p> <p>I would expect most parties to agree on a deadline for matching notifications prior to the 18:30 Forward Notification Report. As a result many parties will continue to notify contracts in</p>

Question	Response
<p>being implemented by your own organisation and / or the market as a whole?</p>	<p>batch at a time prior to this.</p> <p>Rationale:</p> <p>Market as a whole.</p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p>YES</p> <p>Rationale:</p> <p>Many counterparties retain a fear of within-day OTC trading due to the inadequate availability of information on their notified position. Dual notification is likely to lead to an increase in the number of parties prepared to trade OTC within-day.</p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p>DUAL</p> <p>Rationale:</p> <p>Few (if any) participants have ever supported single notification. New entrants are unlikely to hold a different view.</p>
<p><b>Q6.</b> CP755 Enhanced ECVAA Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p>YES</p> <p>Rationale:</p> <p>CP755 does not remove the risk of ECVNA's notifying a spurious position which adversely impacts the non-notifying party(s).</p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p>NO</p> <p>Rationale:</p> <p>We believe that the introduction of voluntary dual notification alongside a single notification system is a recipe for confusion. If dual notification is to be introduced, it should be compulsory.</p> <p>YES</p> <p>Rationale:</p> <p>As an organisation we would attempt to persuade other parties to use a dual notification system.</p> <p>NO</p> <p>Rationale:</p>
<p><b>Q8.</b> In your opinion, does dual notification</p>	<p>YES</p>

Question	Response
better facilitate achievement of the Applicable BSC Objectives than the current baseline?	<p>Rationale:</p> <p>As long as it is compulsory, dual notification puts the risks onto those best placed to manage them.</p>
<p>Any further comments:</p> <p>A considerably more cost-effective way of reducing the risk to participants of misnotification would be to allow ex-post notification of contracts. This would be a relatively low cost change to central and participant systems and processes.</p>	

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**P98\_ASS2\_008 – Dynegy**

**BSC Parties responding on behalf of (please list all Parties): Dynegy UK Limited**

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p>Rationale: This is a significant commercial and legal risk for all parties. The instances of incorrect notifications are relatively limited, but where they do occur the legal liabilities are split and disputes relatively difficult to resolve.</p> <p>Dynegy also believe the incorrect notifications when parties are not in the office are a real risk. We have experienced erroneous notifications, but lucky have seen them and the party concerned corrected its notifications. This was not a malicious action, but it could be one that receivers make the mistake of making if a company goes into administration. Notification could be used maliciously with potentially devastating effects, pushing companies past their credit cover and potentially out of business. There is basically unlimited liability associated with contract notification under the NETA systems.</p> <p>The sharing of the liabilities of incorrect notifications may also discourage parties from using the robust systems themselves. The ability to call up others and ask them to notify has in some instances provided a useful back-up, in others it has allowed some parties to free ride on the efforts others have put into getting their systems right.</p>

Question	Response
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p>YES</p> <p>Rationale: Both parties must post matching notifications, so it easy to see which party did not perform against a trade.</p> <p>Rationale: All parties will be incentivised to have robust systems. If they fail to notify their half of a trade they will be facing the costs directly. This should increase the incentives to invest in robust systems.</p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p>YES</p> <p>Rationale: If the system is implemented centrally the costs for each party will be relatively small. It will only take one or two instances of avoided errors, occurring on high price days, for the benefits to have outweighed the costs. From the costs we have picked up since go-live we can state categorically that a dual notification system would have provided value for money.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p>YES</p> <p>Rationale: Dynegy expects the notifications to move to being done more regularly with the trade. At busy times traders will undoubtedly batch trades during quieter times. The ability to notify and watch the trade clear would bring the operational arrangements far more in line with the gas market, where trading is also more liquid out of hours with risks of trading lower.</p> <p>Dynegy would also expect traders to feel happier about trading closer to real time. This would increase within day liquidity and benefit the smaller players, notably small generators, who would be able to fine tune their position as we move to gate closure.</p> <p>Rationale: Dynegy expect that the market as a whole will alter the way it trades to be far more like trading in other markets. Were Dynegy remaining in the UK, we would certainly alter the way that we trade, taking positions far close to gate closure and spreading notifications though the day. If liquidity had increase further under NETA we would have envisaged increasing trading to 24 hours.</p>

Question	Response
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p>YES</p> <p>Rationale: The reduction in the notification risk, with better defined legal obligations, should increase liquidity. This would be in both the forward markets (a week out) and more importantly within the day.</p> <p>Dynergy would hope that the increased liquidity will also encourage the development of trading in other products, such as smaller amounts of power to meet the needs of the smaller players.</p> <p>Dynergy's concern would be that the increased market consolidation means that less power has to go via the wholesale market, with the integrated players are able to fine tune their positions internally.</p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p>DUAL</p> <p>Rationale: Nearly all other traded markets are based on dual notification systems. While some players now have concerns about changing their systems, nearly all supported a dual notification system for go-live, though the programme was unable to deliver it. The change in peoples views suggest a "why change it" attitude, which Dynergy has hoped NETA would have removed.</p> <p>The risks associated with single notification are in itself a barrier to entry. A new market entrant will spend significant sums on their own internal risk management procedures and will chose to use a system that helps them manage the notification risks.</p> <p>No participants have claimed that it would be more expensive for a new entrant to build or buy systems to use a dual notification system rather than a single notification system, so the choice would be clear – Dual!</p>
<p><b>Q6.</b> CP755 Enhanced ECVAA Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p>YES</p> <p>Rationale: Enhanced reporting does nothing to address the legal issues associated with the risk allocation under a single notification system.</p> <p>The reports also do not stop notifications against parties when they are not in the office.</p>

Question	Response
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p>We prefer compulsory.</p> <p>Rationale: Dynegy believes that it is in the best interests of the customers (who ultimately bear the costs associated with managing risks) if a dual notification system had been introduced at go-live. It would also be in the interests of customers if systems were in place to reduce the barriers to entry so that competition can increase in future. The increasing liquidity, development of new products and trading closer to real time would also all be beneficial to customers, helping to deliver them economically efficient power at cost reflective prices.</p> <p>However, Dynegy is mindful that choice is a good thing and that the Authority previously rejected the compulsory nature of modification P004. It therefore seems reasonable to allow choice, but may be monitoring the use of the single notification system, with the intention of removing it when it is felt that its support is becoming uneconomic, would be helpful. Such monitoring would need to be public to allow all parties to take a view on the likely move to a dual only system.</p> <p>Dynegy is confident that as the GTMA is renegotiated that the legal advisers will push market participants to a dual notification system. The economic benefits of better managed liabilities will persuade parties to invest in new systems or alter their existing systems.</p> <p>Yes</p> <p>Rationale: Were Dynegy to resume trading in the UK it would use a dual notification system. We believe it is more economic and efficient. We also believe that it encourages trading, reduces risks and better facilitates competition.</p> <p>NO</p> <p>Rationale:</p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p>YES</p> <p>Rationale: As discussed above, Dynegy believes that dual notification would increase the efficiency of the market as a whole. This will improve the</p>

Question	Response
	operation of the market and the way that NGC balances the system as the SO. The benefits to the end users are consistent with a more efficient system.

**P98\_ASS2\_009 – British Gas Trading**

**BSC Parties responding on behalf of (please list all Parties): British Gas Trading**

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale:</b> We attach a reasonable amount of significance to the risk of unlimited (settlement) liability from erroneous notifications. However, we have the ability to terminate ECVNAAs when this happens and have terms under the GTMA that deals with this scenario. Also we will know when a party has notified a position against us via the solution delivered by CP755 which should allow us enough time to back the deal out via the counterparty or ourselves using a reverse notification. The only issue would be with counterparties that had entered into an 'event of default' under the GTMA and yet still had the power to notify against us – i.e. the termination is not processed until the following working day. Here it was recommended that ECVNAAs and MVRNAAs can be both set up and terminated immediately upon receipt. This was the outcome of the P57 (Allow BSC Party to have 2 BSC Party Ids for a short duration) mod group, although the CP ended up just clarifying that authorisation creation and termination can only be done during working hours.</p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><b>Rationale:</b></p> <p>No, as its obvious now who made the incorrect notification based on traded data that is available from our system. The issue of responsibility is certainly clarified, as there is an issue within Schedule 3B of the GTMA which outline the sharing of liability close to gate closure when only one person can check the position. However, surely by utilising the positive acknowledgement feedback report, then the solution is to change the legal documentation to make this clear from a legal standpoint.</p> <p><b>Rationale:</b></p> <p>The incentives to check will diminish and the robustness of systems will decrease.</p>

Question	Response
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p><b>NO</b></p> <p><b>Rationale:</b></p> <p>This issue was already discussed at length during P4 and found to be cost prohibitive. Our cost of notification errors under NETA to date is far less than what would be our share of the cost of implementation. One could argue that the largest scope for errors was during the initial period of Go-Live and so the cost versus potential benefit doesn't stack up.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p><b>YES</b></p> <p><b>Rationale:</b></p> <p>It is agreed that it <b>could</b> bring about a change in trading and (particularly) notification practice. However, the volume of day ahead trades now happens even earlier in the morning than it did at the start of NETA, which implies that either people are unhappy with the current situation or there are other forces (European trading for example) which have a greater impact on trading practice. Notifications could happen more during the day, but this depends on the working practise of the individual companies. Our practise would not be changed.</p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p><b>NO</b></p> <p><b>Rationale:</b> We already trade after Power exchange closure (ie last half hour before gate) with a number of our counterparties. Often we act as the notification agent as we are confident of our system capability. Dual notification would not necessarily help if one party were not confident in their system capability.</p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p><b>Rationale:</b> If NETA were to start again, then dual notification would be the preferred option. However, this isn't the case, and with the implementation of CP755 which effects the closest thing to this. Having a system that can be dual now though would effectively still boil down to the lowest common denominator. Cf Schedule 3A and 3B under the GTMA before NETA started. Schedule 3A was signed with a number of counterparties as it allowed both parties to check the position as it was notified. 3B is not the schedule of choice as it's the lowest common denominator. Unless the whole industry were to change, then we would probably stay single notification with all of them.</p>
<p><b>Q6.</b> CP755 Enhanced ECVA Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does</p>	<p><b>NO</b></p> <p><b>Rationale:</b> Explained above.</p>

Question	Response
the requirement for dual notification remain?	
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p><b>YES</b></p> <p><b>Rationale:</b> As long as those BSC parties who used it paid for it and not everyone.</p> <p><b>NO</b></p> <p><b>Rationale:</b> Explained above.</p> <p><b>NO</b></p> <p><b>Rationale:</b> Position hasn't changed since initial consultation.</p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p><b>NO</b></p> <p><b>Rationale:</b> It could improve the efficiency of the market – but at too high a cost.</p>

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**P98\_ASS2\_010 – Edison Mission Energy**

**BSC Parties responding on behalf of (please list all Parties): First Hydro Company, Edison First Power, Lakeland Power Ltd**

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p>Rationale: Whilst the risk will be high, the circumstances when it will apply are remote and legal recourse is available. We therefore don't attach a lot of significance to this risk of unlimited liability resulted from erroneous or malicious notifications.</p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p>Depends on GTMA amendments</p> <p>Rationale: Yes if only one of the two parties notifies wrongly, no if both are wrong</p> <p>Rationale: The same incentives as now will apply for notification accuracy</p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification</p>	<p><b>NO</b></p> <p>Rationale: The high (£1.75m) implementation costs makes it hard to justify implementation.</p>

Question	Response
<p>to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p>Costs could be applied only to those that would use dual notification (through an increase in notification costs if the service is used). It would then be up to users to decide if they wished to proceed with this mod.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p>YES</p> <p>Rationale: It would be sensible to move to trade by trade notifications as any liability would only apply to the difference and not to the whole notification. This would provide an incentive to adopt additive notifications rather than overwrite notifications.</p> <p>Rationale: No, it would be difficult to see how adopting dual notification would be cost beneficial, when we already use an additive approach.</p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p>YES</p> <p>Rationale: The risk of trading close to gate closure will increase as if one of the parties submits an incorrect notification, there will be little time for correction.</p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p>DUAL</p> <p>Rationale: Starting from a blank sheet of paper, dual is sensible (and was the industry preferred option prior to NETA go live).</p>
<p><b>Q6.</b> CP755 Enhanced ECVAAs Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p>NO</p> <p>Rationale: the only argument for Dual notification is to protect against the circumstances referred to in Q1.</p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p>	<p>NO</p> <p>Rationale: The cost is too expensive (unless it is only borne by BSC parties who support this mod).</p> <p>NO</p> <p>Rationale: The costs of changing our systems would be substantial. Given that we have not suffered to the same extent as other BSC Parties that support this mod we would not use this process unless placed under significant pressure</p>

Question	Response
<p>Has your response changed since the initial consultation</p>	<p>from counterparties  NO</p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p>NO  Rationale: The use of two systems for contract notifications does not promote efficiency in the implementation and administration of the BSC.</p>

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**P98\_ASS2\_011 – British Energy**

**BSC Parties responding on behalf of (please list all Parties): British Energy Generation; British Energy Power and Energy Trading; Eggborough Power Ltd**

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale:</b> The existing contract notifications have generally worked well since the introduction of NETA.  We believe the risks identified are small particularly as the existing systems have coped with the Enron and TXU problems satisfactorily. While such a scheme may have merits now is not the time to introduce such an expensive scheme.</p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?  What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><b>YES / NO</b>  <b>Rationale:</b> As noted above existing schemes have performed well and while it may be easier to clarify responsibilities for incorrect notification following the introduction of a dual notification scheme the costs far outweigh potential benefits.  <b>Rationale:</b> Given the NETA incentives all Parties will already have robust systems and processes in place so the introduction dual notification systems is unlikely to much affect.</p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?  If so why? If not, why not?</p>	<p><b>NO</b>  <b>Rationale:</b> The existing arrangements have worked well and as noted above have coped well with several industry failures without significant problems. The success of the present arrangements plus the high cost of the scheme make it non-economic at present particularly given</p>

Question	Response
	the marginal benefits.
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p>YES / NO</p> <p><b>Rationale:</b> In our view it is impossible to predict the impact dual notification will have on participants approach to trading. We believe the change and benefits are marginal and completely outweighed by the costs.</p> <p><b>Rationale:</b> we have robust single notification systems and processes and therefore would not anticipate any changes.</p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p>YES / NO</p> <p><b>Rationale:</b> there may be a marginal change in the short term market trading but again its very difficult to predict with any certainty.</p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p>SINGLE / DUAL</p> <p><b>Rationale:</b> the answer to this question will depend on the new entrant's strategy but generally they will want to minimise the costs of market entry and associated risks. How this balance is struck will vary from party to party.</p>
<p><b>Q6.</b> CP755 Enhanced ECVAAs Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p>YES / NO</p> <p><b>Rationale:</b> the enhancement provided by ECVAAs enhanced reporting means that the case for dual notification is very marginal at this time. The significant costs associated with the provision of the dual notification service suggests that it is not justifiable at this time.</p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p>	<p>NO</p> <p><b>Rationale:</b> Existing system has worked well and the costs of dual notification scheme are high. Parties wanting dual notification can use commercially available schemes already.</p> <p>YES / NO</p> <p><b>Rationale:</b> We have robust single notification systems and processes and at this time see no</p>

Question	Response
<p>Has your response changed since the initial consultation</p>	<p>reason for a move to dual notification.</p> <p><b>No</b></p> <p><b>YES / NO</b></p> <p><b>Rationale:</b></p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p><b>NO</b></p> <p><b>Rationale:</b> As noted above the benefits are likely to be very marginal and outweighed by the costs of implementation.</p>

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**P98\_ASS2\_012 – Automated Power Exchange (UK) Ltd**

**BSC Parties responding on behalf of (please list all Parties):**

Automated Power Exchange (UK) Limited

Question	Response
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p><b>YES</b></p> <p><b>Rationale:</b> Dual notification will be cost beneficial provided that:</p> <ol style="list-style-type: none"> <li>1. implementation costs are minimal, and</li> <li>2. incremental operational costs are borne by the users of the service (who will only use it if it is cost beneficial to them)</li> </ol>
<p><b>Any further comments:</b></p> <p>APX believes that a competitive procurement of a dual notification service by Elexon is possible and would result in <i>substantially</i> lower implementation costs (for both Elexon and participants), faster implementation and a more flexible, user orientated service.</p> <p>A new Elexon “Dual Notification Agent” could provide the dual notification interface as a front-end to the existing Logica ECVAA processes, minimising disruption and enabling implementation well before the November 2003 (or 2004) date indicated in the Consultation. APX, amongst others, already has dual notification systems built and the majority of market participants already have access to them. These systems interface with the existing ECVAA arrangements over both the high- and low-grade services. Modifying these existing systems would almost certainly be both cheaper and quicker than a new Logica development, plus the impact on participants would be</p>	

Question	Response
	<p>less. APX has not identified any potential functionality or service that a Logica based approach could provide that this approach could not.</p> <p>The additional enhancements identified by the SSMG, which would apply to all notification types (single or dual), could still be provided by Logica or possibly the new agent. If the new functionality were provided by Logica, any notifications received via the Dual Notification Agent would be supported in exactly the same way as if they had been received via the existing single notification route. However, if a single Dual Notification Agent were appointed, they would be able to offer to Elexon a competitive alternative to Logica, providing a full range of web based reporting and services. The procurement of this enhanced functionality could progress in parallel with the basic Dual Notification service, and implementation need not be any longer than that indicated in the Consultation.</p> <p>A couple of procurement options are possible:</p> <ol style="list-style-type: none"> <li>1. Central procurement of a Dual Notification Agent by Elexon, including development and ongoing operation.</li> <li>2. Central provision of a Dual Notification Agent by Elexon – i.e., implementation – but use and payment for use of the service would be a decision for participants. It would be possible for there to be more than one Agent in order to provide competitive choice for participants (or, if only one Agent is appointed, fees could be set as part of the Elexon procurement).</li> </ol>

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**P98\_ASS2\_013 – Scottish and Southern**

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

In relation to the consultation on Modification Proposal P98, contained in your note of 18th November 2002, and the eight questions posed, our comments are as follows:-

Q1. What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you.

A We believe there is currently a low risk of unlimited settlement liability from erroneous or malicious notifications. We believe that Modification Proposal P98 would mean a second set of procedures and significant changes to software and processes. We believe that operating two different processes has to be more complicated than operating one.

Accordingly we attach a high risk to the possibility of errors occurring when operating with two different processes, with some parties operating within a single notification environment, others in a dual notification environment and others in both a single and dual notification environment. Far from improving the situation for new market entrants, this approach (and the associated uncertainty) is likely to act as a market inhibitor for new market entrants.

Q2. In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?

A No. It will not make it any easier to clarify the situation than it does today with a single notification approach.

What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?

Q3. In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial? If so why? If not, why not?

A No. The cost of between £1.4M and £1.75M, coupled with the increased risk associated with operating in potentially three different 'environments' (some parties operating within a single notification environment, others in a dual notification environment and others in both a single and dual notification environment), are not outweighed by the benefits, which we see as small.

It is noticeable that more than 18 months after Go-Live no one can quantify the benefits of going to dual notification. In relation to the costs associated with implementing this Modification Proposal, we disagree with the reference, on page 5 of the Initial Written Assessment Report, that Parties continuing with single notification will notice no impact. Unless the costs associated with the implementation of this Modification Proposal are targeted only at those Parties that make use of dual notification, then single notification Parties will be impacted.

Q4. (a) In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how? Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?

Q4. (b) Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading? Please provide rationale for your response.

A Yes. We believe that Modification Proposal P98 would introduce two sets of procedures and would correspondingly also split the liquidity in the market.

Q5. Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?

A Single. Systems have already been developed, tested and been performing for circa 18 months based on single notification. Choosing a dual notification based system increases the risks, and costs, for a new entrant.

Q6. CP755 Enhanced ECVAAs Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?

A No. We believe that the changes introduced by CP755 go most of the way to address the deficiencies that dual notification is supposed fix.

Q7. Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?

A No. We do not support the implementation of a voluntary dual notification process. We believe that operating two different processes has to be more complicated than operating one. In addition the

cost of implementing this Modification Proposal, at between £1.4M and £1.75M, far outweighs any potential benefit.

Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?

A We suspect that as a consequence of pressure from our counterparties we may be forced to operate in both the single notification and the dual notification environment.

Has your response changed since the initial consultation?

A No. Our view has not changed since the initial consultation. We remain of the view that P98 is an unnecessary and costly proposal that does not merit being approved by the Authority.

Q8. In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?

A No. We believe that Modification Proposal P98 would make trading more complicated, and would fail to meet the applicable BSC objective.

Any Further Comments

We believe that this consultation has not addressed, in any significant way, the resolution of the concerns expressed by the Authority in relation to Modification Proposal P4. Unless there has been a considerable increase in demand for this service by participants it is difficult to envisage that this P98 Modification Proposal will be any more successful. In addition we note the comments in the Authority's One Year Review of NETA, in regard to reducing Gate Closure to 1 hour, which suggested that trading closer to real time would reduce risk for Parties, particularly smaller players, and go some way to alleviate the 'requirement' for P4 and P98.

Regards

Garth Graham

Scottish & Southern Energy plc

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**P98\_ASS2\_014 – EdF Trading & Electricite de France**

**BSC Parties responding on behalf of EDF Trading Limited (EDFT) and Electricite de France (EDF):**

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale:</b>  EDFT and EDF place a high level of importance to the risk of inaccurate notifications either through systems, processes or human error. This is particular in view of high cash-out prices for imbalances.</p>

Question	Response
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p>NO</p> <p><b>Rationale:</b></p> <p>We do not think that dual notification will make it any easier to legally assign responsibility for inaccurate nominations.</p> <p><b>Rationale:</b></p> <p>Dual notification means that both parties have an incentive to notify and match notifications. However EDFT and EDF major concern would be the robustness of counterparty notification systems and whether there would be a fall back notification agent.</p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p>NO</p> <p><b>Rationale:</b></p> <p>EDF and EDFT do not see the implementation of dual notification cost beneficial. To change current systems and processes would involve a significant cost and introduce additional operational risks. We have estimated that the cost could be as high as £200k, which includes system changes, process changes, legal contract changes and testing.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p>Maybe</p> <p><b>Rationale:</b></p> <p>Dual notification may lead to a different approach in notifying contracts particularly during the 'matching' exercise would be simpler if the same methodology is applied by both counterparts of using say Net Overwrite or Contract by Contract.</p> <p><b>Rationale:</b></p> <p>Implementation of the changes is likely to vary one party to another and maybe subject to discussions.</p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p>NO</p> <p><b>Rationale:</b></p> <p>I do not think that dual notification will lead to increased market liquidity. Indeed maintaining the current system and dual notification is a</p>

Question	Response
	<p>recipe for significant problems.</p> <p>However I do agree that dual notification may lead to a reduction in risk notifying close to gate closure.</p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p>DUAL</p> <p><b>Rationale:</b></p> <p>I suspect new entrants would prefer dual notification so long as this was the option due to the concept of the 'matching' process of notifications.</p>
<p><b>Q6.</b> CP755 Enhanced ECVAA Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p>NO</p> <p><b>Rationale:</b></p> <p>CP755 has reduced significantly the requirement to have dual notification. The acceptance of notifications close to gate closure and the ability to receive a report that a counterpart has notified has alleviated the requirement for dual notification.</p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p>NO</p> <p><b>Rationale:</b></p> <p>EDFT and EDF strongly oppose the implementation of voluntary dual notification.</p> <p>NO</p> <p><b>Rationale:</b></p> <p>The operational risk and costs of changing processes and systems do not justify approving dual notification.</p> <p>NO</p> <p><b>Rationale:</b></p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p>YES</p> <p><b>Rationale:</b></p>

Question	Response
	<p>Although we believe that dual notification better facilitates the BSC objectives had it been implemented prior to NETA go live. We do not support a change after 18 months of NETA go live and certainly do not support a voluntary scheme.</p>

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**P98\_ASS2\_015 – Barclays Capital**

**BSC Parties responding on behalf of (please list all Parties): Barclays Capital**

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale:</b> This is the single largest risk associated with trading UK power. While there are many ways of mitigating erroneous notifications operationally, the risk of significant erroneous notifications cannot be completely eradicated. While it might seem unlikely that large and persistent erroneous notifications are made and not corrected, there are several factors to believe that this risk is nevertheless significant. For example, participants could face unlimited liability in the following circumstances:</p> <ul style="list-style-type: none"> <li>• Major changes to notifications following a participant's entry into administration etc. Eg, if the administrators decide to set notifications to zero (to avoid post-administration liabilities), the counterparty may have little control over when this occurs and how closely it follows the resolution of the associated contracts (eg, if notifications are set to zero before or after the relevant contract defaults). This could result in massive imbalance exposure with little or no contractual recourse. This could create catastrophic consequences to the wider market.</li> <li>• Deliberate mis-notification as an act of sabotage could result in a</li> </ul>

Question	Response
	<p>participant facing unlimited liability with similarly catastrophic knock on consequences.</p> <p>While perhaps infrequent or unlikely, these circumstances can and do arise and the cost of failure is potentially so large as to result in the knock on collapse of other market participants.</p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><b>YES</b> – The current system involves a dual responsibility both to make correct notifications and to check that correct notifications have been made against your trading accounts. This makes it impossible to unambiguously identify the party responsible for the notification error. This is reflected in contracts and counterparties typically agree to share liability for notification errors. With dual notification it is possible to identify the party that has failed to nominate and/or confirm the nomination, which makes it easier to identify responsibility for any associated imbalance. In turn, this should provide significantly improved incentives for market participants to have robust risk management systems.</p> <p>Dual notification will, however, avoid unnecessary costs associated with 24 hour scrutiny of notifications, by allowing market participants to “draw a line” under notifications that have already been confirmed. While systems will, therefore, have to be sufficiently robust to ensure correct notifications and confirmations, it should be possible to reduce the cost associated with notification and, consequently to reduce a significant barrier to entry to the market.</p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p><b>YES</b></p> <p>While the cost of dual notification seems relatively high, this will be heavily outweighed by the associated benefits, ie:</p> <ul style="list-style-type: none"> <li>• Removal of unlimited liability and the systemic risk of system wide collapse;</li> <li>• Removal of the barrier to entry that unlimited liability and the requirement</li> </ul>

Question	Response
	<p>for 24-hour cover represents;</p> <ul style="list-style-type: none"> <li>• Promotion of market liquidity due to reduced notification risk.</li> <li>• Reducing the costs associated with resolving disputed or erroneous notifications.</li> </ul> <p>The central system costs of dual notification would represent less than 0.05% of physical wholesale market turnover. This can be seen as a minor “insurance premium” to protect the industry against the negative effects of single notification and is completely outweighed by the benefits.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p><b>Possibly.</b> This will depend on how market participants choose to resolve positions with individual counterparties. Some change can be envisaged, however, if counterparties choose to draw a line under their respective positions at some point during the day. Dual notification would provide additional flexibility in notifying positions, which could result in some move away from the current practice of notifying contracts all together in an end-of-day batch.</p> <p>It’s difficult to say how the industry will go in response to this increased flexibility. Barclays Capital will respond appropriately to developments with individual counterparties and the wider market.</p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p><b>YES –</b> Notification risk remains a significant barrier to trading, especially in short timescales close to gate closure. By clarifying responsibility for notification errors more clearly, P98 should reduce this risk and improve the liquidity in short-term markets.</p> <p>Moreover, removing the barriers to market entry posed by unlimited liability and by removing unnecessary requirements for 24-hour cover, the industry should see more new</p>

Question	Response
	entrants, further fostering liquidity.
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p><b>DUAL</b> – If we were unconstrained by existing systems, few would argue that single notification was the correct answer. Dual notification removes major systemic risks, thereby promoting new entry of financial players. Moreover, by clarifying the legal responsibility for imbalances and by removing the need for complex checking systems, dual notification would make it significantly easier for a new entrant to come into the market. Participants would be able to enter the market without the requirement for 24 hour cover to monitor and detect incorrect notifications against them.</p>
<p><b>Q6.</b> CP755 Enhanced ECVAA Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p><b>YES</b> – Enhanced reporting has the potential to reduce ongoing operational risks. However, enhanced reporting cannot remove unlimited liability for settlement errors. Enhanced reporting therefore fails to address the main concern of the systemic risk represented by single notification and unlimited liability.</p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p><b>YES</b> – voluntary dual notification allows market participants to choose how they want to manage their notifications and the associated risk. There should be no additional risks imposed as a result of having both dual and single notification.</p> <p><b>YES</b> we would use dual notification as an organisational initiative. We would, however, continue to be responsive to our counterparties' preferences.</p> <p><b>NO</b> - we still think dual notification is the correct way to proceed.</p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable</p>	<p><b>YES</b> – Dual notification will promote competition in the generation, supply,</p>

Question	Response
<p>BSC Objectives than the current baseline?</p>	<p>purchase and sale of electricity by:</p> <ul style="list-style-type: none"> <li>• Reducing operational risks</li> <li>• Removing the major systemic risk associated with unlimited liability for notification errors</li> <li>• Promoting new entry into the market through the removal of unlimited liability and by removing the need for 24-7 cover to monitor notified trading positions</li> <li>• Removing the discrimination in the operation of RCRC which redistributes payments made for notification errors from non-physical to physical players</li> </ul> <p>Against these benefits, the costs of implementing P98 are trivial.</p>
<p><b>Any further comments:</b></p> <p>The arguments for dual notification are compelling:</p> <ul style="list-style-type: none"> <li>• Participants can avoid large, penal cash-out penalties for notification errors which have zero net effect on total system costs;</li> <li>• Commercial solutions to solve the defects of single notification are insufficient to be an effective solution;</li> <li>• Under single notification, participants can bear notification risk under the GTMA even if they are not at fault;</li> <li>• Mitigating the risks of single notification raises a massive barrier to entry into the traded market: all participants, large or small, must invest in 24-hour cover to ensure that errors are picked up and resolved (regardless of actual traded volumes or scope of products traded);</li> <li>• Notification risk results in unlimited liability for errors which is in itself a barrier to the participation of new entrant traders</li> <li>• The operation of RCRC currently discriminates against non-physical players in the reallocation of the proceeds from notification errors</li> <li>• Unlimited liability for notification errors could result in the catastrophic collapse of the entire market under plausible (albeit unlikely) scenarios</li> </ul> <p>Dual notification would mitigate and potentially eliminate all of these concerns. The alleged downsides of dual notification also don't stand much scrutiny:</p> <ul style="list-style-type: none"> <li>• The cost of implementing dual notification is trivial compared to the benefits in terms of the avoided risk to individual participants and the sector as a whole.</li> </ul>	

Question	Response
	<ul style="list-style-type: none"> <li>Introducing the option of dual notification will not increase – and <i>can only decrease</i> - the likelihood of notification errors</li> <li>Participants will still need to invest in robust error free systems to ensure that their position is known and to avoid undue imbalances. There would still be a strong imperative to have robust systems since an ongoing failure to confirm dual notifications accurately would discourage other participants from trading with participants with poor systems. Arguably systems would need to be more robust since free-riding on the accuracy of other market participants' systems would no longer be an option.</li> <li>While less may be spent on reconciliation, monitoring and 24-hour cover, this should be seen as an efficiency gain (the whole problem with single notification is that it imposes large and unnecessary costs unrelated to any physical costs imposed on the system).</li> </ul>

**P98\_ASS2\_016 – Magnox Electric**

**BSC Parties responding on behalf of (please list all Parties):**

**Magnox Electric plc**

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale:</b></p> <p><b>Magnox does not believe that either malicious notifications or erroneous notifications where there has been no corresponding transaction represent significant risks. This is on the basis of experience since go-live, where there has been no incidence of either.</b></p> <p><b>Although the liabilities associated with erroneous notifications are in principle unlimited, in practice diligent review of a Parties forward contract position significantly mitigates this risk.</b></p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p>	<p><b>YES / NO</b></p> <p><b>Rationale: Magnox believes that the arrangements in the current GTMA setting out responsibilities for notification and the financial consequences of mis-notification are adequate.</b></p>

Question	Response
<p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><b>Magnox believes that Notification Agents will continue to operate their existing systems to the best of their abilities. The implementation of web based reporting and notification systems will have a beneficial effect in reducing the risks associated with notification.</b></p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?  If so why? If not, why not?</p>	<p><b>YES / NO</b>  <b>Rationale:</b>  <b>We consider that the provision of web-based views of contract positions and web based entry of contract positions provide benefits to BSC Parties and their agents in mitigating operational risks associated with notification which outweigh the costs associated with provision of these systems.</b></p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?  Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p><b>YES / NO</b>  <b>Rationale:</b>  <b>We would expect most BSC Parties to continue with single party notification in accordance with their existing operating procedures, on the basis that to make changes to systems or procedures would involve cost and risk for little perceived benefit.</b></p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?  Please provide rationale for your response.</p>	<p><b>YES / NO</b>  <b>Rationale:</b>  <b>We believe that Parties currently trade in response to needs or opportunities and are not significantly inhibited in doing so by their perception of risks associated with contract notification</b></p>

Question	Response
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p><b>SINGLE / <del>DUAL</del></b></p> <p><b>Rationale:</b></p> <p><b>Most new entrants will probably be obliged to conform with the preferred approach of the existing market participants</b></p>
<p><b>Q6.</b> CP755 Enhanced ECVAAs Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p><b>YES / NO</b></p> <p><b>Rationale:</b></p> <p><b>N/A</b></p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p><b>YES / <del>NO</del></b></p> <p><b>Rationale:</b></p> <p><b>We believe that the proposed method of implementation by which dual and single notification can co-exist is ingenious and will not, as we had previously concluded, introduce significant disruption to existing single notification processes. On this basis, we are content that the option should be provided to BSC Parties that wish to adopt it. We believe that the additional facilities (Web based reporting and notification) will provide real benefits to all BSC Parties and that leads us, overall, to support the modification.</b></p> <p><b>YES / NO</b></p> <p><b>Rationale:</b></p> <p><b>We would not anticipate implementing dual notification initially. Our expectation is that most industry participants would wish to see the fully implemented systems, and take a judgement on the benefits of moving to dual notification after these had been in operation for a few months.</b></p>

Question	Response
	<p><b>YES / NO</b></p> <p><b>Rationale:</b></p> <p>Having read the Requirements Specification, we have now concluded:</p> <p>(i) that the method of implementation of dual notification would not disrupt single party notification processes</p> <p>(ii) that the Requirements Specification identifies reporting and notification facilities that would be of significant benefit to all market participants</p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p><b>YES / NO</b></p> <p><b>Rationale:</b></p> <p>We believe that the Modification, by reducing the risks associated with notifications, would better facilitate the Applicable BSC Objective of promoting effective competition in the generation and supply of electricity.</p>
<p>Any further comments:</p> <p><b>We would applaud the work of the SSMG, supported by Elexon, in developing the original Modification Proposal into a set of requirements which we now feel able to support as being of benefit to the Industry overall.</b></p>	

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**P98\_ASS2\_017 – Powergen**

**Powergen UK responding on behalf of (please list all Parties):**

Powergen UK plc, Powergen Retail Limited, Diamond Power Generation Limited, Cottam Development Centre Limited, TXU Europe Drakelow Limited, TXU Europe Ironbridge Limited, TXU Europe High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy Limited.

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale:</b> These risks are small. Erroneous notifications have declined since go-live, as parties' notification and checking systems have improved. The few recent events that we have had have been caused by inability to notify a change close to gate-closure, rather than incorrect quantities being submitted. We are not aware of any malicious notifications being made and see this as a very low probability risk, which can be considerably mitigated by use of the information flows introduced by CP755.</p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><b>NO</b></p> <p><b>Rationale:</b> It is already possible identify if an incorrect notification has been made. GTMA Schedule 3b and CP755 provide facilities that should lead to any discrepancies between two parties' view of their position being resolved in time for gate-closure.</p> <p><b>Rationale:</b> Parties are already incentivised to know their position and to compare it to what has been notified on their behalf. If there is a discrepancy they cannot be sure that it is them that have recorded the trades correctly, and therefore must work with the notifying party to resolve the problem.</p> <p>Introducing a web based notification entry system would reduce the need for parties to have robust systems as there would be a convenient fallback, albeit relying on manual entry and an un-guaranteed internet connection.</p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p><b>NO</b></p> <p><b>Rationale:</b> The size of the errors that have been reported recently are considerably less than the cost to the industry of introducing dual notification. In addition, CP755 provides parties with a much cheaper route to being able to check notifications in prompt timescales.</p>

Question	Response
	<p>The costs of notification errors are passed around within the industry, but the money for system enhancements will go out of the industry and potentially result in higher charges to customers.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p><b>NO</b></p> <p><b>Rationale:</b> It is unlikely that trade-by-trade dual notification will be adopted by many parties as it requires agreement on an ECVN identifier at the time of doing the deal – a new requirement for traders and one that would be difficult to implement. T-B-T notification would probably increase notified volumes and therefore parties' costs.</p> <p>The introduction of CP755, which offers many of the same benefits, has not resulted in significant changes to trading patterns.</p> <p><b>Rationale:</b></p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p><b>NO</b></p> <p><b>Rationale:</b> It is already possible to trade close to gate-closure on the Power Exchanges. Their charges are not so high as to be a major disincentive, so it is unlikely that notification systems issues are a key factor in parties' decisions about short-term trading</p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p><b>SINGLE</b></p> <p><b>Rationale:</b> The possibility of being stranded by a failure of your own notification system will discourage parties from adopting Dual Notification</p>
<p><b>Q6.</b> CP755 Enhanced ECVAAs Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p><b>YES</b></p> <p><b>Rationale:</b> CP755 solves many of the problems that Dual Notification tries to address. Little change has been apparent in parties' behaviour, suggesting that they do not see a need for further developments</p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification,</p>	<p><b>NO</b></p>

Question	Response
<p>do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p><b>Rationale:</b> The very high cost to both Central Systems and party systems does not provide significant benefits over CP755, and there is a risk of party system failure leading to notification error, whereas at present this can be dealt with by the other party notifying.</p> <p><b>NO</b></p> <p><b>Rationale:</b> No perceived reason within the organisation to move to dual notification. However, at least one counterparty has threatened that they will only trade with other parties that either use dual notification or agree to re-negotiate the GTMA so that the single notifier carries all the risk, which disincentivises the non-notifying party from checking notified values. If this became a widespread threat then our position might change.</p> <p><b>NO</b></p> <p><b>Rationale:</b></p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p><b>NO</b></p> <p><b>Rationale:</b></p>
<p><b>Any further comments:</b> The majority (certainly by value) of the notification errors since go-live have involved intra-company trades, for which dual-notification does not provide any additional risk mitigation.</p> <p>We would rather see the industry spend money on electronic confirmation (outside the central systems if necessary), as this will provide greater certainty of position and significant cost savings for all parties.</p>	

**P98\_ASS2\_018 – Scottish Power**

**BSC Parties responding on behalf of (please list all Parties):**

*Scottish Power plc; ScottishPower Energy Trading Ltd.; Scottish Power Generation plc.; ScottishPower Energy Retail Ltd.; SP Transmission plc; SP Manweb plc*

Question	Response:
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p>Very Low.</p> <p><b>Rationale:</b> To date there have been no malicious notifications made against Scottish Power since market opening, despite several counterparties going into liquidation. On the rare occasion that erroneous notifications have been made against SP, these have been caught by our in-house systems and rectifications made. In our experience, a party that notifies in error typically take responsibility for the cost and will collaborate with repairs to the notifications.</p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p>NO</p> <p><b>Rationale:</b> It is acknowledged that there are known problems with the existing GTMA agreements in terms of their clarity. Some of these may be dealt with, potentially in the short term future, via a Modification Proposal. The issue about whether the GTMA takes precedence over the BSC is a key point here. Should a dual notification system be introduced, even on a voluntary basis, all the current GTMA documents would need to be re-drafted, which is a major undertaking. A preferable approach may be to address the known issues with the current documents, and SP believes that this would achieve the desired level of clarity without having to start again from scratch.</p> <p>Very little, if any, especially if issues with the existing GTMA agreements are addressed.</p> <p><b>Rationale:</b> Problems with notification are almost always dealt with before legal proceedings are started and hence this is not expected to influence incentives for notifiers or effect the robustness of Party notification systems.</p>

Question	Response:
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p>NO</p> <p><b>Rationale:</b> Scottish Power does not believe that dual notification will be cost effective because it is considered unlikely to improve market liquidity but will cost a substantial sum to implement, both in terms of Central Systems and Parties' own systems and processes. SP believes that the current arrangements, changed recently through CP755, and minor changes to the existing framework of Forward Contract Reports, would be a more cost-effective means of achieving BSC Objective d), i.e. promoting efficiency in the implementation and administration of the balancing and settlement arrangements.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p>	<p>YES</p> <p><b>Rationale:</b> Scottish Power believes that problems are likely though the mixed use of Trade-by-Trade and Net notifications under the proposed dual notification system. In terms of tracing and fixing notification errors, it is clear to Scottish Power that the TBT (Additive) method of notification provides a greater degree of efficiency in Middle Office processes due to the transparency of the deals in question. When positions are reported as NET figures by both parties, there is no guarantee that the underlying trades are the same, which would actually reduce confidence levels for contract notification.</p> <p>In terms of the notifying frequency, it is advocated that notification when the deal has been agreed rather than as part of a batch of submissions is preferable, as it gives each party more time to correct notification errors prior to gate closure. This approach to trading is applicable to both single and dual notification.</p> <p>Rationale: The changes would work most effectively if adopted by the market as a</p>

Question	Response:
<p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p>whole.</p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p>NO</p> <p><b>Rationale:</b> The potential reduction in notification risk is not thought to have a significant bearing on the quantity or scale of short-horizon trades. The current systems, with the changes in CP755, are considered sufficient to handle these trades with acceptable levels of risk.</p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p>SINGLE</p> <p><b>Rationale:</b> Any new participant arriving would have to deal with the current situation and hence would not have an option but to adopt Single notification. Given the maturity of the NETA market it seems unreasonable to consider single and dual notification as equally viable options in this case.</p>
<p><b>Q6.</b> CP755 Enhanced ECVAAs Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p>NO</p> <p><b>Rationale:</b> Use of the new I028 flow is still very recent but it is noted by Scottish Power that it helps to fill the 'blind' periods between Forward Contract Reports, and hence gives added confidence compared with the initial arrangements. SP reiterates its earlier view that the new arrangements need more time to bed in before a substantial changes to the method of contract notification are tabled as these may not be necessary.</p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p>	<p>NO</p> <p><b>Rationale:</b> Scottish Power considers that the proposals for an 'optional' dual notification process as outlined in the requirements specification would not actually be optional in practice. It would not be practical in most cases to cease trading with a counterparty</p>

Question	Response:
<p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p>due to mismatch in the chosen notification strategies of the two parties, and so pressure would be applied to those parties wishing to stay with single notification to move to a dual notification process. The specification also outlines changes to the single notification process which bring it closer to the dual method, which again is moving parties content to stay with single notification to adopt the dual method. There does not appear to be a 'do nothing' option for parties if they wish to continue trading (and notifying) in a P98 environment.</p> <p>NO</p> <p><b>Rationale:</b> Scottish Power would prefer to maintain the current notification arrangements but acknowledge that there may be pressure from counterparties to change over to the dual notification method.</p> <p>NO</p> <p><b>Rationale:</b> Scottish Power stands by its response to the original consultation. The costs of the Mod are substantial, both to Central Systems and to Parties, the perceived drawbacks of the current system have been overplayed in the supporting documentation and the liquidity in the short-horizon trading market is dictated more by plant availability and capacity than by the degree of confidence in the success of the notification process, which is already high.</p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p>NO</p> <p><b>Rationale:</b> P98 has been judged against the applicable BSC Objectives of promoting efficiency and promoting effective competition and in Scottish Power's view does not satisfy</p>

Question	Response:
	<p>either objective. The costs do not represent an efficient use of funds given the potential benefits and Scottish Power believes that there may be drawbacks to adopting the dual notification method both in terms of technical compatibility and operational flexibility. P98 is not thought to affect the level of competition in the NETA market as it does not favour, or seek to favour, any particular type of market participant, nor are there thought to be any barriers to entry brought about by the current notification process that would be mitigated under the dual notification proposals.</p>

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**P98\_ASS2\_019 – Teeside Power**

**BSC Parties responding on behalf of (please list all Parties):**

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale:</b> TPL views the risk as a low to medium business risk. TPL has assessed the risk as it would any other business risk and set up rigorous systems and procedures to ensure that the risk is properly managed. For example, TPL systems and procedures are regularly reviewed and audited and potential counter parties are thoroughly vetted before any trading is undertaken. In addition, the commercial terms of the agreements TPL has in place clearly state the remedies for default be it malicious or erroneous.</p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p>	<p><b>YES / NO          No</b></p> <p><b>Rationale:</b> Most trading counter parties already use recorded lines when undertaking trades so as to assist in the resolution of trade disputes. In addition, the GTMA clearly states the remedies that prevail in the event of a notification error. Hence TPL do not believe that the implementation of dual notifications will make it easier to clarify responsibility for incorrect notifications.</p>

Question	Response
<p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><b>Rationale: None. The existing commercial arrangements between parties should provide sufficient incentive on notifiers to have robust and proven systems and procedures in place.</b></p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p><b>YES / NO No</b></p> <p><b>Rationale: TPL believe that a more cost effective option to assist in the prevention of notification errors would be to simply implement a real time web based system that would permit parties to validate the notifications made with respect to that parties trading accounts at any time within day.</b></p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p><b>YES / NO No.</b></p> <p><b>Rationale: TPL currently submits each trade as it is done and would continue to submit trades in this manner should dual notifications be implemented. TPL is unable to comment on how other trading parties may vary their existing trade notification procedures.</b></p> <p><b>Rationale: TPL does not believe it would change the manner in which it would submit contracts and is unable to comment on how other parties may change their existing notification systems and procedures.</b></p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p><b>YES / NO No.</b></p> <p><b>Rationale: TPL believe that the risk of notification error can be properly managed without the introduction of dual notifications and hence does not believe that the introduction of dual notifications will lead to increased market liquidity.</b></p>

Question	Response
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p><b>SINGLE / DUAL Single</b></p> <p><b>Rationale:</b> TPL believes that the advantages of using a tried and tested system, which could be further enhanced through the use of a real time web based contract monitoring system, far outweigh the risks of a new, untried system that TPL believes would not be cost effective.</p>
<p><b>Q6.</b> CP755 Enhanced ECVAAs Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p><b>YES / NO No</b></p> <p><b>Rationale:</b> As previously stated, TPL do not believe that dual notification would add benefit to the Industry. Hence we do not think it is required. A live web based notification monitoring system would be much more beneficial.</p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p><b>YES / NO No</b></p> <p><b>Rationale:</b> Not cost effective. The risk can be better managed through the implementation of a real time web based system that would allow parties to actively monitor their contracted position at any time within day.</p> <p><b>YES / NO No</b></p> <p><b>Rationale:</b> TPL would oppose the use of dual notifications and would seek to rely upon its existing systems and procedures.</p> <p><b>YES / NO No</b></p> <p><b>Rationale:</b> TPL reiterates its view that the risk can be properly managed through vetting of counter parties, the establishment of sound systems and procedures and the use of GTMA like trading agreements. These existing controls would be enhanced through the</p>

Question	Response
	<b>introduction of a real time web based contract notification system that would permit parties to view and monitor their contracted position at any time within day.</b>
<b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?	<b>YES / NO No</b>  <b>Rationale: TPL does not believe that the notification proposal is cost effective.</b>

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**P98\_ASS2\_020 – ConocoPhillips**

**Respondent: Rekha Patel, ConocoPhillips**

Question	Response
<b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?	<b>Rationale:</b> ConocoPhillips have concerns regarding the potential risk of unlimited liability arising from erroneous notifications, although the frequency of the occurrence is limited. The significance of erroneous notifications becoming a pressing issue under the following scenario, where a participant is within credit default level 1, the submission of an erroneous notification against the party, causes it to enter into level default 2. The participant is now having to deal with fundamental issues regarding the rejection and refusal of notified contracts with other participants, and also finding the means of providing additional collateral.
<b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?	<b>YES.</b> <b>Rationale:</b> As a consequence of the dual notification process being a simple mechanism, the matching of notified contracts between the bilateral counter parties, shall make it easier within the negotiated contracts to clarify, legally, responsibility for incorrect notifications.  At present, within the GTMA contract, it is a lengthy process to establish which counter party is to undertake the role being the notification agent, ECVAA. As a new entrant into the market, the negotiations of GTMA's has been extremely time consuming, as a result of combating issues such as notification agents.

Question	Response
<p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><b>Rationale:</b>  The implementation of dual notification should not create any adverse effects, hence no deterioration upon the robustness of systems or commitment from notifiers. There is still an obligation upon the participants to submit correct notifications in order for the trades to become accepted.</p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?   If so why? If not, why not?</p>	<p><b>YES</b>  <b>Rationale:</b>  The implementation of dual notification could be cost beneficial, however it is dependent upon the number of participants that decide to voluntarily operate under the dual contract notification process.   The cost of implementing dual notification can be justified through ensuring the majority of participants operate under the dual process, potentially leading to new entrants automatically taking the dual notification approach. An industry consensus of the implementation of dual contract notification maybe required.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?   Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p><b>NO</b>  <b>Rationale:</b>  The implementation of dual notification shall not create any necessity to complete notifications on a trade by trade basis. However, there is no reason why changes may arise. For example, a consensus may arise similar to that within the gas industry through the use of the AT Link system. Contract notifications within the gas industry are usually submitted D-1 on an aggregated basis, the aggregated sells and aggregated buyers, upon the AT Link system.   <b>Rationale:</b>  A combination of both, the organisation and the market as a whole, shall determine any potential changes that may arise.</p>
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?   Please provide rationale for your response.</p>	<p><b>YES</b>  <b>Rationale:</b>  ConocoPhillips believe that there is the potential of within day liquidity increasing through the reduction in notification risks.</p>

Question	Response
	<p>However, there is also the potential of the liquidity gain achieved by dual notification being limited through the development of segregated markets. The within day market could consist of two markets, a dual notification group and a single notification group, if dual notification is not implemented by the majority of the market participants. Participants may wish not to trade with counter parties that do not operate under the same process.</p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p><b>DUAL</b></p> <p><b>Rationale:</b></p> <p>As a new entrant, ConocoPhillips prefers the implementation of a dual notification process. This preference is a consequence of the untried/untested systems within the live NETA environment. A new entrant has a greater probability of incurring notification errors in comparison to an established counter party. The dual notification mechanism provides security through ensuring only matched notification are accepted.</p>
<p><b>Q6.</b> CP755 Enhanced ECVAA Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p><b>YES</b></p> <p><b>Rationale:</b></p> <p>ConocoPhillips is scheduled to start trading April 2003 and therefore its operational experience is limited. However, ConocoPhillips have observed that the enhanced reporting service has been extremely beneficial. Although, we do not believe that enhanced reporting is a substitute for the implementation of dual notification. Notification risk is still present will the enhanced reporting service.</p> <p>An erroneous notification may have been detected through enhanced reporting, however the unwinding of the trade may not be possible due to gate closure restrictions. Enhanced reporting does not prevent the occurrence of errors but simply allows them to be identified.</p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p>	<p><b>YES</b></p> <p><b>Rationale:</b></p> <p>In principle, the implementation of a voluntary dual notification process is supported by ConocoPhillips. However, in order to justify</p>

Question	Response
<p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p>the cost of implementation a large number of participates are required.</p> <p><b>YES</b></p> <p><b>Rationale:</b>  The implementation of dual notification would be based upon an organisational initiative. As a new entrant, the dual notification process would be used in order to reduce notification risks associated with the use of new notification systems.</p> <p><b>NO</b></p> <p><b>Rationale:</b>  ConocoPhillips is committed to supporting the implementation of dual notification, in order to reduce the large notification risks that exists at present within the electricity industry.</p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p><b>YES</b></p> <p><b>Rationale:</b>  Dual contract notification would better facilitate the BSC objectives compared to the current arrangement.</p> <p>Dual contract notification would prevent erroneous notifications being submitted to participants energy accounts. Such assurances would increase confidence and therefore liquidity in the day ahead and within day markets, therefore promoting effective competition in the generation and supply of electricity.</p>
<p><b>Any further comments:</b></p> <p>ConocoPhillips would like to stress the importance of the implementation of dual notification upon new entrants. At present there is a huge burden upon new entrants, regarding notification systems and GTMA contracts, that could be consider as a barrier to entry.</p>	

**P98\_ASS2\_021 – Innogy**

**BSC Parties responding on behalf of (please list all Parties): Innogy Group (Innogy plc, Innogy Cogen Limited, Innogy Cogen Trading Limited, Npower Limited, Npower Direct Limited, Npower Northern Limited, Npower Northern Supply Limited, Npower Yorkshire Limited and Npower Yorkshire Supply Limited)**

Question	Response
<p><b>Q1.</b> What significance do you attach to the risk of unlimited (settlement) liability from erroneous or malicious notifications made against you?</p>	<p><b>Rationale:</b> While the risk exists this can be mitigated by checking all Contract Notification reports. Erroneous or malicious notifications to +/-99GWh (BSC P 2.3.4) and cashout price £99,999/MWh.</p>
<p><b>Q2.</b> In your opinion, will the implementation of dual notification make it easier under contracts to clarify, legally, responsibility for incorrect notifications?</p> <p>What effect do you think this will have on incentives for notifiers and on the robustness of Party notification systems?</p>	<p><b>YES / NO</b></p> <p><b>Rationale:</b> Clear responsibility at present under the GTMA. Dual notification will stop someone erroneously notifying.</p> <p><b>Rationale:</b> Parties are not incentivised at present. Small parties coming to the market often need others to notify for them. If dual notification became the norm then it could potentially create a barrier to market entry.</p>
<p><b>Q3.</b> In your opinion, considering the issues set out in this consultation document, do you consider the implementation of dual notification to be cost beneficial?</p> <p>If so why? If not, why not?</p>	<p><b>YES / NO</b></p> <p><b>Rationale:</b> Short term cost v long term benefits. In the short term - system costs, GTMA renegotiation cost and added risk due to process changes. Long term reduction of erroneous notification costs.</p>
<p><b>Q4 (a).</b> In your opinion, will the implementation of dual notification mean the adoption of different approach to trading, for example, trade by trade notifications, or a move away from Parties notifying contracts in a batch at the end of the working day? If so, how?</p> <p>Do you anticipate the changes you describe as being implemented by your own organisation and / or the market as a whole?</p>	<p><b>YES / NO</b></p> <p><b>Rationale:</b> Parties who do trade by trade notifications within day would no doubt welcome counter parties who currently batch trades moving to trade by trade within day. With day ahead trading the share volume of trades would make trade by trade unmanageable. For day ahead would approve of submission deadline like for the 7 day report.</p> <p><b>Rationale:</b> To be workable it needs to be market wide</p>

Question	Response
<p><b>Q4 (b).</b> Will dual notification lead to changes in market liquidity? For example, will the potential reduction in notification risk lead to any change in the liquidity of short-term trading?</p> <p>Please provide rationale for your response.</p>	<p><del>YES</del> / NO</p> <p><b>Rationale:</b> Do not believe it will improve and increase trading near to gate closure due to the increased process. For dual notification have to get the 2 trades to match compared with the situation now where a trade is agreed and one party submits the notification.</p>
<p><b>Q5.</b> Do you think, in principle, that a new entrant would choose to use dual notification or single notification (i.e. disregarding the system incumbent Parties are using)?</p>	<p><b>SINGLE / DUAL</b></p> <p><b>Rationale:</b> Difficult to say. No doubt a new entrant would use whatever industry standard was.</p>
<p><b>Q6.</b> CP755 Enhanced ECVAA Reporting (implementation of the Acceptance Feedback Report) has been operational since 8 October 2002. In light of operational experience, does the requirement for dual notification remain?</p>	<p><del>YES</del> / NO</p> <p><b>Rationale:</b></p>
<p><b>Q7.</b> Given the solution to dual notification set out in the attached requirements specification, do you support the implementation of a voluntary dual notification process?</p> <p>Would you use the dual notification process were it to be implemented (please indicate whether this would be either as an organisational initiative, or whether the move would be as a consequence of pressure from your counterparties)?</p> <p>Has your response changed since the initial consultation</p>	<p><b>YES / NO</b></p> <p><b>Rationale:</b> Do see benefits.</p> <p><b>YES / NO</b></p> <p><b>Rationale:</b> Depends on market conditions.</p> <p><del>YES</del> / NO</p> <p><b>Rationale:</b> Not really.</p>
<p><b>Q8.</b> In your opinion, does dual notification better facilitate achievement of the Applicable BSC Objectives than the current baseline?</p>	<p><del>YES</del> / NO</p> <p><b>Rationale:</b></p>
<p><b>Any further comments:</b></p>	