

Modification Proposal	MP No: P2 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Revision Of The Methodology For Assessing Credit Indebtedness.	
Submission Date <i>(mandatory by proposer):</i> 27 March 2001	
Description of Proposed Modification <i>(mandatory by proposer):</i> The current Code methodology for assessing credit indebtedness does not use actual system inputs or outputs. In addition it uses Credit Assessment Price (CAP) for the whole period of indebtedness. It is proposed that credit indebtedness is assessed against actual inputs and outputs as soon as they are available and best estimates are used until they are available. It is further proposed that CAP is only used for pricing during periods when there is no ability to provide additional security.	
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i> As the current methodology for assessing credit indebtedness does not use actual system inputs or outputs and uses the CAP for the whole period of indebtedness, the indebtedness is far from accurate, exposing the whole community to significant credit risk. These amendments would have the effect of: 1. Ensuring that the Community are better protected against debt incurred through price spikes (the effect of restricting the period of CAP will show at the next banking day rather than at the payment day). 2. Ensuring the Parties are providing credit for actual indebtedness rather than assumed indebtedness (by using actual input and output figures rather than forecast figures manipulated by CALF). 3. Ensure that the industry does not incur unnecessary costs for securing unwarranted levels of Credit. 4. Ensure that Parties who find themselves in level 2 default are there because of real credit issues rather than a 'manufactured' one	
Impact on Code <i>(optional by proposer):</i> Section M will need to be extensively changed.	
Impact on Core Industry Documents <i>(optional by proposer):</i> None anticipated.	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i>	
Impact on other Configurable Items <i>(optional by proposer):</i>	

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Justification for Proposed Modification with Reference to Applicable BSC Objectives (mandatory by proposer):

These changes would ensure that the market is better protected from a defaulting party not having sufficient credit to meet its obligations. In addition, there are currently a few parties who through the vagaries of the current rules will be over-secured, this amendment will ensure that they are required only to provide proper levels of credit. A proper level of credit should lead to more effective competition in the generation and supply of electricity as it will remove a barrier to entry in the market.

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Attachments: NO

If Yes, Title and No. of Pages of Each Attachment: