

Modification Proposal P2: Revision of the Methodology for Assessing Credit Indebtedness

Industry Consultation and Impact Assessment

1.0 Introduction

Modification Proposal P2 was submitted by British Gas, and proposes that the calculation of indebtedness for credit-checking purposes should be enhanced to use actual prices and metered volumes. The BSC Panel meeting on 31st May 2001 agreed that this Modification Proposal should be submitted to the Assessment Procedure, and authorised the Credit Modification Group to undertake further consultation as part of that Assessment Procedure.

The Credit Modification Group met on 20th June 2001, and agreed that two options for addressing the issues raised by Modification Proposal P2 should be issued for industry consultation and impact assessment: Modification Proposal P2 itself, and an Alternative Modification Proposal defined by the Modification Group. The following documents are therefore attached to this note:

- MP2 Requirements Specification – Revision of the Methodology for Assessing Credit Indebtedness (016AAR). This document describes both solutions in sufficient detail to allow their impact to be assessed by BSC Parties and BSC Agents.
- Modification Proposal P2 – Initial Views of the Modification Group on Alternative Modification Proposals (005ABU). This document outlines the Modification Group's rationale in deciding which Alternative Modification proposal to take forward to consultation.

Parties are invited to comment on the issues described in these two documents. For ease of reference, a pro-forma summarising the issues on which views are specifically sought is attached to this note.

As background information, the following additional document is also attached to this note:

- Definition Report – Modification Proposal P2 – Revision of the Methodology for Assessing Credit Indebtedness (MDR02), 24th May 2001

In parallel with this consultation, the Requirements Specification has also been issued to BSC Change Administrators for impact assessment¹. As a result, some parties may receive two copies of this document. Responses to both the consultation and the impact assessment will be considered by the Credit Modification Group on 13th July 2001.

2.0 Background

The Modification Group must prepare a written report for the Panel that includes the following matters (see BSC Annex F-1):

- (a) an analysis of whether the Proposed Modification or any Alternative Modification would better facilitate achievement of the Applicable BSC Objectives;
- (b) an assessment or estimate (as the case may be) of the impact of the Proposed Modification and any Alternative Modification on BSC Systems, processes and costs;

¹ Change Proposal Circular 023, P2 Modification Proposal – Detailed Level Impact Assessment, 28th June 2001

- (c) an assessment of the impact of the Proposed Modification and any Alternative Modification on Core Industry Documents;
- (d) an assessment of the impact of the Proposed Modification and any Alternative Modification on Parties in general (or classes of Parties in general) and Party Agents in general, including the changes which are likely to be required to their internal systems and processes and an estimate of the development, capital and operating costs associated with implementing the changes to the Code and to Core Industry Documents;
- (e) an assessment of the Proposed Modification and any Alternative Modification in the context of the statutory, regulatory and contractual framework within which the Code sits (taking account of relevant utilities, competition and financial services legislation);
- (f) the Modification Group's proposed Implementation Date(s) for implementation (subject to consent of the Authority) of the Proposed Modification and any Alternative Modification.

Modification Proposal P2 has already been the subject of consultation, and all of the responses received were in favour of reviewing the current credit-checking methodology (as described in section 7.1 of the P2 Definition Report, which is attached to this note for information). This second consultation on Modification Proposal P2 is intended to seek the views of parties on a number of the specific issues which will be addressed in the P2 Assessment Report.

3.0 Consultation

Attached to this note is a pro-forma, listing the issues raised in the P2 Requirements Specification (016AAR) and consultation document (005ABU). You are invited to provide a response with your views on these issues.

Please send your responses by 5 p.m. on Tuesday 10th July 2001 to the following e-mail address:

Modifications@elexon.co.uk

Please entitle your e-mail 'P2 Consultation/Assessment'

Any queries or questions on the content of this consultation should be addressed to John Lucas (john.lucas@elexon.co.uk) or Sarah Parsons (sarah.parsons@elexon.co.uk) at ELEXON.

4.0 Impact Assessment

As noted in section 1.0 above, the document *MP2 Requirements Specification – Revision of the Methodology for Assessing Credit Indebtedness* (016AAR10) has been issued to Parties for impact assessment as Change Proposal Circular CPC023, separately to this consultation exercise. For information, the pro-forma for responses included with CPC023 was as follows:

CPC023: Detailed Level Impact Assessment (DLIA) for Modification Proposal P2: Revision of the Methodology for Assessing Credit Indebtedness.

I agree/disagree* with the proposed changes.

How much notification do you require? _____ No. Of days.

Do the changes stated impact your organisation *Yes/No.

Comments:

Although this consultation and the assessment have been issued separately, the results of the two exercises will be considered together by the Credit Modification Group. Parties are welcome to respond to both the consultation and the impact assessment via a single email (although it would be appreciated if such an email could be copied to both modifications@elexon.co.uk and ccc@elexon.co.uk).

Thank you.