

DEFINITION REPORT for Modification Proposal P215 'Revised Credit Cover Methodology for Generating BM Units'

Prepared by: P215 Modification Group

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This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.¹

P215 seeks to modify the Balancing and Settlement Code such that Final Physical Notifications (FPN) are used in the calculation of Credit Assessment Energy Indebtedness (CEI) for 'generating BM Units' (i.e. as defined in this Report), instead of Credit Assessment Load Factors (CALF) and Generation Capacity (GC). The aim of the Modification is to improve the accuracy of the Credit Cover arrangements for 'generating BM Units'.

MODIFICATION GROUP'S RECOMMENDATIONS

The P215 Modification Group invites the Panel to:

- **AGREE that P215 should proceed to the Assessment Procedure;**
- **AGREE the Assessment Procedure timetable such that an Assessment Report should be completed and submitted to the Panel for consideration at its meeting of 13 December 2007; and**
- **AGREE the Modification Group Terms of Reference for the Assessment Procedure.**

¹ The current version of the Code can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>.

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as BSCCo has been able to assess, the following parties/documents would be impacted by P215.

Please note that this table represents a summary of the results of BSCCo's initial assessment as contained in the P215 Initial Written Assessment (IWA). A full impact assessment will be undertaken during the Assessment Procedure.

Parties	Sections of the BSC	Code Subsidiary Documents
Distribution System Operators <input type="checkbox"/>	A <input type="checkbox"/>	BSC Procedures <input checked="" type="checkbox"/>
Generators <input checked="" type="checkbox"/>	B <input type="checkbox"/>	Codes of Practice <input type="checkbox"/>
Interconnectors <input type="checkbox"/>	C <input type="checkbox"/>	BSC Service Descriptions <input checked="" type="checkbox"/>
Licence Exemptable Generators <input checked="" type="checkbox"/>	D <input type="checkbox"/>	Party Service Lines <input type="checkbox"/>
Non-Physical Traders <input type="checkbox"/>	E <input type="checkbox"/>	Data Catalogues <input checked="" type="checkbox"/>
Suppliers <input type="checkbox"/>	F <input type="checkbox"/>	Communication Requirements Documents <input type="checkbox"/>
Transmission Company <input checked="" type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input type="checkbox"/>
Party Agents		
Data Aggregators <input type="checkbox"/>	H <input type="checkbox"/>	Core Industry Documents
Data Collectors <input type="checkbox"/>	I <input type="checkbox"/>	Ancillary Services Agreement <input type="checkbox"/>
Meter Administrators <input type="checkbox"/>	J <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
Meter Operator Agents <input type="checkbox"/>	K <input checked="" type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
ECVNA <input type="checkbox"/>	L <input type="checkbox"/>	Distribution Code <input type="checkbox"/>
MVRNA <input type="checkbox"/>	M <input checked="" type="checkbox"/>	Distribution Connection and Use of System Agreement <input type="checkbox"/>
BSC Agents		
SAA <input type="checkbox"/>	N <input type="checkbox"/>	Grid Code <input checked="" type="checkbox"/>
FAA <input type="checkbox"/>	O <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
BMRA <input checked="" type="checkbox"/>	P <input type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
ECVAA <input checked="" type="checkbox"/>	Q <input checked="" type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
CDCA <input type="checkbox"/>	R <input type="checkbox"/>	BSCCo
TAA <input type="checkbox"/>	S <input type="checkbox"/>	Internal Working Procedures <input checked="" type="checkbox"/>
CRA <input type="checkbox"/>	T <input type="checkbox"/>	BSC Panel/Panel Committees
SVAA <input type="checkbox"/>	U <input type="checkbox"/>	Working Practices <input type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	V <input type="checkbox"/>	Other
BSC Auditor <input type="checkbox"/>	W <input type="checkbox"/>	Market Index Data Provider <input type="checkbox"/>
Profile Administrator <input type="checkbox"/>	X <input type="checkbox"/>	Market Index Definition Statement <input type="checkbox"/>
Certification Agent <input type="checkbox"/>		System Operator-Transmission Owner Code <input type="checkbox"/>
Other Agents		
Supplier Meter Registration Agent <input type="checkbox"/>		Transmission Licence <input type="checkbox"/>
Unmetered Supplies Operator <input type="checkbox"/>		
Data Transfer Service Provider <input type="checkbox"/>		

1 EXECUTIVE SUMMARY

The key conclusions of the P215 Modification Group ('the Group') are outlined below.

The Group:

- **AGREED** the definition of a generating BM Unit to which the provisions of P215 are applicable;
- **AGREED** that Production BM Unit status, Exempt Export BM Unit status and Panel discretion were suitable parameters for the P215 generating BM Unit definition;
- **AGREED** that the P215 definition should be such that it does not constrain FPN submission, and considered that the agreed definition does not impose any constraints;
- **AGREED** that Exempt Export BM Units should be included in the definition whatever their Production/Consumption (P/C) Status, due to their ability to choose their P/C Status;
- **CONCLUDED** that the use of historical data to establish 'generator status' for the definition of a generating BM Unit for the purposes of P215 would not be appropriate;
- **CONCLUDED** that a dynamic approach to the definition would not be feasible;
- **AGREED** that there were possible potential impacts on Central Systems, National Grid Systems and Party Systems that will need to be identified and assessed;
- **CONCLUDED** that some of the conclusions of Standing Issue 22 were relevant to the P215 definition, but that the considerations of the P200 Modification Group were not directly relevant;
- **AGREED** that no further analysis was necessary for the considerations of the P215 Definition Procedure (though areas for analysis in the Assessment Procedure were noted); and
- **AGREED** the suggested Terms of Reference for consideration as in an Assessment Procedure.

A description of the Modification Proposal as developed by the Group is provided in Section 2. Further information regarding the Group's discussions of the areas set in the P215 Terms of Reference for the Definition Procedure can be found in Section 3, with the remaining areas identified for the Assessment Procedure set out in Section 4. A copy of the Group's full Terms of Reference is contained in Appendix 1, whilst a summary of the responses to the Definition Procedure consultation can be found in Appendix 2.

No industry impact assessment was commissioned during the Definition Procedure. For the results of BSCCo's initial assessment of the impacts of the proposal, please refer to the P215 IWA.

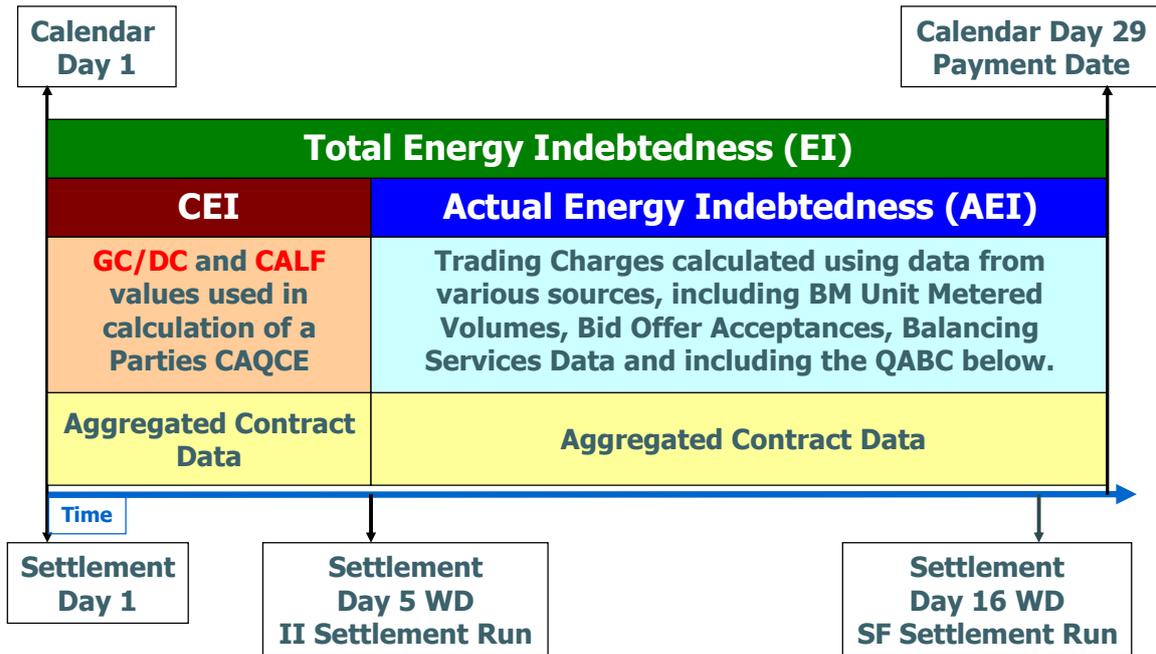
2 DESCRIPTION OF MODIFICATION

2.1 Modification Proposal

P215 was raised on 27 July 2007 by Uskmouth Power Limited ('the Proposer'). P215 seeks to revise the provisions regarding Credit Cover in the Balancing and Settlement Code ('the Code'). The revisions would be to the method of calculating Credit Cover with regard to generating BM Units, with the intent that the accuracy of the calculations would be increased and consequently the amount of credit that Parties are required to lodge would be based on more accurate data than at present. A description of P215 and copy of the P215 Proposal can be found in the P215 IWA.

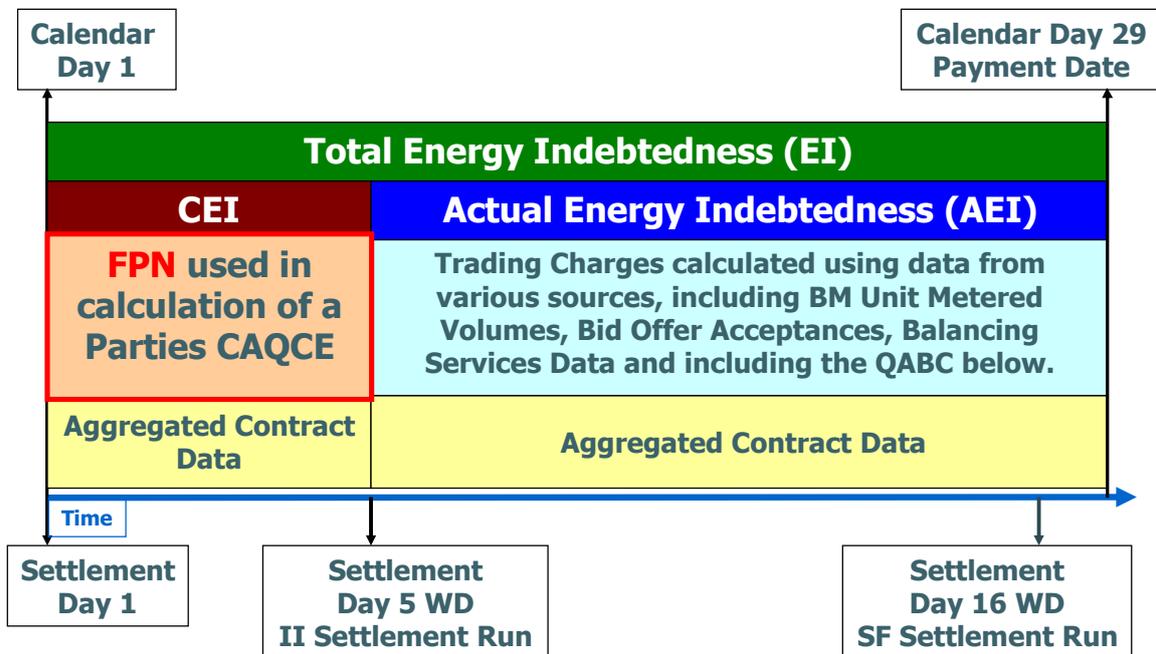
Figure 1 shows the current arrangements for the calculation of Parties' Energy Indebtedness, and Figure 2 shows how these arrangements would be affected by the implementation of the provisions proposed by P215.

Figure 1: Current Energy Indebtedness arrangements



P215 proposes to modify section M1.2 of the Code, such that BM Unit Credit Assessment Export Capability (BMCAEC) is replaced with FPN in the calculations used to calculate Parties’ CEI. At present BMCAEC is used in the calculation of Credit Assessment Credited Energy Volume (CAQCE) for Production BM Units that are not Interconnector BM Units, and CAQCE is used in the calculation of CEI. Details of the impacted parts of section M can be found in the P215 IWA.

Figure 2: P215 proposed Energy Indebtedness arrangements



P215 was submitted to the Definition Procedure in order to produce a definition of the generating BM Units to which the provisions of P215 would be applicable, in order to enable effective assessment of the Proposed Modification. The P215 Modification Proposal explicitly stated that the definition of which generating BM Units P215 applies to should be defined during the Modification process.

2.2 Proposed Modification

The provisions of the P215 Modification Proposal would apply on the basis of the following definition agreed by the Group:

Definition of a generating BM Unit to which P215 is applicable:

A BM Unit shall be considered as a generating BM Unit to which the provisions of P215 shall apply if it is a BM Unit which is obliged to submit Physical Notifications due either to obligations placed on it under the Grid Code or because it has indicated its participation in the Balancing Mechanism, and which is not an Interconnector BM Unit, and to which at least one of the following criteria applies:

- *Its Production/Consumption Status flag is Production; or*
- *It is an Exempt Export BM Unit; or*
- *It has been assigned such generating BM Unit status by the BSC Panel (e.g. following application to the Panel for such status on the basis of evidence of operation as a delivering BM Unit).*

It is the Group's intent that the above definition would apply to BM Units whose FPN flag is set to 'Yes', either because they are required to have it set to 'Yes' due to obligations on them under the Grid Code or because they have elected for it to be set to 'Yes'. The wording in the first paragraph of the definition 'obliged to submit Physical Notifications due either to obligations placed on it under the Grid Code or because it has indicated its participation in the Balancing Mechanism' is intended to reflect this. The Group considered that it would be inappropriate to refer directly to the FPN flag as it is a system characteristic and not a BSC term.

The Group acknowledged that the wording of the above definition might be revised to more effectively reflect the intentions behind it, but these underlying intentions would remain as determined by the Definition Procedure.

In particular it should be noted that the submission of FPNs, and the obligations around this process, for the purposes of P215 remain unclear at this time. This aspect of the definition may therefore be refined as a result of the considerations of the Assessment Procedure regarding FPN submission.

3 AREAS RAISED BY THE TERMS OF REFERENCE

This section outlines the conclusions of the Modification Group regarding those areas set out in the P215 Terms of Reference in respect of the Definition Procedure.

3.1 Definition of a generating BM Unit to which P215 is applicable

This section 3.1 effectively provides an overview of the discussions, considerations and conclusions of the Group regarding production of a definition of a generating BM Unit to which P215 is applicable. The remainder of section 3 effectively provides in greater detail the considerations of the Group regarding each of the P215 Definition Procedure Terms of Reference.

Section 3.1 also contains details of comments submitted by a Group member after the first Definition Phase Modification Group meeting, and comments made by other Group members in response; these were all included in the P215 Definition consultation.

3.1.1 Modification Group's Initial Discussions

The Group considered inclusion of large demand sites (e.g. industrial demand) that can manage demand and submit accurate FPNs. The Group noted that P215 as proposed does not encompass Supplier BM Units or other non-generator BM Units because the P215 Modification Proposal addresses 'generating BM Units'

specifically. The Group further considered that though some demand sites may be able to submit accurate FPNs, it was difficult to conceive how BM Units could be categorised in such a way that appropriate demand sites would be included, along with generating BM Units, as being suitable for application of the provisions of P215, while excluding other types of demand that are definitely not suitable.

The unsuitability of other types of demand is due to their inability to submit FPNs, or submission of less accurate FPNs, as concluded in the Issue 22 Report. Issue 22 'Indebtedness' explored the use of FPNs in the Credit Cover arrangements. The Issue 22 Group considered analysis of the accuracy of FPNs against historical BM Unit Metered Volumes, and concluded that FPNs for Supplier BM Units were not particularly accurate when compared with actual Metered Volumes. The Group considered that in view of this an appropriate criterion of the P215 definition would be that a BM Units P/C Status is Production (P).

The Group considered Trading Units, specifically the case of generator Trading Units which have a small demand (relative to their production), noting that there are exceptions to this, e.g. pumped storage plants and some Combined Heat and Power (CHP) units. Generator Trading Units may self-supply their small internal demand, and under the current Credit Cover methodology this on-site demand is simply netted off, so that Credit Cover is calculated on the basis of the Trading Unit's net production. Group members considered that this netting was beneficial, and that it should remain under P215.

The Group discussed whether any workaround to accommodate demand BM Units within Production Trading Units would be necessary. The Group agreed that in any case it would not be desirable for generators to have different Credit Cover methodologies applied for their generating BM Units and on-site demand BM Units. The Group noted that demand BM Units within a Production Trading Unit have Production Status, and concluded that this meant that a definition based on P/C Status would not necessitate a workaround in this area.

The Group considered whether a caveat that BM Units must be Central Volume Allocation (CVA) registered should be included in the definition. The Group agreed that this was unnecessary because BM Units registered in Supplier Volume Allocation (SVA) must have a 'C' P/C Status flag (and so would already be excluded by a definition based on P/C Status) except for Exempt Export BM Units (see 3.5), which the Group agreed should be included in the definition whatever their P/C Status.

The Group considered consolidator BM Units, which aggregate the output of a number of exemptible generators and thus have a net export. However, if registered as Supplier BM Units they have Consumption Status, as their P/C Status is determined at Trading Unit level. The Group noted that such consolidator BM Units would not fall under the definition based on P/C Status, and discussed whether they should be considered as generator BM Units with regard to P215, and if so how the definition could be amended to include them. The Group identified only one Party with such consolidator BM Units which are 'generating'. The Group commented that these could be included in the P215 definition, but noted that they would be excluded under a definition that encompassed only Production BM Units and Exempt Export BM Units.

The Group noted that in the particular case of exporting consolidator BM Units, it could be argued that the definition would not discriminate against them unduly because the generators in these BM Units are able to register as Exempt Export BM Units and use a Production Status flag if they choose. It was understood that the consolidator BM Unit identified was registered as a Supplier BM Unit because it benefited from lower BSC costs; the Group acknowledged that it was therefore possible to argue that it would be a commercial choice to be made by the Party associated with the consolidator BM Unit as to whether it remained registered as a Supplier BM Unit to benefit from relatively low BSC costs or opted to register Exempt Export BM Units and consequently fall under the provisions of P215 .

The Group agreed that due to the perceived benefit of the P215 provisions to Parties in terms of more representative Credit Cover, a general principle of consideration of a definition was that it should seek to be as inclusive of any suitable BM Units (i.e. those that can be considered 'generators' and that can submit FPNs) as feasible. The Group did not believe that a narrow, exclusive definition was appropriate because any benefit of P215 should be as widely available as possible.

The Group therefore considered how consolidator BM Units, and any other such non-standard BM Units that may exist, could be captured under the definition of a generating BM Unit for the purposes of P215. The Group discussed allowing application (supported by appropriate evidence) for the status of a generating BM Unit under P215, and agreed that there should be scope in the definition for the Panel to use its discretion where appropriate.

The Group agreed the definition given in section 2.2, above.

Post Definition meeting comments

Following the first Definition phase Modification Group meeting and the agreement reached on a P215 definition for consultation as described in section 2.2 above (but prior to the industry consultation), the Proposer made it known that they had reconsidered their stance on the definition. Notwithstanding their agreement to the definition at the meeting (part of unanimous agreement of the definition for consultation) the Proposer believed that the third criterion, concerning involvement of the BSC Panel in determining a P215 'generating' BM Unit, was not part of the original proposal.

Proposer's Arguments

The Proposer believed that the definition of 'generating BM Unit' should be the sole means of determining whether P215 is applicable. The Proposer noted that Modification Proposal P215 states that BSC objective (d) is facilitated by a reduction in the BSCCo effort needed to manage CALF issues such as seasonal calculation and appeals, and stated that BSC Panel involvement would introduce additional work, which was counter to the Proposer's intention.

The Proposer stated that BSC Panel involvement in determining a 'generating BM Unit' was proposed to accommodate consolidator BM Units within the electricity market, and noted that currently only one Party is associated with such a BM Unit. The Proposer argued that the potential benefits of P215 could be gained by consolidators registering as Exempt Export BM Units, and that though they recognised the additional costs associated with this, they believed it is a commercial decision for the Party. The Proposer believed that it is inappropriate for the industry to finance the additional costs associated with Panel involvement in the provisions of P215 in order for a particular party to avoid the costs of registering BM Units as Exempt Export; if Parties believe there is a commercial advantage in registering thus, they are able to do so.

The Proposer also noted that it is not clear that the current Code terminology recognises the concept of 'consolidator' or 'aggregate BM Units'. The Proposer contended that therefore it would be more appropriate for a Party to raise a modification specifically addressing new credit arrangements for these BM Units, and creating new BSC terminology if necessary.

It was the Proposer's contention therefore that the third bullet point of the definition 'It has been assigned such generating BM Unit status by the BSC Panel (e.g. following application to the Panel for such status on the basis of evidence of operation as a delivering BM Unit)' should be removed from the definition, and the underlying concept of Panel involvement should be discarded.

ELEXON's View

It was ELEXON's view that the Proposer's arguments should be presented in the P215 Definition Procedure Consultation Document, but that the Group's agreed definition presented to industry for consultation should only be revised from that previously agreed by the Group if unanimous support was forthcoming from the Group members. ELEXON considered that the definition was agreed by the Group at the meeting, when all present were able to present arguments and register objections, and that it would only be appropriate to amend the agreed definition if agreed by the Group members collectively and without any objection.

Modification Group Members' Counterarguments

No Group members stated support for the change to the P215 definition suggested by the Proposer. Two Group Members stated disagreement with the suggested change.

One Group member believed that allowing Panel involvement provides a better case for approval of P215 as it is less discriminatory. The Group had noted that an application/appeals process might arise if Panel involvement was included in the P215 definition, and the member noted that appeals processes already exist and are managed by the Imbalance Settlement Group (ISG), e.g. for assigned CALF values, on behalf of the Panel. The member contended that therefore the impact in terms of workload would not be large, especially given that, as the Proposer noted, currently only one Party is associated with a consolidator BM Unit; since this is the only instance where the Group believed the Panel would need to exercise their discretion in this area it should be a single process. The member also noted that counter to the Proposer's contention that Panel involvement was 'not part of the original proposal' the P215 Proposal did not define what a P215 generating BM Unit is or how such status would be attained, hence the P215 Definition Procedure.

A second Group member stated several reasons that the third criterion should be retained:

1. A consolidator BM Unit presents less risk than a conventional 'generator' BM Unit since the latter is often made up of a single unit, and therefore if that single unit trips the BM Units export is zero (or an import). However, a consolidator BM Unit is made up of many smaller units which, although individually equally prone to tripping, will in practice not all trip simultaneously. The member contended that analysis of a consolidator BM Unit's output compared with its Physical Notifications would easily demonstrate this relative stability.
2. Even if a consolidator BM Unit is assigned Consumption status, it is nonetheless a generating BM Unit (i.e. it is delivering) as described in P215, and therefore must come under the P215 definition.
3. The member believed that a separate Modification Proposal to progress this aspect might not be welcomed by the industry when the circumstances of consolidator BM Units can be captured under P215.

The member noted that embedded generation is typically contracted on annual contracts and registered in SVA to allow ease of transfer between suppliers. The member contended that considerable effort would be required by a Party associated with a consolidator BM Unit (and by ELEXON) to re-register hundreds of MPANs initially, in order to achieve Production Status, and also by other Suppliers to re-register the exemptible generators back into SVA upon the expiry of contracts.

3.1.2 Views of Respondents to Definition Procedure Consultation

Of the seven respondents to the P215 Definition Consultation, four (representing 15 BSC Parties) supported the definition of a generating BM Unit to which P215 is applicable proposed by the Group in the P215 Consultation Document. One respondent (representing one BSC Party) did not support the definition proposed and two (representing one BSC Party and one non Party) were neutral.

Respondents who supported the proposed definition commented that it captures the intention of P215, that it maximises the number of market participants that receive the benefit of P215 and that it captures all generating plant which can submit an FPN. One respondent stated the allowance in the definition for inclusion of non-standard BM Units through an application process as a reason for support.

The respondent that did not support the proposed definition contended that the definition of a generating BM Unit should be the sole means of determining whether the provisions of P215 apply, and that allowing Panel involvement in the determination of a P215 generating BM Unit would be too onerous. The respondent believed that further Modifications to address other aspects of the BSC credit arrangements may be justified, potentially including the issue of a Panel process, but that P215 is not an appropriate way to progress such work.

The P215 Definition Consultation asked industry participants whether they supported the automatic inclusion in the proposed definition of BM Units which have Production Status and of Exempt Export BM Units (i.e. if they also satisfy the initial criteria of the definition that they are obliged to submit Physical Notifications and

are not an Interconnector BM Unit). Five respondents supported this aspect of the definition and two were neutral.

One respondent supported mandatory inclusion of Production and Exempt Export BM Units in the definition as they believed it would be inappropriate for Parties to be able to simply choose how their credit cover was calculated. One respondent supported this aspect of the definition because they agreed it was inclusive of as many market participants as possible; another noted that between them these two criteria encompass the bulk of UK generation. One respondent supported the definition but noted that it was based on the assumption that FPN data is sufficiently accurate; it was unclear whether the analysis of FPN accuracy for Issue 22 included Exempt Export BM Unit, and it would have to be established from this data or by other means that their FPNs were sufficiently accurate for the purposes of P215.

The P215 Definition Consultation asked industry participants whether they supported the proposal that the Panel would be able to use some form of discretion to assign status as a generating BM Unit to which P215 is applicable (i.e. if the initial criteria of the definition are satisfied). Three respondents (representing 10 BSC Parties) supported this, one (representing 1 BSC Party) did not support it and three (representing six BSC Parties and one non Party) were neutral.

Respondents supporting Panel discretion noted that this feature facilitates the definition being as inclusive as possible, which the Group believed was appropriate. A respondent noted that it is not feasible to produce a definition that encompasses all the non-standard generating units that exist (the number of which could potentially increase) and for which the provisions of P215 may be appropriate; the respondent contended they should not be excluded outright and some sort of application process would allow valid generators to be included under P215.

The neutral respondent believed it would be inappropriate to exclude non-standard BM Units that behaved in practise as a 'generating' BM Unit for the purposes of P215. However the respondent believed that accommodating such BM Units via appeal to the Panel may result in the provisions of P215 becoming unwieldy, and that an efficient process was needed for Panel involvement to be practical. The respondent that did not support Panel discretion in this area noted that the P215 Modification Proposal stated that Applicable BSC Objective (d) would be facilitated by a reduction in the BSCCo effort needed for management of CALF issues, and contended that this benefit would be lost if Panel discretion was introduced.

Of the seven respondents, four (representing 15 BSC Parties) did not believe that there was a more suitable alternative definition of a generating BM Unit to which P215 should be applicable; one respondent commented that they believed that the Group had considered the definition carefully and that the only remaining question was whether consolidator BM Units should be accommodated. One (representing one BSC Party) believed that there was a more suitable alternative, and suggested limiting the definition to only those production BM Units registered in CVA. Two respondents (representing one BSC Party and one non Party) were neutral.

One respondent believed that a P215 Alternative including Supplier BM Units in a revised Credit Cover calculation methodology should be considered. The respondent acknowledged the analysis and conclusions of Issue 22 regarding the accuracy of Supplier FPNs, but maintained that while not greatly accurate, use of Supplier FPNs would almost certainly be more accurate than the current use of DC and CALF values in Credit Cover calculation.

The P215 Definition Consultation responses contained no specific comments regarding the comments made by Group members following the first Definition Phase meeting.

3.1.3 Modification Group's Conclusions

The Group considered the responses received. The Group noted the arguments of respondents around the proposed definition of a generating BM Unit to which P215 is applicable and that the majority of respondents supported the proposed definition.

The Group considered that the points contained in its initial discussions were valid, and that the majority of respondents to the P215 Definition consultation agreed with these points.

One Group member (the Proposer) disagreed with the definition proposed by the Group, continuing to assert that Panel discretion should not form a part of the definition, and that Exempt Export BM Units should not be included without supporting analysis. However, the other Group members maintained that these aspects were appropriate, for the reasons considered in their initial discussions, and the Group noted that there was majority support among consultation respondents for these aspects of the definition.

Another Group member had suggested that, despite the conclusions of the Issue 22 Group, an Alternative that includes Supplier BM Units in a revised Credit Cover methodology should be considered. However the Group was mindful that the Issue 22 conclusions regarding Supplier FPNs were clear that their use in the Credit Cover methodology was inappropriate (though it should be noted that Issue 22 compared NHH Suppliers with all other BM Unit types, including some HH demand). The Group noted the considerations of Issue 22, and that the P215 Modification Proposal explicitly applied only to generators, and agreed that inclusion of Supplier BM Units in a revised Credit Cover methodology would not form the basis of a P215 Alternative.

The Group reviewed the arguments put forward regarding the Proposer's views expressed after the first Modification Group meeting, and no Group members changed their stated positions, i.e. the Proposer maintained that Panel discretion was inappropriate whereas the rest of the Group believed that the definition should include some element of Panel discretion. The Group noted that the form that the Panel involvement would take would be considered in the Assessment phase.

In light of these considerations the Group agreed, by a majority of 7 to 1, the definition of a generating BM Unit to which P215 is applicable as proposed by the P215 consultation document, and as described in section 2.2, above. The Group therefore concluded that this definition should be used in Assessment of P215.

3.2 Parameters available for use as the basis of a definition

3.2.1 Modification Group's Discussions

The Group considered to exploring the principles of assignment of BM Unit system prefixes, and use the use of this in the P215 definition. The Group discussed the possibility of using system prefixes to differentiate the various types of BM Units (e.g. T_ for generators, E_ for Exempt Export) but were concerned that there might be insufficient rigour to the underlying principle of such a method. In any case, the Group noted that an M_ prefix exists for miscellaneous (non-standard) BM Units which they considered could not be satisfactorily included in a definition. The Group therefore agreed that the use of BM Unit system prefixes in the definition of a P215 generating BM Unit would not be appropriate.

3.2.2 Views of Respondents to Definition Procedure Consultation

Responses to the P215 Definition Consultation contained no specific comments in this area.

3.3 Use of historical data to assign status as a generating BM Unit

3.3.1 Modification Group's Discussions

The Group discussed whether historical data could be used in assigning status as a generating BM Unit for the purposes of P215. The Group agreed that use of historical data would not be appropriate for P215, which is attempting to move away from the use of estimations based on historical information.

3.3.2 Views of Respondents to Definition Procedure Consultation

Responses to the P215 Definition Consultation contained no specific comments in this area.

3.4 Impact of a dynamic approach

3.4.1 Modification Group's Discussions

The Group considered the possibility, of employing a dynamic approach to identifying BM Units operating as generators for the purpose of P215, i.e. basing the definition on the BM Units status as delivering or offtaking each Settlement Period. The Group noted that this approach would introduce additional volatility to the Credit Cover arrangements, and that in any case the necessary data to make such determinations was not available (unless, possibly, the Credit Cover timetable was accelerated). The Group agreed that a dynamic approach would not be appropriate because it would introduce the possibility of BM Units switching between generator/non-generator status each Settlement Period, with an accompanying change in the method of Credit Cover calculation, which would not be feasible.

3.4.2 Views of Respondents to Definition Procedure Consultation

Responses to the P215 Definition Consultation contained no specific comments in this area.

3.5 Exempt Export BM Units' ability to choose their P/C Status

3.5.1 Modification Group's Initial Discussions

The Group noted that Exempt Generators are able to choose their Production/Consumption Status (i.e. regardless of the P/C Status assigned to the Trading Unit which they are part of, or whether they are registered in CVA or SVA). The Group agreed that the definition should therefore include any Exempt Export BM Units that submitted FPNs, regardless of their P/C Status.

3.5.2 Views of Respondents to Definition Procedure Consultation

A respondent to the P215 Definition Consultation noted that P215 was raised following Issue 22 'Indebtedness' which included analysis that led the Issue 22 Group to conclude that FPNs for Supplier BM Units were not particularly accurate, but that FPNs for other BM Units were reasonably accurate. The respondent contended that it was unclear whether this analysis included Exempt Export BM Units, and that further analysis of the accuracy of FPNs for Exempt Export BM Units is required.

3.5.3 Modification Group's Conclusions

The Group noted that Issue 22 concentrated on the split between Half Hourly and Non-Half Hourly Metering Systems, rather than the split between generators and Suppliers. Exempt Export BM Units were therefore included in the samples for the HH market, but they were not analysed as a distinct class. Some analysis was undertaken based on the size of HH Metering Systems that may have implications for Exempt Export BM Units (which are small), but no specific analysis was carried out regarding them as a distinct class. The Group noted that Exempt Export BM Units were not analysed as a separate class because the issue was framed differently at the time of the Issue 22 Report, and P215 will require new analysis in respect of Exempt Export BM Units if it is considered necessary to establish their accuracy as a particular class.

The Group considered that analysis of the accuracy of FPNs for all BM Unit types included in the P215 definition of generating BM Units would need to be performed in the P215 Assessment phase, and that this would include investigation of the accuracy of FPNs submitted by Exempt Export BM Units. The Group concluded that Exempt Export BM Units should remain under the P215 definition as proposed in the Definition consultation document. The Group acknowledged that if analysis were to show that the accuracy of their FPN submission rendered inclusion of Exempt Export BM Units in the P215 provisions inappropriate, whereas the FPNs of other BM Unit types were sufficiently accurate, the Group would have to decide on the best course to take, which might potentially entail a request to the Panel to amend the definition of a P215 generating BM Unit, if this was considered appropriate.

3.6 Impact on Central Systems, National Grid systems and Party systems

3.6.1 Modification Group's Initial Discussions

The Group considered whether issues would be caused by BM Units switching between P/C Status, but agreed that this would not cause a problem because P/C Status does not switch dynamically (though delivering or offtaking status in terms of energy volumes can). For BM Units other than Exempt Export BM Units, P/C Status can change only if there are changes to Trading Unit structure or re-declarations of GC/DC, and the Group were thus satisfied that P/C Status could be managed by Parties.

The Group noted that Parties could not alter the P/C Status of Supplier BM Units, but concluded that this was not a problem because no GSP is a net exporter at present. All Supplier BM Units inherit a Consumption Status from the Base Trading Unit of their GSP Group.

3.6.2 Views of Respondents to Definition Procedure Consultation

One respondent to the P215 Definition Consultation had concerns in this area. The System Operator (SO) believed that further investigation was required into how submission of FPNs (and inclusion of these FPNs in revised Credit Cover arrangements) by Parties not currently obligated to submit FPNs would be achieved, in terms of both Information Systems and the necessary Code requirements. Particular concern was noted regarding FPN submission by parties that currently do not have access to the necessary IT systems, and regarding where the necessary obligations would sit.

3.6.3 Modification Group's Conclusions

The Group noted that the concerns raised by the consultation respondent would be examined in the Assessment phase of P215.

3.7 Any impact of the definitions on the submission of FPNs

3.7.1 Modification Group's Initial Discussions

The Group noted that the 50MW threshold for Exempt Export BM Units is neither permanently fixed nor universally applicable. For instance, the Group noted that the FPN threshold is lower in Scotland at 20MW (and 10MW for hydro plant) due to the smaller size of the network, which means that smaller volume energy exports have a greater impact than they would on the network of England and Wales. Additionally, it was the Group's understanding that the threshold for mandatory submission of FPNs is higher for renewable energy sources. The Group therefore agreed that the definition should take account of the existence of various thresholds, and the possibility of the threshold being changed.

The Group initially considered that the existence of the mandatory FPN threshold might indicate that a similar threshold should be used for defining generating BM Units for which P215 would be applicable, i.e. if a lower threshold that aligned with the FPN submission threshold was used then the provisions of P215 would be applied by default only to BM Units for which submission of FPNs was already mandatory. The Group considered that this would allow a clean and simple definition. However, the Group noted that FPN submission below a threshold is not mandatory because to the System Operator information regarding energy volumes of this magnitude is of limited use in terms of balancing the whole system. The Group agreed that this does not mean that exemptable generators are unable to submit accurate FPNs, so it would not be appropriate to exclude them on the basis that they are not mandated to submit FPNs (i.e. because this lack of obligation is due to a different reason to the driver for P215).

The Group also agreed that exclusion of Exempt Export BM Units from the definition would be inappropriate because these BM Units are more likely to form relatively significant proportions in the portfolios of smaller Parties. The Group noted that whereas larger Parties are able to obtain bank credit to meet their Credit Cover requirements, smaller Parties often have to use working capital (that could otherwise be invested) as

Credit Cover. Therefore the Group concluded that excluding Exempt Export BM Units would deny some of the benefit of more representative Credit Cover to Parties that would most benefit from increased accuracy in Credit Cover, and would thus not promote competition.

The Group considered whether Exempt Export BM Units had the capability to submit FPNs, but was satisfied that in order to gain any benefit offered by the P215 provisions they would have to submit FPNs. The Group therefore agreed it was appropriate that Exempt Export BM Units be given the option to make a business decision in this area. The Group noted that an alternative to FPNs could be to use the Maximum Export Limit (MEL) of BM Units.

The Group discussed whether the definition under consideration would require that FPN submission was made mandatory for all BM Units (i.e. including Exempt Export) that fell within it. The Group considered that mandatory FPN submission would be necessary for the definition to be workable, unless the definition was expanded with a clause that only generator BM Units with an FPN submission system flag set to 'Yes' would be included. The Group were wary of a definition being led by either an expectation of the eventual solution or by the capabilities of the associated Central Systems; however, the Group concluded that it was right that, where Parties had a choice concerning submission of FPNs (i.e. Exempt Export BM Units), the definition of a P215 generating BM Unit should include only those that choose to submit FPNs, and that therefore the P215 definition should include wording indicating that a BM Units FPN submission system flag must be set to 'Yes'. The Group noted that the matter of mandatory FPN submission should be considered in the Assessment Procedure, but agreed that at this stage it was appropriate that the definition should reflect and preserve any optionality afforded to BM Units in the area of FPN submission.

3.7.2 Views of Respondents to Definition Procedure Consultation

The SO's consultation response noted concern that any impact on the accuracy of FPN submissions to the SO should be investigated. Another respondent also noted that it would need to be investigated whether Exempt Export BM Units submit accurate FPN, how is this governed and whether Exempt Export BM Units are signatories and have obligations under the Grid Code.

3.7.3 Modification Group's Conclusions

The Group noted the consultation responses received and considered that the points made were valid, and that the Group's initial discussions remained valid, and that both would be covered in the P215 Assessment phase.

3.8 P200 Modification Group and Standing Issue 22 considerations

3.8.1 Modification Group's Initial Discussions

The Group noted the consideration of a generation BM Unit by the Modification Group for P200 'Introduction of a Zonal Transmission Losses scheme with Transitional Scheme', and considered that the P200 conclusions were not applicable to P215. The Group noted that the clarification of some Code terminology provided for P200 was useful.

The Group noted the conclusions of the Issue 22 Group regarding the accuracy of different BM Unit types, and their concerns regarding the impact on FPN data if it was used in Credit Cover arrangements.

3.8.2 Views of Respondents to Definition Procedure Consultation

One respondent stated that they had reservations regarding whether the use of FPNs as proposed would ensure that sufficient security is posted by Parties. This respondent acknowledged that the Issue 22 group concluded FPNs submitted by generating units were reasonably accurate compared with actual output, but maintained that detailed analysis of FPN accuracy was needed before P215 could be considered viable.

Another respondent commented that the Issue 22 report was unclear as to whether FPN submission by Exempt Export BM Units had been examined specifically.

3.8.3 Modification Group's Conclusions

The Group agreed that the ability of FPNs used in Credit Cover calculation to ensure adequate that Credit Cover is lodged by Parties would need to be demonstrated in the Assessment phase in order to justify introduction of the provisions proposed by P215.

The Group noted that Exempt Export BM Units' FPNs were included in the Issue 22 analysis, but were not examined as a distinct class, as noted in section 3.5.3 above.

3.9 Voluntary P215 'generating BM Unit' status

3.9.1 Modification Group's Discussions

The Group considered whether status as a generating BM Unit for the purposes of P215 should be something only available to Parties by application. However, the Group noted that such a general application process would reduce the efficiency benefit of P215 against Applicable Objective (d) of removing the administrative burden of CALF values, and therefore agreed it was inappropriate.

3.9.2 Views of Respondents to Definition Procedure Consultation

One respondent commented that it would be inappropriate for Parties to be able to choose how their credit cover was calculated.

3.10 Analysis that can be performed to support consideration

3.10.1 Modification Group's Initial Discussions

The Group did not consider there was any analysis that was necessary for the Definition phase of P215, because at this stage they were seeking to produce a definition of a P215 generating BM Unit based on principles of BM Unit characteristics.

3.10.2 Views of Respondents to Definition Procedure Consultation

Respondents noted that analysis would be required to confirm that the current Credit Cover arrangements are not suitable and that FPNs submitted by the various types of BM Units considered for inclusion in the P215 definition are sufficiently accurate to be used in Credit Cover determination. One respondent suggested that in particular the accuracy of FPNs submitted by Exempt Export BM Units should be investigated before they are included in the P215 definition.

3.10.3 Modification Group's Conclusions

The Group concluded that the analysis suggested by respondents should be carried out in the P215 Assessment phase.

3.11 Terms of Reference for Assessment Procedure

3.11.1 Modification Group's Initial Discussions

The P215 consultation document contained details of the areas of the Modification Group's Terms of Reference that remained to be considered during the Assessment Procedure.

3.11.2 Views of Respondents to Definition Procedure Consultation

A respondent stated that they did not believe that it had been established that the present Credit Cover arrangements result in Parties having to lodge excessive amounts of Credit Cover. The respondent contended that it is important that this assumption is tested, i.e. that as well as analysing the suitability of FPNs for use in Credit Cover calculation, it must be demonstrated that the present arrangements are inappropriate and amount to a defect in the Code. This was not explicitly stated in the Terms of Reference.

Concerns raised by the Transmission Company regarding any impact on FPN accuracy of their use in Credit Cover, the submission of FPNs by Parties that do not presently have access to the required systems and the potential impact on the Grid Code were highlighted by the Transmission Company's consultation response and preliminary analysis. These were arguably already covered in the Terms of Reference but minor amendment may be useful to ensure all concerns are clearly captured for investigation.

3.11.3 Modification Group's Conclusions

The Group concluded that a requirement that the unsuitability of the current Credit Cover arrangements must be established should be included in the Terms of Reference via the following addition:

- Demonstration of the defect in the existing Code requirements as a result of the current Credit Cover arrangements.

Further to demonstrating a defect, the Group considered that the impact of the P215 provisions on the amounts of Credit Cover that Parties are required to lodge as collateral against their Energy Indebtedness should be investigated. That is, whether P215 would result in Parties being required to lodge too much or too little Credit Cover as collateral, both generally and on exceptional occasions (e.g. a generator tripping). The Group concluded that therefore the following addition should be made to the Terms of Reference:

- The material impact of the provisions of P215 in relation to the risk of over- and under-collateralisation by Parties as a result of the BSC Credit Cover arrangements.

The Group concluded that most of the Transmission Company's concerns were adequately covered by the extant Terms of Reference, except that the potential impact on the Grid Code should be highlighted by the amendment of 'Any consequential impact of using FPN instead of CALF and GC/DC on the BSC or other Codes' to:

- Any consequential impact of using FPN instead of CALF and GC/DC on the BSC, Grid Code or other codes.

4 RATIONALE FOR MODIFICATION GROUP'S RECOMMENDATIONS TO THE PANEL

The Modification Group believes that the Proposed Modification is now sufficiently defined, such that the areas raised by P215 may be fully assessed in order to establish whether it would better facilitate the achievement of the Applicable BSC Objectives. The Group therefore recommends that P215 should proceed to the Assessment Procedure in order to consider the following remaining areas of the Terms of Reference:

- Demonstration of the defect in the existing Code requirements as a result of the current Credit Cover arrangements;
- The material impact of the provisions of P215 in relation to the risk of over- and under-collateralisation by Parties as a result of the BSC Credit Cover arrangements;
- Potential discrimination between generating and consuming BM Units;
- Any relevant precedents from P140 and the interconnector use of FPN in CEI calculation;

- Any consequential impact of using FPN instead of CALF and GC/DC on the BSC, Grid Code or other codes;
- Whether submission of FPN would be mandated for all generating BM Units, and whether this would include BM Units with output < 50MW (and the impact of mandating for < 50MW);
- A default position for the P215 provisions if FPN is not submitted, e.g. for interconnectors the ECVAA system uses the latest available FPN in calculations and if no previous FPN exists for the BM Unit the FPN value defaults to zero;
- Whether there are any implications of using FPN data for a purposes other than it was originally intended, i.e. any impact of using FPN in the Credit Cover calculation in addition to it being used by the System Operator (SO), for instance would FPN become a more commercial parameter, and would this affect the SO's ability to balance the System.
- Impact on National Grid of additional FPN data (i.e. from < 50MW generators if FPN submission is mandatory, or optional but attractive);
- Impact of data requirements, for instance if the ECVAA needs data (e.g. QM) it does not currently possess to determine a BM Unit's generating status, is there an impact on BSC Agents that would supply the data, e.g. the SAA;
- Impact on Central Systems; and
- The accuracy of FPNs compared with actual Metered Volumes.

The Group invites the Panel to agree the above Terms of Reference for the Assessment Procedure, subject to any amendments proposed by the Panel.

The Group estimates that assessment of P215 will require:

- 5 Modification Group meetings;
- 1 industry consultation;
- 1 BSC Agent impact assessment;
- 1 Party/Party Agent impact assessment;
- 1 Core Industry Document Owner impact assessment;
- 1 BSCCo impact assessment; and
- 1 request for Transmission Company analysis;

The Group therefore recommends a 3-month Assessment Procedure timetable for P215. Details of the proposed timetable are shown in Appendix 4.

5 TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

Acronym/Term	Definition
FPN	Final Physical Notifications
CEI	Credit Assessment Energy Indebtedness
CALF	Credit Assessment Load Factors
GC	Generation Capacity

DC	Demand Capacity
P/C	Production/Consumption
QM	BM Unit Metered Volume
CVA	Central Volume Allocation
SVA	Supplier Volume Allocation
CAQCE	Credit Assessment Credited Energy Volume
QABC	Account Bilateral Contract Volume
BMCAEC	BM Unit Credit Assessment Export Capability
BMCAIC	BM Unit Credit Assessment Import Capability

6 DOCUMENT CONTROL

6.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	05/09/07	Dean Riddell	P215 Group	For Modification Group review
0.1	05/09/07	Dean Riddell	David Jones	For technical review
0.2	06/09/07	Dean Riddell	Chris Rowell	For quality review
1.0	07/09/07	Change Delivery	N/A	For Panel decision

6.2 References

Ref.	Document Title	Owner	Issue Date	Version
1	Modification Proposal P200			
2	Standing Issue 22			

APPENDIX 1: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the BSC Website at: <http://www.elexon.co.uk/changeimplementation/ModificationProcess/modificationdocumentation/modProposalsView.aspx?propID=235>

Date	Event
27/07/07	Modification Proposal raised by Uskmouth Power Limited
09/08/07	IWA presented to the Panel
14/08/07	First Definition Procedure Modification Group meeting held
23/08/07	Definition Procedure consultation issued
31/08/07	Definition Procedure consultation responses returned
04/09/07	Second Definition Procedure Modification Group meeting held
13/09/07	Definition Report presented to the Panel

ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL²

Meeting Cost	£3500
Legal/Expert Cost	£5000
Impact Assessment Cost	£10,000
ELEXON Resource	94 man days £20,260

The estimated costs have changed from those presented in the P215 IWA as those costs related only to progression of P215 through the Definition Procedure.

MODIFICATION GROUP MEMBERSHIP

Member	Organisation	14/08	04/09 (teleconference)
David Jones	ELEXON (Chairman)	Y	Y
Dean Riddell	ELEXON (Lead Analyst)	Y	Y
Rekha Patel	Proposer's representative	Y	Y
Lillian Macleod	National Grid	N	Y
Ben Sheehy	E.ON UK	Y	Y

² Clarification of the meanings of the cost terms in this appendix can be found on the BSC Website at the following link: http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

Dave Wilkerson	Centrica	N	Y
Andrew Colley	Scottish and Southern	Y	Y
Colin Prestwich	Smartest Energy	Y	Y
Edward Hunter	npower	Y	Y
Gary Henderson	SAIC	Y	Y
Attendee	Organisation		
Richard Hall	Ofgem	Y	Y
Mark Gribble	Logica	Y	N
Emrah Cevik	ELEXON	Y	Y
Roger Harris	ELEXON	Y	Y

MODIFICATION GROUP TERMS OF REFERENCE (DEFINITION PROCEDURE)

Modification Proposal P215 will be considered by the P215 Modification Group formed from members of the Settlement Standing Modification Group (SSMG), whose areas of expertise include Credit Cover arrangements, BM Unit Classification and Central Volume Allocation.

P215 – Revised Credit Cover Methodology for Generating BM Units

DEFINITION PROCEDURE

- 1.1 The Modification Group will carry out a Definition Procedure in respect of Modification Proposal P215 pursuant to section F2.5 of the Balancing and Settlement Code.
- 1.2 The Modification Group will produce a Definition Report for consideration at the BSC Panel Meeting on 13 September 2007.
- 1.3 The Modification Group shall consider and/or include in the Definition Report as appropriate:
 - The definition of a generating BM Unit to which Modification Proposal P215 is applicable, including consideration of:
 - Parameters available for use as basis of a definition (e.g. Production/Consumption Status);
 - Use of historical data to assign status as a generating BM Unit;
 - Impact of a dynamic approach, e.g. based on producing/consuming status each Settlement Period;
 - Impact of the ability of Exempt Export BM Units to choose their P/C Status (i.e. regardless of the Status assigned to the Trading Unit to which they belong);
 - Impact of possible definitions on Central Systems, NG systems and Party systems;
 - Any impact of possible definitions on the submission of Final Physical Notifications (e.g. would FPN submission be mandatory for all such 'generating BM Units');

- Considerations and outcome of the P200 Modification Group's assessment of a similar definition and any relevant considerations/analysis of Standing Issue 22;
- Whether status as such a 'generating BM Unit' should be voluntary;
- Any analysis that can be performed to support consideration of a definition (e.g. to identify types/groups of BM Units that submit accurate FPNs;
- The possible definitions considered by the Group, and the Group's favoured definition(s); and

The results of an Industry Consultation on the views of the Modification Group on the definition of a generating BM Unit

APPENDIX 2: RESULTS OF DEFINITION PROCEDURE CONSULTATION

Seven responses (representing 17 Parties and one non-Party) were received to the P215 Definition Procedure consultation.

A summary of the consultation responses is provided in the table below (bracketed numbers represent the number of Parties and non-Parties represented by respondents). Please note that one respondent answered not applicable to Question 1 of the consultation.

Q	Consultation question	Yes	No	Neutral
1.	Do you support the principle of P215 that FPNs should be used in the calculation of CEI for BM Units defined as generating BM Units to which P215 is applicable?	4 respondents (11 Parties + 0 non-Parties)	1 (5 + 0)	1 (0 + 1)
2.	Do you believe that P215 requires further assessment?	5 (15 + 0)	1 (2 + 0)	1 (0 + 1)
3.	Do you support the definition of a generating BM Unit to which P215 is applicable, as described in this document?	4 (15 + 0)	1 (1 + 0)	2 (1 + 1)
4.	Do you support the automatic inclusion in the definition of BM Units which have Production Status and of Exempt Export BM Units (i.e. if they also satisfy the initial criteria of the definition that they are obliged to submit Physical Notifications and are not an Interconnector BM Unit)?	5 (16 + 0)		2 (1 + 1)
5.	Do you support the proposal that the Panel would be able to use its discretion to assign status as a generating BM Unit to which P215 is applicable (i.e. if the initial criteria of the definition are satisfied)?	3 (10 + 0)	1 (1 + 0)	3 (6 + 1)
6.	Do you believe there is an alternative definition of a generating BM Unit to which P215 is applicable which would be more suitable, and which should be considered by the P215 Modification Group?	1 (1 + 0)	4 (15 + 0)	2 (1 + 1)
7.	Do you believe that there are any issues that have been overlooked in the Definition Procedure that should be considered?	1 (1 + 0)	5 (16 + 0)	1 (0 + 1)
8.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P215 to the Assessment Procedure?	2 (6 + 0)	4 (11 + 0)	1 (0 + 1)
9.	Are there any Alternatives that you believe should be assessed during the Assessment Procedure?	1 (7 + 0)	5 (10 + 0)	1 (0 + 1)
10.	Are there any further comments on P215 that you wish to make?	2 (12 + 0)	5 (5 + 1)	

Full copies of the consultation responses are attached as a separate document, Attachment 1.

APPENDIX 3: RESULTS OF IMPACT ASSESSMENT

No impact assessment was commissioned during the Definition Procedure. BSCCo's initial assessment of the impacts of P215 can be found in the P215 IWA, and a full impact assessment will be undertaken during the Assessment Procedure.

Preliminary Transmission Company (TC) Analysis of P215 was requested. This TC Analysis highlighted concerns regarding any possible incentive for Parties to reduce the value of the FPNs they submit in order to reduce their Credit Cover liability. It was noted that inaccurate FPN submission would impact the economic and effective operation of the GB Transmission System by National Grid.

The TC's view on whether the Proposed Modification would better facilitate achievement of the Applicable BSC Objectives would be dependant on the implications for the management of the GB Transmission system in terms of the inaccurate submission of FPN and whether the obligations for FPN submission are mandatory or voluntary. The TC believed that the discussion and analysis conducted by the Modification Group will enable provision of a more informed view on the implications for the Applicable BSC Objectives.

The TC Analysis stated that depending on the definition of P215, change may be required to the relevant IS systems relating to the submission and processing of FPN data. It was noted that currently FPN submissions are via the EDL/EDT applications, and the TC highlighted that consideration will need to be given to how FPN information would be submitted by Parties that do not have access to the requisite IT systems. The questions of where obligations would sit and under what processes submission was managed would also need to be addressed.

Depending on the details of the proposal, consequential amendments to the Grid Code may be necessary, for example to the MW threshold for FPN submission.

APPENDIX 4: PROPOSED ASSESSMENT PROCEDURE TIMETABLE

