

**Responses from P215 Assessment Report Consultation**

Consultation Issued on 5 November 2007

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	SmartestEnergy	P215_AR_01	1	0
2.	Npower	P215_AR_02	10	0
3.	E.ON UK Energy Services Limited	P215_AR_03	0	1
4.	SAIC Ltd. (for and on behalf of ScottishPower)	P215_AR_04	7	0
5.	Centrica	P215_AR_05	9	0
6.	Uskmouth Power Limited	P215_AR_06	1	0
7.	National Grid Electricity Transmission plc	P215_AR_07	1	0
8.	British Energy	P215_AR_08	5	0
9.	E.ON UK PLC	P215_AR_09	5	0

## P215 'REVISED CREDIT COVER METHODOLOGY FOR GENERATING BM UNITS' ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent:</b>	<i>Colin Prestwich</i>
<b>Company Name:</b>	<i>SmartestEnergy</i>
<b>No. of BSC Parties Represented</b>	<i>1</i>
<b>Parties Represented</b>	<i>SmartestEnergy</i>
<b>No. of Non BSC Parties Represented (e.g. Agents)</b>	
<b>Non Parties represented</b>	
<b>Role of Respondent</b>	<i>Supplier/ Trader / Consolidator /</i>
<b>Does this response contain confidential information?</b>	<i>No</i>

<b>Q</b>	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you believe Proposed Modification <b>P215</b> would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	Yes	It is important that the calculation becomes more accurate and the indebtedness values less spuriously volatile.
2.	Do you believe the potential Alternative option 1 (FPN & BOAs) would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	Yes	This is important to capture the activities of parties which have a great deal of direct balancing mechanism participation.
3.	Do you believe the potential Alternative option 2 (FPN & BOAs & MEL) would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	Yes	Yes, although we are uncertain as to the real difference the inclusion of this would make to the overall outcome.

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Q	Question	Response	Rationale
4.	Do you believe the potential Alternative option 3 (Use FPN to calculate CEI then utilise Metered Data for CVA Parties from Settlement Day +2) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	No	This is beginning to look a little complex and expensive. However, without seeing the cost implications of the different options it is difficult to say.  It is also beginning to look a little one-sided against the SVA market. There is a considerable amount of HH data in SVA which is also available within days but not included in the calculations until SF.
5.	Do you believe the potential Alternative option 4 (Use FPN to calculate CEI, and shorten the CEI period for qualifying CVA BM Units by using Metered Volume and pricing data) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	No	See comment above
6.	Which option, if any, do you believe best facilitates the Applicable BSC Objectives <b>when compared to the Proposed Modification</b> ?  Please give rationale.	Option 1; or Option 2; or Option 3; or Option 4; or None	Option 2
7.	If you would qualify for the P215 solution but do not currently submit FPNs would you seek to use the P215 arrangements?	Yes	
8.	How do you believe the issue of demand BM Units within P status Trading Units should be addressed?  Please give rationale.	Option B	If the cost is negligible we could be persuaded that Option C is appropriate, but given that the levels of on-site demand are claimed to be minimal there is clearly not going to be much impact on the Party and in the circumstances that there is, it would seem reasonable that the onus is on the Party to start sending PNs.
9.	Do you believe there are any other potential P215 Alternatives that have not been identified so far and that should be progressed as part of the Assessment Procedure?  Please give rationale	No	

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Q	Question	Response	Rationale
10.	Are there any further comments on P215 that you wish to make?	No	

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **17:00 on Thursday 15 November 2007** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email 'P215 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Dean Riddell on 020 7380 4366, email address [dean.riddell@elexon.co.uk](mailto:dean.riddell@elexon.co.uk).

## P215 'REVISED CREDIT COVER METHODOLOGY FOR GENERATING BM UNITS' ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent:</b>	<i>Edward Hunter</i>
<b>Company Name:</b>	<i>Npower</i>
<b>No. of BSC Parties Represented</b>	<i>10</i>
<b>Parties Represented</b>	<i>RWE Trading GmbH; RWE Npower Ltd; Npower Commercial Gas Ltd; Npower Cogen Trading Ltd; Npower Direct Ltd; Npower Ltd; Npower Northern Ltd; Npower Northern Supply Ltd; Npower Yorkshire Ltd; Npower Yorkshire Supply Ltd</i>
<b>No. of Non BSC Parties Represented (e.g. Agents)</b>	<i>None</i>
<b>Non Parties represented</b>	<i>None</i>
<b>Role of Respondent</b>	<i>Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent</i>
<b>Does this response contain confidential information?</b>	<i>No</i>

<b>Q</b>	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you believe Proposed Modification <b>P215</b> would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	No	Although FPNs are a suitable proxy for metered volume and more accurate than the current GC calculation, when added into the CEI calculation they do not securitize bid and offer activity. This creates concerns of market undersecuritization presenting a risk to generators. Whilst it is arguable that improved accuracy could promote efficiency (BSC Objective d) we believe the potential for abuse, costs and extra administration required of NG to police/accept this system outweigh any potential benefits.

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Q	Question	Response	Rationale
2.	Do you believe the potential Alternative option 1 (FPN & BOAs) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	No	Whilst Alternative option 1 goes some way to mitigating the BOA issue highlighted in the original proposal, it only secures volumes and not Bid Offer prices
3.	Do you believe the potential Alternative option 2 (FPN & BOAs & MEL) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	No	Similar to option 1 in option 2 BOA activity is not adequately securitized. Using the MEL does mitigate trip risk but we do not believe it to be appropriate to use a technical parameter for commercial purposes. Using the MEL does not ensure a generator's contracts have been bought back. Their account could still be short and incurring high cash-out exposure.
4.	Do you believe the potential Alternative option 3 (Use FPN to calculate CEI then utilise Metered Data for CVA Parties from Settlement Day +2) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	No	Option 3 is an improvement on the current baseline and the original proposal however contains some defects: Qmij (metered volumes) are affected by aggregation rules and are only corrected at settlement. Using "raw" metered data in this way could cause misrepresentation of credit requirements. Metered volumes alone again do not take into account the cashflow associated with BOA activity.
5.	Do you believe the potential Alternative option 4 (Use FPN to calculate CEI, and shorten the CEI period for qualifying CVA BM Units by using Metered Volume and pricing data) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes	Option 4 using Settlement data should be more representative of actual indebtedness if this includes all cash flows and accounts for aggregation rules. The issue of potential under-securitization of the market credit cover by not accurately reflecting BOA activity still remains, however this risk is limited to 2 days.

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Q	Question	Response	Rationale
6.	Which option, if any, do you believe best facilitates the Applicable BSC Objectives <b>when compared to the Proposed Modification?</b>  Please give rationale.	Option 4	Option 4 better facilitates the BSC objectives c and d by reducing the period of "inaccurate" calculation to 2 days. The extension of the current accurate AEI is the only accurate way of including all relevant data in the calculation.
7.	If you would qualify for the P215 solution but do not currently submit FPNs would you seek to use the P215 arrangements?	No	No as although FPNs may be a more accurate proxy for metered volumes they will increase volatility and will not enable us to reduce our credit cover needs as peak levels remain relatively indifferent under the proposed methodology.
8.	How do you believe the issue of demand BM Units within P status Trading Units should be addressed?  Please give rationale.	Option C	Option C maintains consistency with all demand BMUs under the BSC but still allows trading units to be treated at a net level which is how the trading charges will be applied.
9.	Do you believe there are any other potential P215 Alternatives that have not been identified so far and that should be progressed as part of the Assessment Procedure?  Please give rationale	No	-
10.	Are there any further comments on P215 that you wish to make?	No	-

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## P215'MAIN IMBALANCE PRICE BASED ON MARKET REFERENCE PRICE' SECOND ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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## P215 'REVISED CREDIT COVER METHODOLOGY FOR GENERATING BM UNITS' ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent:</b>	<i>Alastair Barnsley</i>
<b>Company Name:</b>	<i>E.ON UK Energy Services Limited</i>
<b>No. of BSC Parties Represented</b>	<i>0</i>
<b>Parties Represented</b>	
<b>No. of Non BSC Parties Represented (e.g. Agents)</b>	<i>1</i>
<b>Non Parties represented</b>	<i>E.ON UK Energy Services Limited</i>
<b>Role of Respondent</b>	<i>Party Agent</i>
<b>Does this response contain confidential information?</b>	<i>No</i>

<b>Q</b>	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you believe Proposed Modification <b>P215</b> would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	Yes / No	We should like to return a neutral response as the proposed modification will not directly impact our activities
2.	Do you believe the potential Alternative option 1 (FPN & BOAs) would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	Yes / No	Please see response to question 1
3.	Do you believe the potential Alternative option 2 (FPN & BOAs & MEL) would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	Yes / No	Please see response to question 1

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Q	Question	Response	Rationale
4.	Do you believe the potential Alternative option 3 (Use FPN to calculate CEI then utilise Metered Data for CVA Parties from Settlement Day +2) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes / No	Please see response to question 1
5.	Do you believe the potential Alternative option 4 (Use FPN to calculate CEI, and shorten the CEI period for qualifying CVA BM Units by using Metered Volume and pricing data) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes / No	Please see response to question 1
6.	Which option, if any, do you believe best facilitates the Applicable BSC Objectives <b>when compared to the Proposed Modification</b> ?  Please give rationale.	Option 1; or Option 2; or Option 3; or Option 4; or None	Please see response to question 1
7.	If you would qualify for the P215 solution but do not currently submit FPNs would you seek to use the P215 arrangements?	Yes / No	Please see response to question 1
8.	How do you believe the issue of demand BM Units within P status Trading Units should be addressed?  Please give rationale.	Option A; or Option B; or Option C	Please see response to question 1
9.	Do you believe there are any other potential P215 Alternatives that have not been identified so far and that should be progressed as part of the Assessment Procedure?  Please give rationale	Yes / No	Please see response to question 1

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Q	Question	Response	Rationale
10.	Are there any further comments on P215 that you wish to make?	No	

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## P215 'REVISED CREDIT COVER METHODOLOGY FOR GENERATING BM UNITS' ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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<b>Respondent:</b>	Gary Henderson
<b>Company Name:</b>	SAIC Ltd. (for and on behalf of ScottishPower)
<b>No. of BSC Parties Represented</b>	7
<b>Parties Represented</b>	ScottishPower Energy Management Ltd, ScottishPower Generation Ltd, ScottishPower Energy Retail Ltd, SP Transmission Ltd, SP Manweb plc, SP Distribution Ltd, CRE Energy Limited
<b>No. of Non BSC Parties Represented (e.g. Agents)</b>	0
<b>Non Parties represented</b>	N/A
<b>Role of Respondent</b>	Supplier / Generator / Trader / Consolidator / Exemptible Generator / Distributor
<b>Does this response contain confidential information?</b>	No

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification <b>P215</b> would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	Yes	<b>Objective (c)</b> ScottishPower agree that the Proposed Modification will better facilitate the achievement of Objective (c) over the current baseline. By lowering Party costs, and releasing working capital, P215 will further stimulate competition within the market.
		Yes	<b>Objective (d)</b> ScottishPower initially agree that the Proposed Modification will better achieve Objective (d) compared to the baseline, simplifying the process and administration burden around CALF. However, this view may change once the results of the full IA by the BSC Agents have been completed.

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Q	Question	Response	Rationale
4.	<p>Do you believe the potential Alternative option 3 (Use FPN to calculate CEI then utilise Metered Data for CVA Parties from Settlement Day +2) would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s).</p>	<p>No</p> <p>Neutral</p>	<p><b>Objective (c)</b> ScottishPower believe that this Alternative Modification would not better achieve Objective (c) than the Proposed. By including recognition of post gate closure events (such as trips), the Alternative increases accuracy, but also increases the complexity both centrally and for individual Parties. This will lead to increased risk for Parties (monitoring and forecasting) and may well result in an increase in securitisation, rather than a decrease. Increased costs (tying up working capital and increased staffing / IT) will be detrimental to competition.</p> <p><b>Objective (d)</b> The Alternative Modification is no more or less efficient than the Proposed.</p>
5.	<p>Do you believe the potential Alternative option 4 (Use FPN to calculate CEI, and shorten the CEI period for qualifying CVA BM Units by using Metered Volume and pricing data) would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s).</p>	<p>No</p> <p>Neutral</p>	<p><b>Objective (c)</b> ScottishPower believe that this Alternative Modification would not better achieve Objective (c) than the Proposed. By including recognition of post gate closure events (such as trips), the Alternative increases accuracy, but also increases the complexity both centrally and for individual Parties. This will lead to increased risk for Parties (monitoring and forecasting) and may well result in an increase in securitisation, rather than a decrease. Increased costs (tying up working capital and increased staffing / IT) will be detrimental to competition.</p> <p><b>Objective (d)</b> The Alternative Modification is no more or less efficient than the Proposed.</p>

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Q	Question	Response	Rationale
6.	Which option, if any, do you believe best facilitates the Applicable BSC Objectives <b>when compared to the Proposed Modification?</b>  Please give rationale.	None	ScottishPower believe that none of the Alternative Modifications better facilitate the BSC Objectives. See answers above for rationale.
7.	If you would qualify for the P215 solution but do not currently submit FPNs would you seek to use the P215 arrangements?	Yes	
8.	How do you believe the issue of demand BM Units within P status Trading Units should be addressed?  Please give rationale.	Option A	ScottishPower believe that the mandatory submission of FPNs for demand BMUs within a 'P' flagged Trading Unit is the simplest and most cost effective solution. Parties will already have the means (IT systems) of sending FPNs for their production BMUs. The majority of demand BMUs in this situation are for station demand which (except in unusual circumstances) is fairly constant. Defaulting rules in the National grid systems mean that a regular FPN would not be essential – a revision would be required when the load changed. This should not pose a significant burden on Parties.
9.	Do you believe there are any other potential P215 Alternatives that have not been identified so far and that should be progressed as part of the Assessment Procedure?  Please give rationale	No	
10.	Are there any further comments on P215 that you wish to make?	No	

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## P212 'MAIN IMBALANCE PRICE BASED ON MARKET REFERENCE PRICE' SECOND ASSESSMENT PROCEDURE CONSULTATION

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## P215 'REVISED CREDIT COVER METHODOLOGY FOR GENERATING BM UNITS' ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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<b>Respondent:</b>	<i>Dave Wilkerson</i>
<b>Company Name:</b>	<i>Centrica</i>
<b>No. of BSC Parties Represented</b>	<i>9</i>
<b>Parties Represented</b>	Accord Energy Ltd; British Gas Trading Ltd; Centrica Barry Ltd; Centrica Brigg Ltd; Centrica KL Ltd; Centrica KPS Ltd; Centrica PB Ltd; Centrica RPS Ltd; Centrica SHB Ltd
<b>No. of Non BSC Parties Represented (e.g. Agents)</b>	-
<b>Non Parties represented</b>	-
<b>Role of Respondent</b>	<i>(Supplier/Generator/ Trader )</i>
<b>Does this response contain confidential information?</b>	<i>No</i>

Q	Question	Response	Rationale
		Error! Bookmark not defined.	

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
1.	<p>Do you believe Proposed Modification <b>P215</b> would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s).</p>	Yes	<p>The amount of collateral lodged by parties and by the industry as a whole should be a reflection of the balance between the risk of an event of default occurring vs the value of that event. A number of parties will choose to over-collateralise due to the costs of more closely managing their credit cover, and so it would be unfair to characterise the industry as a whole as over-collateralised. However, if the credit arrangements are to reflect the value of a default if it should happen, then the inputs to the calculation should be as close as possible to actual outturn liabilities at the SF run.</p> <p>The analysis in the group has shown clearly that the current CEI method of CALF*GC is wildly inaccurate, randomly either understating or overstating by an indeterminate amount the amount of indebtedness a party is liable for in each settlement period. Using the FPN method as suggested in the proposed modification is shown in the analysis to be far more accurate on a settlement period basis than the current methodology. It will take better account of plant outages and trips; sudden changes in load; two-shifting behaviour and so on. There are obvious issues around pumped storage, as most of their activity is BOA-driven, and also wind generation, but again the analysis showed the FPN data to be more accurate than the current baseline.</p> <p>We are therefore surprised that a majority of the group believed that the proposed modification was not better than the current baseline, as all the evidence presented in the consultation document is to the contrary. We do believe (see below) that the alternatives are better than the original, but we believe strongly that the proposed is better than the current baseline.</p> <p>If the FPN calculation is understating metered volumes for some BMUs, as is suggested by the analysis (p.21), then the overall effect would be to increase indebtedness as the generator would have been deemed to have sold out a lot more energy than he was producing (thereby creating a shortfall and increasing indebtedness). This would therefore have a tendency to necessitate over-collateralisation rather than under-collateralisation.</p>

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
2.	Do you believe the potential Alternative option 1 (FPN & BOAs) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes	For the reasons given above in Q1 – namely that the accuracy is greatly increased by using FPNs, and this is increased further by including BOA data.
3.	Do you believe the potential Alternative option 2 (FPN & BOAs & MEL) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes	For the reasons given above in Q1 and Q2 – and further, that the MEL data increases the accuracy further, particularly in case of plant trips.
4.	Do you believe the potential Alternative option 3 (Use FPN to calculate CEI then utilise Metered Data for CVA Parties from Settlement Day +2) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes	This option would be even more accurate still, although it may prove to be expensive to implement and/or impractical.
5.	Do you believe the potential Alternative option 4 (Use FPN to calculate CEI, and shorten the CEI period for qualifying CVA BM Units by using Metered Volume and pricing data) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes	This is the most accurate option – however, it may prove to be expensive and/or impractical.
6.	Which option, if any, do you believe best facilitates the Applicable BSC Objectives <b>when compared to the Proposed Modification</b> ?  Please give rationale.	Option 4	We would provide indicative support to the options in reverse order, as it has been shown that accuracy is increased for each option with option 4 as the most accurate. However, we have not yet seen the costs of implementation, and so we cannot say definitively that our view would not change following provision of such information.

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
7.	If you would qualify for the P215 solution but do not currently submit FPNs would you seek to use the P215 arrangements?	n/a	
8.	How do you believe the issue of demand BM Units within P status Trading Units should be addressed?  Please give rationale.	Option B	Option B is the least cost solution in terms of ECVAA and/or Party costs. There are not many demand BM units that this would affect significantly.
9.	Do you believe there are any other potential P215 Alternatives that have not been identified so far and that should be progressed as part of the Assessment Procedure?  Please give rationale	No	
10.	Are there any further comments on P215 that you wish to make?	Yes	We believe that, if it were possible, moving the II run to SD+2 working days would provide the most accurate credit requirements data, both on the SVA and CVA sides of the market. This would seem to be out of scope of this modification but we believe merits further discussion in future forums.

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## P215 'REVISED CREDIT COVER METHODOLOGY FOR GENERATING BM UNITS' ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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<b>Respondent:</b>	Rebecca Williams
<b>Company Name:</b>	Uskmouth Power Limited
<b>No. of BSC Parties Represented</b>	1
<b>Parties Represented</b>	Uskmouth Power
<b>No. of Non BSC Parties Represented (e.g. Agents)</b>	None
<b>Non Parties represented</b>	
<b>Role of Respondent</b>	Generator
<b>Does this response contain confidential information?</b>	No

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification <b>P215</b> would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	Yes	The proposed modification P215 would better facilitate the achievement of Applicable BSC Objective (c) as a result of FPN's being a more accurate proxy for metered volumes for the qualifying BM Units in aggregate, compared to the current baseline. The proposed modification would also better facilitate the achievement of Applicable BSC Objective (d) by simplifying the current arrangements i.e. administration of the CALF process and appeals and monitoring CALF values, whilst increasing the accuracy of the credit cover arrangements leading to increased efficiency.
2.	Do you believe the potential Alternative option 1 (FPN & BOAs) would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	Yes	Alternative option 1 would better facilitate the achievement of Applicable BSC Objective (c) due to the inclusion of FPN and BOA data in the CEI calculation increasing the accuracy of CEI as an estimated proxy for BM Units' metered volumes. In particular, it addresses the under-securitisation that arises under the original P215 proposal for BM Units such as pumped storage that are particularly active in the BM.

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Q	Question	Response	Rationale
3.	Do you believe the potential Alternative option 2 (FPN & BOAs & MEL) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes	Alternative option 2 would better facilitate the achievement of Applicable BSC Objective (c) due to the increase in accuracy of estimated BM Units' metered volumes achieved through the inclusion of FPN and FPNs that are updated with BOA data or subject to replacement by MEL data, if MEL is lower than FPN value. This methodology captures generator trips, which need to be promptly recognised in order to optimise the accuracy of CEI as an estimated proxy for BM Units' metered volumes.
4.	Do you believe the potential Alternative option 3 (Use FPN to calculate CEI then utilise Metered Data for CVA Parties from Settlement Day +2) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes	Alternative option 3 would better facilitate the achievement of Applicable BSC Objective (c) due to shortening the CEI period to 2 days where FPNs would be used then permitting the use of actual metered volumes. The use of actual metered volume data in the credit cover arrangement taking place earlier mitigates any detrimental impact on accuracy of not including BOA and not incorporating plant trips via MEL as soon as practical.
5.	Do you believe the potential Alternative option 4 (Use FPN to calculate CEI, and shorten the CEI period for qualifying CVA BM Units by using Metered Volume and pricing data) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes	Alternative option 4 would better facilitate the achievement of Applicable BSC Objective (c) due to shortening the CEI period to 2 days where FPNs would be used then the use of actual metered volumes and pricing data. The use of both actual metered volume and pricing data would be significantly more accurate, then any other proxy estimations for BM Unit metered volumes.
6.	Which option, if any, do you believe best facilitates the Applicable BSC Objectives <b>when compared to the Proposed Modification</b> ?  Please give rationale.	Option 4	Alternative option 4 best facilitates the Applicable BSC Objective (c) and (d) when compared to the proposed modification. As a result of shortening the CEI period to 2 days where FPNs would be used then using actual metered volumes and calculated pricing data would significantly increase accuracy, then any other proxy estimations for BM Unit metered volumes considered under P215.
7.	If you would qualify for the P215 solution but do not currently submit FPNs would you seek to use the P215 arrangements?	Not applicable	

P212 'MAIN IMBALANCE PRICE BASED ON MARKET REFERENCE PRICE' SECOND ASSESSMENT PROCEDURE CONSULTATION

Q	Question	Response	Rationale
8.	How do you believe the issue of demand BM Units within P status Trading Units should be addressed?  Please give rationale.	1 <sup>st</sup> Option C 2 <sup>nd</sup> Option B	Option C and Option B have been chosen as a consequence of no implementation costs being provided. Ideally Option C is the most favoured approach which permits market participants to preserve the netting benefits they currently have via changes to the ECVAA system. However if Option C is too costly in comparison the potential benefits received from production trading unit netting then Option B should be considered. Option B introduces optional submissions of FPNs for demand BM Units within Production status trading units. We support the rationale that if it is beneficial for a party to submit FPN's for these BM Units so their demand would not be taken into account in the CEI calculation they would do so.
9.	Do you believe there are any other potential P215 Alternatives that have not been identified so far and that should be progressed as part of the Assessment Procedure?  Please give rationale	No	
10.	Are there any further comments on that you wish to make?	No	

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **17:00 on Thursday 15 November 2007** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email 'P215 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Dean Riddell on 020 7380 4366, email address [dean.riddell@elexon.co.uk](mailto:dean.riddell@elexon.co.uk).

## P215 'REVISED CREDIT COVER METHODOLOGY FOR GENERATING BM UNITS' ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent:</b>	Lilian Macleod
<b>Company Name:</b>	National Grid Electricity Transmission plc
<b>No. of BSC Parties Represented</b>	1
<b>Parties Represented</b>	Transmission Company
<b>No. of Non BSC Parties Represented (e.g. Agents)</b>	N/A
<b>Non Parties represented</b>	N/A
<b>Role of Respondent</b>	Transmission Company
<b>Does this response contain confidential information?</b>	No

Q	Question	Response	Rationale
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Q	Question	Response	Rationale
1.	<p>Do you believe Proposed Modification <b>P215</b> would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s).</p>	Yes and No	<p>On balance we believe that the Proposed Modification is an improvement on the current baseline however we have a number of reservations regarding certain sub categories of BMU participants who may be under-securitised as a consequence of this Proposed Modification and the risk this may place on the industry.</p> <p>We believe that the Proposed Modification would not better facilitate the achievement of Applicable BSC Objective (b) as this Modification introduces an incentive for Parties to amend their FPN to benefit their credit position at the expense of its accuracy and usefulness to the System Operator.</p> <p>We believe that the Proposed Modification better facilitates the achievement of Applicable BSC Objective (c) when compared to the current Code baseline because the accuracy of the estimation of BMUs' Metered Volumes is increased when compared with the Proposed Modification.</p> <p>We believe that the Proposed Modification would better facilitate the achievement of Applicable BSC Objective (d) when compared to the current Code baseline because it would lead to increased efficiency.</p>

Q	Question	Response	Rationale
2.	<p>Do you believe the potential Alternative option 1 (FPN &amp; BOAs) would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s).</p>	Yes and No	<p>We believe that Alternative Modification option 1 would not better facilitate the achievement of Applicable BSC Objectives as the option introduces an incentive for Parties to amend their FPN to benefit their credit position at the expense of its accuracy and usefulness to the System Operator.</p> <p>We believe that Alternative Modification option 1 would better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline because the accuracy of the estimation of BMUs' Metered Volumes is increased when compared with the Proposed Modification.</p> <p>We believe that Alternative Modification option 1 would better facilitate the achievement of Applicable BSC Objective (d) because it would lead to increased efficiency.</p>
3.	<p>Do you believe the potential Alternative option 2 (FPN &amp; BOAs &amp; MEL) would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s).</p>	Yes and No	<p>We believe that Alternative Modification option 2 would not better facilitate the achievement of Applicable BSC Objectives as the option introduces an incentive for Parties to amend their FPN to benefit their credit position at the expense of its accuracy and usefulness to the System Operator.</p> <p>We believe that Alternative Modification option 2 would better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline because the accuracy of the estimation of BMUs' Metered Volumes is increased when compared with the Proposed Modification.</p> <p>We believe that Alternative Modification option 2 would better facilitate the achievement of Applicable BSC Objective (d) because it would lead to increased efficiency.</p>

Q	Question	Response	Rationale
4.	<p>Do you believe the potential Alternative option 3 (Use FPN to calculate CEI then utilise Metered Data for CVA Parties from Settlement Day +2) would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s).</p>	Yes and No	<p>We believe that Alternative Modification option 3 would have a neutral impact on Applicable BSC Objectives (b).</p> <p>We believe that Alternative Modification option 3 would better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline because the accuracy of the estimation of BMUs' Metered Volumes is increased when compared with the Proposed Modification.</p> <p>We believe that Alternative Modification option 3 would better facilitate the achievement of Applicable BSC Objective (d) because it would lead to increased efficiency.</p>
5.	<p>Do you believe the potential Alternative option 4 (Use FPN to calculate CEI, and shorten the CEI period for qualifying CVA BM Units by using Metered Volume and pricing data) would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s).</p>	Yes and No	<p>We believe that Alternative Modification option 4 would have a neutral impact on Applicable BSC Objectives (b).</p> <p>We believe that Alternative Modification option 4 would better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline because the accuracy of the estimation of BMUs' Metered Volumes is increased when compared with the Proposed Modification.</p> <p>We believe that Alternative Modification option 4 would better facilitate the achievement of Applicable BSC Objective (d) because it would lead to increased efficiency.</p>

Q	Question	Response	Rationale
6.	<p>Which option, if any, do you believe best facilitates the Applicable BSC Objectives <b>when compared to the Proposed Modification</b>?</p> <p>Please give rationale.</p>	Option 4	We believe that option 4 best facilitates the Applicable BSC Objectives when compared to the Proposed Modification. The option would utilise the most accurate information in the calculation of credit cover whilst minimising any incentive on Parties to submit an FPN value that might reflect an improved credit position. We do acknowledge that this option may be complex and costly to implement and therefore the viability of the option would be subject to an impact analysis on the relevant BSC Systems and Processes.
7.	If you would qualify for the P215 solution but do not currently submit FPNs would you seek to use the P215 arrangements?	N/A	

Q	Question	Response	Rationale
8.	<p>How do you believe the issue of demand BM Units within P status Trading Units should be addressed?</p> <p>Please give rationale.</p>	Option B or Option C	<p>We would advocate that the issue of demand BM Units within P status Trading Units should be addressed via option B or option C. Option B would enable relevant parties to make their own assessment as to whether or not it was benefit to optional submit FPNs and adhere to the relevant CUSC and Grid Code provisions. We note that option C would enable all relevant parties to benefit from the P215 modification proposal however we do acknowledge that the option would require changes to the ECVAA system.</p> <p>Currently the mandatory submission of FPN can only be enacted if the Party is a signatory to the CUSC and therefore obligated to fulfil the relevant Grid Code provisions. It seems likely inappropriate for Parties to become CUSC signatory (and obligated to comply the Grid Code) purely to submit some form of indicative output for the purposes of credit exposure as outlined by Option A. If the mandatory submission of FPNs for demand BMUs with Production status Trading Units is included either the Proposed Modification or Alternative Modification options it would necessitate significant complex changes to the Grid Code e.g. a review mandatory MW threshold for FPN submission which would have implications for the key operational process, impact the market information provided by the GB System Operator via the BMRS and have material consequential implications for the industry at large.</p> <p>The mandatory submission of FPNs for demand BMUs with Production status Trading Units would also necessitate a formal review of the contractual frameworks between the Transmission Company and Users and may require the developed of a new framework to accommodate demand BMUs within Production status Trading Units. We believe it inappropriate that such wide ranging, complex industry code changes should be developed purely to enable a Party to submit form of indicative output for the purposes of credit exposure. Therefore National Grid does not advocate the mandatory submission of FPNs by demand BMUs within Production status Trading Units.</p>

Q	Question	Response	Rationale
9.	Do you believe there are any other potential P215 Alternatives that have not been identified so far and that should be progressed as part of the Assessment Procedure?  Please give rationale	No	
10.	Are there any further comments on P215 that you wish to make?	No	

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **17:00 on Thursday 15 November 2007** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email 'P215 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Dean Riddell on 020 7380 4366, email address [dean.riddell@elexon.co.uk](mailto:dean.riddell@elexon.co.uk).

## P215 'REVISED CREDIT COVER METHODOLOGY FOR GENERATING BM UNITS' ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent:</b>	<i>Martin Mate</i>
<b>Company Name:</b>	<i>British Energy</i>
<b>No. of BSC Parties Represented</b>	<i>5</i>
<b>Parties Represented</b>	<i>British Energy Power &amp; Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd, British Energy Generation UK Ltd, British Energy Direct Ltd</i>
<b>No. of Non BSC Parties Represented (e.g. Agents)</b>	<i>-</i>
<b>Non Parties represented</b>	<i>-</i>
<b>Role of Respondent</b>	<i>Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent</i>
<b>Does this response contain confidential information?</b>	<i>No</i>

<b>Q</b>	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you believe Proposed Modification <b>P215</b> would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	Yes	Subject to reasonable implementation cost, we are supportive of improved accuracy of the credit indebtedness calculation, which the proposal should achieve on average, although we have concerns that generators facing financial difficulty could avoid the requirement to post credit by declaring artificially high PN and MEL despite Grid Code obligations (which are not strictly monitored or enforced in short timescales).
2.	Do you believe the potential Alternative option 1 (FPN & BOAs) would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	Yes	This would provide a more accurate estimation of indebtedness than the base proposal, and would be preferable to it subject to reasonable additional implementation cost. However, as for the base proposal, we have concerns about the scope for abuse by generators in financial difficulty.

## P212 'MAIN IMBALANCE PRICE BASED ON MARKET REFERENCE PRICE' SECOND ASSESSMENT PROCEDURE CONSULTATION – BE RESPONSE

Q	Question	Response	Rationale
3.	Do you believe the potential Alternative option 2 (FPN & BOAs & MEL) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes	This would provide a more accurate estimation of indebtedness than the base proposal or option 1, and would be preferable to them subject to reasonable additional implementation cost. However, as for the base proposal, we have concerns about the scope for abuse by generators in financial difficulty.
4.	Do you believe the potential Alternative option 3 (Use FPN to calculate CEI then utilise Metered Data for CVA Parties from Settlement Day +2) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes / No	This would provide a more accurate estimation of indebtedness than the base proposal and provide some protection against abuse by submission of false PNs. We support this potential alternative subject to confirmation that implementation costs and change in operating costs would not outweigh the benefit of savings due to improved accuracy. Independent estimations of any missing data would need to be taken into consideration in relation to any associated credit warnings (eg. Level 1 default Query Period), to prevent CDCA collection problems creating false credit warnings.
5.	Do you believe the potential Alternative option 4 (Use FPN to calculate CEI, and shorten the CEI period for qualifying CVA BM Units by using Metered Volume and pricing data) would better facilitate the achievement of the Applicable BSC Objectives?  Please give rationale and state objective(s).	Yes / No	This would provide a more accurate estimation of indebtedness than the base proposal or option 3 and provide some protection against abuse by submission of false PNs. We support this potential alternative subject to confirmation that implementation costs and changes in operating costs would not outweigh the benefit of savings due to improved accuracy. Similarly, we support option 4 over option 3 subject to confirmation that additional costs would not outweigh the benefit of savings due to improved accuracy. Independent estimations of any missing data would need to be taken into consideration in relation to any associated credit warnings (eg. Level 1 default Query Period), to prevent CDCA collection problems creating false credit warnings.
6.	Which option, if any, do you believe best facilitates the Applicable BSC Objectives <b>when compared to the Proposed Modification</b> ?  Please give rationale.	Option 1; or Option 2; or Option 3; or Option 4; or None	All are more accurate when compared with the proposed modification, and the best would depend on the value of the improvement in accuracy relative to the cost of implementation and changes in operating costs.



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Q	Question	Response	Rationale
7.	If you would qualify for the P215 solution but do not currently submit FPNs would you seek to use the P215 arrangements?	No	It is unlikely that British Energy would submit Physical Notifications for very small BM Units not currently submitting PN but which would be eligible to be considered as 'generating BM Units' under the proposals.
8.	How do you believe the issue of demand BM Units within P status Trading Units should be addressed?  Please give rationale.	Option A; or Option B; or Option C	Option C, where the central system accommodates 'demand' BM Units, would be preferable, but only subject to reasonable cost. Note that negative CALF can be used in conjunction with non-zero GC to represent demand from a Production BM Unit.
9.	Do you believe there are any other potential P215 Alternatives that have not been identified so far and that should be progressed as part of the Assessment Procedure?  Please give rationale	Yes	Ideally, metering data would be used more quickly, with independent estimates for missing values. However, we assume the cost of achieving this would be prohibitive.  The original proposal or Option (a) or (b) combined with a process whereby National Grid or Elexon (via CDCA) monitor accuracy of PN and/or MEL and/or expected generation and alert the BSC Panel (or Credit Committee) to significant errors in prompt timescales could be cost effective compared with options (c) and (d). Sustained inaccuracy over more than 1 day should require investigation, with potential elevation to level 1 then 2 credit default if a satisfactory real credit level is compromised and no satisfactory explanation is forthcoming within a reasonable time. For example, if National Grid were to use reasonable endeavours to monitor (Half-hourly Operational Metering/Min(PN,MEL)) or (Daily maximum operational metering/Average Expected generation) and were to promptly report a daily average value less than [0.5] to Elexon [or ECVAA] for two days running, this could be used as a trigger for an investigation of credit level and potential credit default.
10.	Are there any further comments on P215 that you wish to make?	Yes	See miscellaneous comments below on the assessment report.

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**Miscellaneous comments on assessment report**

- The modification group '**AGREED** an initial majority view that the Proposed Modification would not better facilitate the achievement of Applicable BSC Objective (c) because the accuracy of all BM Units would not be equally increased and non-inclusion of BOA activity would lead to under-securitisation.'

The volume of BOAs is relatively small compared to the total volume of generation. Compared to the current baseline, the proposal would give a more accurate approximation to actual generation for most generators, even if BOAs were ignored. Omission of BOA volumes would only be significant, relative to the current baseline, for those few generators for which balancing actions are a significant proportion of their operation. The indebtedness of parties with accepted bids would tend to be under-estimated because bid payment amounts due would be omitted. Overall, we would disagree that omission of BOA volumes in itself means that BSC Objective (c) would not be better met.

- At 2.1.1 1<sup>st</sup> para states: 'The P215 Proposed Solution is that FPNs are used in the calculation of CEI for generating BM Units in the Credit Arrangements, in place of the BM Unit Credit Assessment Export Capability (BMCAEC).'

However, earlier it is suggested that Exempt Export BM Units or BM Units which have special permission from the Panel may be considered qualifying generating units. These may not have 'Production' P/C status and if not would not be used in the BMCAEC calculation.

- At 2.1.4 1<sup>st</sup> para: 'However, the BM Units activity will not be accurately reflected if the GC values of such demand BM Units are used; therefore netting their credit liability against the load factor of the Production BM Units in the same Trading Unit applies their demand into the Trading Unit net production estimation and hence the Party's CEI.'

The existing rules do not properly accommodate importing BM Units with 'Production' status or exporting BM Units with 'Consumption' status, and CALF values must be 'manually' adjusted to approximate the expected level. An improvement to the existing rules would allow individual BM Unit estimated volumes to aggregate directly to the appropriate energy account. For example, a Production BM Unit expected to be importing (based either on historic performance or PN) should be aggregated to the production account as a negative volume, instead of the volume of other Production BM Units being reduced to allow for it. This appears to be Option C described later.

- At 2.1.4 2<sup>nd</sup> para: 'The Group considered that the netting off of this demand was of benefit to Parties, because it reduces to some degree the export of the Trading Unit, and thus reduces the amount of EI that the Party must secure by lodging Credit Cover.'

Do not understand this comment. The netting off of demand from estimated generation increases the amount of credit a party must lodge for the same level of trading cover. Perhaps the comment relates to the fact that reduced wholesale sales will reduce BSC credit requirement.

- 2.2 Option 4 2<sup>nd</sup> para says 'Loading data into the SAA In this way would enable actual pricing data to be used in conjunction with actual Metered Volume data, leading to a significant increase in accuracy compared with option 3.'

Improved accuracy derives not only from more accurate estimation of imbalance amounts, but also from the inclusion of settlement amounts for bids and offers.

- 2.2 Option 4 3<sup>rd</sup> para says 'In order to load such a dummy SVAA file into SAA, a value for SVA Metered Volumes would need to be included in the SVAA file. The Group's proposed approach to this is to use the current proxy for C status BM Units, (DC x CALF).'

Slightly disappointing that in considering a complex option such as this, the opportunity to use more accurate SVAA data, for example as used in the II run, is considered out of scope.

- 2.2 penultimate sentence: 'The Group was comfortable with this approach for the same reasons applied for option 3, that the BM Units concerned do not exhibit significant amounts of BOA activity and that either the impact or risk of generator trip associated with them is not material.'

The impact or risk of generator trip is the same whether the generation is registered in CVA or SVA. The Group seems to be suggesting that it is acceptable to discriminate between registration method on the basis that individual volumes associated with SVA registered generation are currently likely to be (but not necessarily) smaller than those registered in CVA. We would prefer an arrangement which does not discriminate in this way.

- 3.2 states: 'The Group considered that P215 Proposed Modification would tend to cause Parties to be undercollateralised in comparison with the actual risk they pose to other Parties. This is because the Proposed Modification does not include any adjustment of the FPNs using Bid Acceptance data, leading to an underestimation of BM Units' actual Metered Volumes in their CEI. This contributes to underestimation to a lesser extent in the Parties' overall Energy Indebtedness, leading to the amount of Credit Cover that they are required to lodge being less than the optimal amount required to secure against their actual Energy Indebtedness.'

A simple calculation of volume estimated as FPN (excluding bids) compared with notified contract volume (which excludes bids) would give the same imbalance position as a full calculation with delivered bids. The difference in trading charges and true indebtedness is the bid acceptance amount due. Therefore this paragraph is assumed to refer simply to bid acceptance amounts due. The existing arrangements may have some implicit allowance for bids if historic output included bid amounts. However, note that accepted offers have the opposite effect, and reduce the indebtedness of parties.

- 3.3 states: 'While there are some demand BM Units that are able to submit accurate FPNs, the majority of consuming BM Units cannot.'

The accuracy of FPNs for the majority of consuming BM Units is limited mainly by the effort put into accurate forecasting and notification. A larger concern about use of consuming BM Unit FPNs would be uncertainty over monitoring or policing of their accuracy. Any use of FPN for credit calculations for consuming BM Units would need to take into consideration accuracy performance.

- 3.6 states: 'Demand BM Units within P status Trading Units have relatively small demand, as they typically represent plant demand. The Group considered that the netting off of this demand was of benefit to Parties, because it reduces to some degree the export of the Trading Unit, and thus reduces the amount of EI that the Party must secure by lodging Credit Cover.'

As stated previously, 'demand' within a production Trading Unit reduces credited energy, and CALFs are adjusted to reflect this. It is not obvious how this benefits parties credit position. Perhaps the comment relates to the fact that reduced wholesale sales will reduce BSC credit requirement.

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- 3.12 includes 'Examination of a wind generator BM Unit with an output less than 100MW (see graphs 1(m), 1(n)), i.e. an exemptable generator, that is not compelled to submit FPNs,...'

Note that the requirement to submit Physical Notifications is a Grid Code obligations on BM Participants (A person who is responsible for and controls one or more **BM Units** or where a **Bilateral Agreement** specifies that a **User** is required to be treated as a **BM Participant** for the purposes of the **Grid Code**. For the avoidance of doubt, it does not imply that they must be active in the **Balancing Mechanism**) and depends on the demand capacity or the Power Station size (>50/30/10 MW demand or generation in NGET/SPT/SHETL areas respectively).

- Attachment 1b Figure 1(b): BMCAEC data from June 2007, and FPN and QME data from April 2007 appear very predictable. Presumably this is because there is very little actual generation.

Please send your responses by **17:00 on Thursday 15 November 2007** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email 'P215 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Dean Riddell on 020 7380 4366, email address [dean.riddell@elexon.co.uk](mailto:dean.riddell@elexon.co.uk).

## P215 'REVISED CREDIT COVER METHODOLOGY FOR GENERATING BM UNITS' ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent:</b>	
<b>Company Name:</b>	E.ON UK PLC
<b>No. of BSC Parties Represented</b>	5
<b>Parties Represented</b>	Citigen London Ltd., Economy Power, Enfield Energy Centre, Powergen Retail Ltd., E.ON UK PLC
<b>No. of Non BSC Parties Represented (e.g. Agents)</b>	0
<b>Non Parties represented</b>	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
<b>Role of Respondent</b>	Supplier/ Generator / Trader / Consolidator / Exemptable Generator
<b>Does this response contain confidential information?</b>	No.

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification <b>P215</b> would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s).	No	The modification group's analysis, in seeking an accurate proxy for metered volumes in the Credit Assessment Energy Indebtedness (CEI) calculation, clearly shows that FPN volumes should be adjusted to incorporate accepted Bid and Offer volumes. While the baseline causes both periods of over- and under-collateralisation (in effect, offsetting each other), the likely trend for the original proposal would be to underestimate metered volumes over the long term. Under-securitisation would be to the detriment of objective c).

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Q	Question	Response	Rationale
2.	<p>Do you believe the potential Alternative option 1 (FPN &amp; BOAs) would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s).</p>	Neutral	<p>The analysis shows that BOA adjusted FPN volumes are a suitably accurate proxy for metered volumes. Although it is clear that a generator would not 'game' their FPNs to save on the cost of placing security, it is conceivable that a generator would choose not to reset FPNs to zero in the event of a plant trip. To do so could create a large spread with their notified contract volumes, which in turn would create an instant hike in the required security level.</p> <p>It's not possible to quantify this risk but its existence detracts from the accuracy benefits of option 1.</p>
3.	<p>Do you believe the potential Alternative option 2 (FPN &amp; BOAs &amp; MEL) would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s).</p>	Yes	<p>This option removes the risk mentioned in option 1. The price of this accuracy may be complexity (and the system costs yet to be assessed) but overall it would lead to a better real-time representation of a generator's credit risk, bettering objectives c) and d).</p>
4.	<p>Do you believe the potential Alternative option 3 (Use FPN to calculate CEI then utilise Metered Data for CVA Parties from Settlement Day +2) would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s).</p>	Yes	<p>There was consensus in the group that the optimum solution would be to replace estimated volumes with actual data as much as possible. The appropriateness of both options 3 and 4 will depend on the feasibility and costs of the necessary system changes. In principle, the more accurate quantification of risk in the settlement arrangements would benefit trading parties (objective c) and the system generally (objective d).</p>
5.	<p>Do you believe the potential Alternative option 4 (Use FPN to calculate CEI, and shorten the CEI period for qualifying CVA BM Units by using Metered Volume and pricing data) would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s).</p>	Yes	<p>As above. Although this option, by creating a longer AEI period is 'tidier' than option 3.</p>

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Q	Question	Response	Rationale
6.	Which option, if any, do you believe best facilitates the Applicable BSC Objectives <b>when compared to the Proposed Modification?</b>  Please give rationale.	Option 1; or Option 2; or Option 3; or Option 4; or None	All are better than the proposed. Option 4 is best.
7.	If you would qualify for the P215 solution but do not currently submit FPNs would you seek to use the P215 arrangements?	Yes	This may be a possibility for some of our CHP plant.
8.	How do you believe the issue of demand BM Units within P status Trading Units should be addressed?  Please give rationale.	Option C	The most efficient solution in the long run would be to add a filtering flag to the system. The cost can be considered in conjunction with the proposals' wider impact assessment.
9.	Do you believe there are any other potential P215 Alternatives that have not been identified so far and that should be progressed as part of the Assessment Procedure?  Please give rationale	No	
10.	Are there any further comments on P215 that you wish to make?	Yes	It is conceivable that the volatility that will be introduced into the credit calculation as a result of accuracy will mean that generators have to place a similar level of security as at present. They could even have to put down more security than they do now, as they would have to ensure that sufficient cover is ready for a scenario where there is a large spread between FPNs/MELs and notified volumes.  This leads us to conclude that although the defect of inaccuracy exists, it may in practise be of little significance. Therefore the merits of the proposals will depend on how easily and cost-effectively each can be implemented.

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment

Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **17:00 on Thursday 15 November 2007** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email 'P215 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Dean Riddell on 020 7380 4366, email address [dean.riddell@elexon.co.uk](mailto:dean.riddell@elexon.co.uk).