

Responses from P215 Second Assessment Report Consultation

Consultation Issued on 17 January 2008

Representations were received from the following parties

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

P215 Assessment Procedure Consultation Questions

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views, or to 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.

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

Q	Question	Response	Rationale
1	Do you believe Proposed Modification P215 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	<p>Objective (c) 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.</p> <p>Objective (d) ScottishPower agree that the Proposed Modification</p>

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Q	Question	Response	Rationale
			will better achieve Objective (d) compared to the baseline, simplifying the process and administration burden around CALF.
2	Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the current baseline? Please give rationale and state objective(s)	Yes	<p>Objective (c) ScottishPower agree that the Alternative 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.</p> <p>Objective (d) ScottishPower agree that the Proposed Modification will better achieve Objective (d) compared to the baseline, simplifying the process and administration burden around CALF.</p>
3	Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the Proposed Modification? Please give rationale and state objective(s)	<p>Yes</p> <p>No</p>	<p>Objective (c) ScottishPower agree that the Alternative Modification will better facilitate the achievement of Objective (c) over the Proposed. By lowering Party costs, and releasing working capital, P215 will further stimulate competition within the market.</p> <p>Objective (d) The Alternative is no different administratively to the Proposed Modification, while the cost is almost twice that of the Proposed. It cannot therefore be better on Objective (d).</p>
4	Do you support the implementation approach described in the consultation document? In particular, do you support the approach that two versions of the CRA-I020 and (under the Alternative only) ECVA-I014 would be	Yes	We agree with the proposed implementation approach and timescales. We also support the use of two versions of the flows as they remove the

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Q	Question	Response	Rationale
	maintained? Please give rationale		requirement for prohibitively expensive changes to National Grid systems.
5	Would implementation of P215 Proposed or Alternative impact your systems, particularly the changes to the ECVA-1014 associated with the P215 Alternative? Please give details of any impact, and associated cost estimate.	Yes	System changes have been impact assessed previously, and estimates are detailed in our response to CPC00620. Implementation of the Proposed Modification would require 3 months notice, and cost approx £15k. Implementation of the Alternative Modification would require a minimum of 6 months notice and cost approx £50k. This is potentially a low estimate as the original IA did not look at the impact of the changed flows.
6	Do you believe there are any alternative solutions not identified and that should be considered within the remaining P215 timetable? Please give rationale	No	
7	If you would qualify for P215, but do not currently submit FPNs, would you seek to use the P215 arrangements Please give rationale	n/a	
8	Would Proposed or Alternative Modification P215 affect how you manage your Credit Cover? Please give details of any operational impact	No	Operational management of our credit cover arrangements are not expected to change following implementation. We plan to continue with our own internal processes and checks and balances.
9	Would you expect a saving in terms of cost or collateral		

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Q	Question	Response	Rationale
	due to Proposed or Alternative Modification P215? Can you provide an estimate?	Yes	A more accurate calculation of our required credit cover should (hopefully) provide an opportunity to reduce our current credit commitments.
10	Do you believe that Proposed or Alternative Modification P215 would better secure the market as a whole against the risk of bad debt, compared with the baseline? Please give rationale	Yes	By more accurately calculating the correct credit cover required by Parties, these Modifications will better secure the market against the effects of a Party defaulting. Parties currently over securing may be able to free up additional funds to invest, and Parties currently under securing will be forced to post sufficient cover, insulating the market.
11	Do you believe that the legal text provided delivers the Proposed and Alternative Modification P215 solutions agreed by the Modification Group? Please give rationale	Yes	
12	Does P215 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
13	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.

P215 Assessment Procedure Consultation Questions

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views, or to 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.

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

Q	Question	Response	Rationale
1	<p>Do you believe Proposed Modification P215 would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s)</p>	Yes	<p>In normal operation P215 would significantly improve the accuracy of credit provision relative to the baseline, even though bid-offer acceptance volumes are not included. We acknowledge the risk of abuse by dishonest failing generators, but anticipate that the materiality of this would be smaller than the benefits of reduced excess credit requirement for the market as a whole. We would expect systematic abuse by material overestimation of FPNs would be picked up by National Grid, Elexon and/or other parties monitoring, and be brought to the attention of the BSC Panel for action. Additional comfort would be provided if the legal text (see proposed M1.8) provided additional explicit provision for the BSC Panel to take action to alleviate the effects of such abuse.</p>

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Q	Question	Response	Rationale
2	Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the current baseline? Please give rationale and state objective(s)	Yes	The inclusion of real metering data at about day 3 would improve accuracy relative to the existing baseline, and reduce the risk of abuse by submission of inaccurate FPNs. As per our comment on the proposed modification, additional assurance could be provided by inclusion of explicit Panel powers in the event of material abuse. A risk associated with this proposal is that meter data collection problems associated with communication lines or CDCA/ECVAA processes beyond parties control could on occasion lead to significantly erroneous credit calculations in the Credit Cover Volume Allocation run. However, proposed section M1.2.1(f) appears to provide some protection against this possibility, and we consider the risk-benefit acceptable overall.
3	Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the Proposed Modification? Please give rationale and state objective(s)	Yes	This is a finely balanced judgement. The alternative would be more expensive to implement, and carries a risk for individual parties associated with meter data collection problems. However, it is more accurate in normal operation and reduces the risk associated with deliberate abuse by a failing generator. It also incentivises timely correction of data collection failures (assuming CDCA contract facilitates this).
4	Do you support the implementation approach described in the consultation document? In particular, do you support the approach that two versions of the CRA-I020 and (under the Alternative only) ECVAA-I014 would be maintained? Please give rationale	Yes/No	
5	Would implementation of P215 Proposed or Alternative impact your systems, particularly the changes to the ECVAA-I014 associated with the P215 Alternative? Please give details of any impact, and associated cost estimate.	Yes	
6	Do you believe there are any alternative solutions not identified and that should be considered within the	Yes/No	None at this time, subject to suggestions above.

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Q	Question	Response	Rationale
	remaining P215 timetable? Please give rationale		
7	If you would qualify for P215, but do not currently submit FPNs, would you seek to use the P215 arrangements Please give rationale	No	For relevant small BM Units, unlikely.
8	Would Proposed or Alternative Modification P215 affect how you manage your Credit Cover? Please give details of any operational impact	Yes	Improved accuracy of indebtedness calculations should allow reduction in excess credit provision. If levels are reduced to more realistic values, then closer monitoring of day to day operational levels may be required. CALF appeals for relevant BM Units would no longer be required.
9	Would you expect a saving in terms of cost or collateral due to Proposed or Alternative Modification P215? Can you provide an estimate?	Yes	
10	Do you believe that Proposed or Alternative Modification P215 would better secure the market as a whole against the risk of bad debt, compared with the baseline? Please give rationale	Yes/No	Uncertain. Unsure what the correlation is between current excess or insufficient credit from individual parties at any particular time, and the likelihood of failure of those parties at the same time. Risk not obviously increased or reduced.
11	Do you believe that the legal text provided delivers the Proposed and Alternative Modification P215 solutions agreed by the Modification Group? Please give rationale	Yes	Yes, though we would like to see more explicit reference to Panel powers in the event of inaccurate PN data materially affecting credit percentage being brought to their attention.
12	Does P215 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	None at this time, other than suggestions mentioned above.
13	Are there any further comments on P215 that you wish	Yes/No	None at this time other than those given above.

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Q	Question	Response	Rationale
	to make?		

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 **12:00 on Thursday 31 January 2008** to modification.consultations@elexon.co.uk and please entitle your email '**P215 Assessment Procedure 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 0207 380 4366, email address dean.riddell@elexon.co.uk.

P215 Assessment Procedure Consultation Questions

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views, or to 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.

Respondent:	Dave Wilkerson
Company Name:	Centrica
No. of BSC Parties Represented	9
Parties Represented	<i>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</i>
No. of Non BSC Parties Represented (e.g. Agents)	-
Non Parties represented	-
Role of Respondent	Supplier/Generator/Trader
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1	Do you believe Proposed Modification P215 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	<p>The BSC credit arrangements (and specifically the CEI portion) are designed to give a proxy for the actual value at risk (VaR) for the period for which there is no actual data available. The analysis performed for P215, particularly that in Attachment 3 in the pack for this second consultation, shows beyond any reasonable doubt that P215 Proposed provides a substantially and quantifiably more accurate calculation of VaR than the current baseline, which completely randomly over- and under-securitises individual parties.</p> <p>We believe that P215 Proposed is better than the current baseline under Objective C & D. Competition is better facilitated as a figure much closer to the actual VaR is derived for the parties who owe (or will owe) those amounts. It may also be the case that some parties will find that they are</p>

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Q	Question	Response	Rationale
			<p>able to reduce their collateral requirements. Parties will tend to contract to their FPNs where possible, and so we would expect that overall indebtedness requirements will reduce.</p> <p>Objective D is also better facilitated as there should be efficiencies for Elexon in the lack of CALF calculation and appeal-related work.</p>
2	<p>Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the current baseline?</p> <p>Please give rationale and state objective(s)</p>	Yes	<p>Everything in the response to Q1 above also applies to the Alternative modification.</p>
3	<p>Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the Proposed Modification?</p> <p>Please give rationale and state objective(s)</p>	Yes	<p>P215A is better than P215P. It better reflects the actual VaR, and that is the key requirement of the credit calculations.</p>
4	<p>Do you support the implementation approach described in the consultation document? In particular, do you support the approach that two versions of the CRA-I020 and (under the Alternative only) ECVAA-I014 would be maintained?</p> <p>Please give rationale</p>	Yes	<p>The implementation approach in the consultation document, while not ideal, allows for a solution that mitigates the cost somewhat, and so we support the implementation approach proposed.</p> <p>The implementation costs quoted by National Grid are hugely excessive. We do not see this as a major change to IS systems (particularly National Grid's), and are seriously concerned that such high cost estimates could obstruct perfectly valid and desirable modifications.</p> <p>We are particularly surprised at the level of cost quoted by National Grid given their response to the P140 (Revised Credit Cover Methodology for Interconnector BM Units) impact assessment, which impacted similar reports, flows and systems. The NGET P140 response suggested a development cost of £49,000 for providing the FPN file to ECVAA, but nothing at all was mentioned for consequential changes to systems resulting from changes to information flows.</p> <p>In fact, the NGET costs quoted for the alternative modification are even higher than the central service provider costs for 23 weeks of work for P2,</p>

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Q	Question	Response	Rationale
			the major change implementing the basis for the current credit calculation. It is both unlikely and unacceptable for the SO implementation costs to outweigh the costs to the central service provider for a modification like P215 (and even P2).
5	Would implementation of P215 Proposed or Alternative impact your systems, particularly the changes to the ECVA-1014 associated with the P215 Alternative? Please give details of any impact, and associated cost estimate.	Yes	We are unable to give exact estimates of implementation costs and detailed requirements, as the work needed could be bundled with other IS projects depending on timescales. However, we would not expect the cost to be significant, nor time-consuming.
6	Do you believe there are any alternative solutions not identified and that should be considered within the remaining P215 timetable? Please give rationale	No	
7	If you would qualify for P215, but do not currently submit FPNs, would you seek to use the P215 arrangements Please give rationale	n/a	
8	Would Proposed or Alternative Modification P215 affect how you manage your Credit Cover? Please give details of any operational impact	Possibly	We would expect our indebtedness levels to reduce following the implementation of P215P or P215A, and so it may be the case that, following a regular review of collateral held, we decide to reduce the size of the letters of credit we hold.
9	Would you expect a saving in terms of cost or collateral due to Proposed or Alternative Modification P215? Can you provide an estimate?	Yes	Please see response to Q8 above.
10	Do you believe that Proposed or Alternative Modification P215 would better secure the market as a whole against the risk of bad debt, compared with the baseline?	Yes	Both proposed and alternative modifications would better secure the market overall, as they provide a much more accurate proxy for actual indebtedness than a historical average smeared across 3 months.

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Q	Question	Response	Rationale
	Please give rationale		
11	Do you believe that the legal text provided delivers the Proposed and Alternative Modification P215 solutions agreed by the Modification Group? Please give rationale	Yes	
12	Does P215 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
13	Are there any further comments on P215 that you wish to make?	No	

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Please send your responses by **12:00 on Thursday 31 January 2008** to modification.consultations@elexon.co.uk and please entitle your email '**P215 Assessment Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

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P215 Assessment Procedure Consultation Questions

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views, or to 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.

Respondent:	Andrew Colley
Company Name:	Scottish and Southern Energy plc
No. of BSC Parties Represented	7
Parties Represented	SSE Energy Supply Ltd, SSE Generation Ltd, Keadby Generation Ltd, Medway Power Ltd, Slough Energy Supplies Ltd, Southern Electric Power Distribution plc, Scottish Hydro-Electric Power Distribution Ltd
No. of Non BSC Parties Represented (e.g. Agents)	0
Non Parties represented	Please list all non Parties responding on behalf of (including the respondent company if relevant).
Role of Respondent	Supplier/Generator/Trader/Exemptable Generator/Distributors
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1	Do you believe Proposed Modification P215 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	Historical analysis indicates that FPNs tend to be overestimated on average. The use of FPN as a proxy for a generator's metered volume in the CEI window of the credit calculation (without any recognition of deviation from FPN for BOAs and/or adjustments in plant capability), would tend to systematically overestimate the value of generation in the credit model. This would lead to the market being inadequately securitised and impose greater levels of bad debt risk upon market participants.
2	Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the current baseline?	Yes	Introduction of actual metered volumes at the earliest opportunity is desirable as it quantifies the actual volume at risk much sooner, albeit with the application of imperfect price data (i.e. CAP). Couple with a short period of FPN use within the CEI window, the accuracy of the energy imbalance

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Q	Question	Response	Rationale
	Please give rationale and state objective(s)		aspect of the credit model is significantly improved. Crucially, the improved accuracy of estimating volumes at risk better securitises the market against bad debt risk than the current model for certain BM Units. Currently, the meter volume proxies for these BM Units are consistently and vastly overestimated within the current credit model, which results in an underestimation of security requirements.
3	Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the Proposed Modification? Please give rationale and state objective(s)	Yes	See 2 above.
4	Do you support the implementation approach described in the consultation document? In particular, do you support the approach that two versions of the CRA-I020 and (under the Alternative only) ECVAI-I014 would be maintained? Please give rationale	Yes	Given the vast reduction in cost of change afforded to the SO in particular by adopting this approach and past precedent for maintaining two versions of a dataflow, it would seem the most sensible option. We would hope however that over time that the need to maintain two flows would be superceded by improvements to the SO's ability to change their systems at least cost and through opportune change.
5	Would implementation of P215 Proposed or Alternative impact your systems, particularly the changes to the ECVAI-I014 associated with the P215 Alternative? Please give details of any impact, and associated cost estimate.	Yes	Our systems would need to change to validate and load the revised flow structure of the ECVAI-I014 and store the new data items contained therein. Credit models that link to this data set and help us to manage our BSC credit position would also need to be adapted. High level cost estimate would be in the region of £10k-£20k, with a 3 month lead time.
6	Do you believe there are any alternative solutions not identified and that should be considered within the remaining P215 timetable? Please give rationale	No	Whilst there is an alternative solution as discussed by the Modifications Group, its scope would be wider ranging than the terms of reference allowed by P215 and as such has already been discounted by the Modifications Group.

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Q	Question	Response	Rationale
7	<p>If you would qualify for P215, but do not currently submit FPNs, would you seek to use the P215 arrangements</p> <p>Please give rationale</p>	Unlikely	The operational cost of deriving and submitting FPNs for the few BM Units within SSE's portfolio that would qualify under P215 rules, but for which we do not submit FPNs currently, would outweigh the benefits that SSE would be likely to achieve from the credit model.
8	<p>Would Proposed or Alternative Modification P215 affect how you manage your Credit Cover?</p> <p>Please give details of any operational impact</p>	Yes	<p>Alternative Modification is likely to result in SSE reducing the amount of credit cover posted, because of the improved estimation of the volume at risk. However, the extent of the reduction would be balanced by the need to cater for short-term volatility, in particular allowance for plant trip as the CEI calculation moves from FPN to actual metered volumes, an event which will produce a step change in assessed indebtedness.</p> <p>It is also possible, but unlikely, that SSE would monitor its credit position more frequently than it does currently, but this decision will be driven by the extent of the reduction in cover.</p>
9	<p>Would you expect a saving in terms of cost or collateral due to Proposed or Alternative Modification P215? Can you provide an estimate?</p>	Yes	We would expect either a cost saving or a working capital benefit if we were to reduce the value of our Letter of Credit.
10	<p>Do you believe that Proposed or Alternative Modification P215 would better secure the market as a whole against the risk of bad debt, compared with the baseline?</p> <p>Please give rationale</p>	Yes	See above.
11	<p>Do you believe that the legal text provided delivers the Proposed and Alternative Modification P215 solutions agreed by the Modification Group?</p> <p>Please give rationale</p>	Yes	It appears to deliver the intent of the solution.
12	<p>Does P215 raise any issues that you believe have not been identified so far and that should be progressed as</p>	No	

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Q	Question	Response	Rationale
	part of the Assessment Procedure? Please give rationale		
13	Are there any further comments on P215 that you wish to make?	Yes	<p>We note the Group's views on Option 4, that it was discounted because of its excessive complexity and implications for central systems that rendered its implementation fundamentally infeasible.</p> <p>In our view this is only the case because of the narrow scope of the modification which only looks to replace assessed credit energy volumes with FPN as a better volume proxy for Generator BM Units. If the scope were to include Supplier BM Units and were to replace CAP with real imbalance prices, then we do not believe that Option 4 would be fundamentally infeasible to implement.</p>

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Any queries on the content of the consultation pro-forma should be addressed to Dean Riddell on 0207 380 4366, email address dean.riddell@elexon.co.uk.



P215 Assessment Procedure Consultation Questions

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views, or to 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.

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

Q	Question	Response	Rationale
1	Do you believe Proposed Modification P215 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	<p>On balance we believe that the Proposed Modification is not an improvement on the current baseline primarily due the a number of reservations which we have 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 would not better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline because of the potential for certain BMU participants to under-securitise their credit cover and the risk this may place on the industry.</p>

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Q	Question	Response	Rationale
			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.
2	<p>Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the current baseline?</p> <p>Please give rationale and state objective(s)</p>	Yes	<p>We believe that the Alternative Modification would have a neutral impact on Applicable BSC Objective (b) as the potential for Parties to alter their FPN to improve their credit position would be reduced due to the utilisation of actual metered output for certain classifications of BMUs.</p> <p>We believe that the Alternative Modification would better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline as it would provide more accurate estimation of Metered Volumes than the Proposed Modification due to the utilisation of actual Metered Volume data.</p> <p>We believe that the Alternative Modification would better facilitate the achievement of Applicable BSC Objective (d) because it would lead to increased efficiency.</p>
3	<p>Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the Proposed Modification?</p> <p>Please give rationale and state objective(s)</p>	Yes	We believe that the Alternative Modification would better facilitate the achievement of the Applicable BSC Objectives when compared to the Proposed Modification. This option would utilise the most accurate information available in the calculation of credit cover whilst minimising any incentive on Parties to submit an FPN value that might reflect an improved credit position.
4	<p>Do you support the implementation approach described in the consultation document? In particular, do you support the approach that two versions of the CRA-I020 and (under the Alternative only) ECVAI-I014 would be maintained?</p> <p>Please give rationale</p>	Yes	We advocate that the implementation of either P215 proposed or the alternative should be via the maintenance of two versions of the CRA-I020 and ECVAI-I014 (for P215 Alternative only) data flows. This would avoid significant, unnecessary, costs to be incurred on National Grid's IS applications. The information contained in the revised flows is not required to carry out key business activities.
5	Would implementation of P215 Proposed or Alternative impact your systems, particularly the changes to the ECVAI-I014 associated with	Yes	<p>If the two version implementation approach is not selected the associated IS system costs would be as follows:</p> <p><i>Proposed Modification</i></p>

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Q	Question	Response	Rationale
	<p>the P215 Alternative?</p> <p>Please give details of any impact, and associated cost estimate.</p>		<p>The Panel Qualifying Flag element of the proposed solution would require modifications to the registration file CRA-1020 which National Grid receives from Elexon. This data is disseminated into six separate National Grid IS applications. Each application would have to be modified to reflect the changes made to the CRA-1020 file. These changes would be necessary to provide the BSC Panel with the discretion to permit approximately 14 BMUs to be eligible to benefit from the P215 provisions.</p> <p>Given the number of IS applications affected and with some uncertainty regarding the exact system design changes to the CRA-1020 file, it is National Grid's initial estimate that the associated works will cost £250,000. Given the need to programme resources to carry out the implementation of this modification, a decision by the Authority by June 2008 will allow us to deliver the required changes by June 2009.</p> <p><i>Alternative Modification</i></p> <p>In addition to the amendments to the CRA-1020 file the Alternative Modification would require modifications to the ECVA-1014 file which National Grid receives from Elexon. The data from both files is disseminated to eight separate National Grid IS applications (which are inclusive of the six applications identified for the proposed solution). Each application would have to be modified to reflect the changes made to the ECVA-1014 file.</p> <p>Given the number of IS applications affected and with the uncertainty regarding the exact system design changes to the CRA-1020 and ECVA-1014 file, it is National Grid's initial estimate that the associated works will cost £350,000. Given the need to programme resources to carry out the implementation of this modification, a decision by the Authority by June 2008 will allow us to deliver the required changes by June 2009.</p> <p>The costs and associated timelines are reflective of the high level of interdependency at the interface between Elexon's (Logica) and National Grid's IS systems. It is also reflective of the fact the files impacted by this Modification are not subject to regular/frequent change.</p>
6	Do you believe there are any alternative solutions not identified and that should be considered within the remaining P215	No	

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Q	Question	Response	Rationale
	timetable? Please give rationale		
7	If you would qualify for P215, but do not currently submit FPNs, would you seek to use the P215 arrangements Please give rationale	N/A	The 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 (either mandatory or 'opted in'). The framework does not permit the submission of FPN purely to enable a Party to submit some form of indicative output for the purposes of credit exposure.
8	Would Proposed or Alternative Modification P215 affect how you manage your Credit Cover? Please give details of any operational impact	N/A	
9	Would you expect a saving in terms of cost or collateral due to Proposed or Alternative Modification P215? Can you provide an estimate?	N/A	
10	Do you believe that Proposed or Alternative Modification P215 would better secure the market as a whole against the risk of bad debt, compared with the baseline? Please give rationale	Neutral	<p>In theory the Alternative Modification could be an improvement on the current baseline. However, having followed the modification group discussions and noted industry responses submitted as part of the first consultation, nothing has been presented to substantiate that parties would either i) change their existing credit cover arrangements or ii) have access to flexible credit arrangements such that the monetary benefits which the Modification represents would materialise.</p> <p>If it is demonstrated that this Alternative Modification would represent actual, rather than theoretical, financial savings to industry parties then we support that the Alternative Proposal would be beneficial to individual Parties and to the industry as a whole. Our concern is that without some evidence to support this benefit this modification would lead to the implementation of redundant functionality and would be a waste of money.</p>
11	Do you believe that the legal text provided	Yes	

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Q	Question	Response	Rationale
	delivers the Proposed and Alternative Modification P215 solutions agreed by the Modification Group? Please give rationale		
12	Does P215 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
13	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 **12:00 on Thursday 31 January 2008** to modification.consultations@elexon.co.uk and please entitle your email '**P215 Assessment Procedure 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 0207 380 4366, email address dean.riddell@elexon.co.uk.

P215 Assessment Procedure Consultation Questions

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views, or to 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.

Respondent:	Ben Sheehy
Company Name:	E.ON UK Plc
No. of BSC Parties Represented	5
Parties Represented	E.ON UK Plc, Citigen London Ltd., Economy Power Ltd., Enfield Energy Centre Ltd., Powergen Retail Ltd.
No. of Non BSC Parties Represented (e.g. Agents)	0
Non Parties represented	-
Role of Respondent	Supplier, Generator, Trader, Consolidator, Exemptable Generator
Does this response contain confidential information?	No.

Q	Question	Response	Rationale
1	Do you believe Proposed Modification P215 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	The original proposal could underestimate the value at risk for certain types of generator for too long a period (the CEI period as now). The working group was able to show a more accurate solution could be achieved by incorporating BOAs and MELs. As the original does not do this, it is possible that financial risk in the generation market would be spread to a greater degree, to the detriment of objective (c).
2	Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the current baseline? Please give rationale and state objective(s)	Yes	Again, the alternative proposal does not incorporate BOAs and MELs. However it can be considered to be better than the baseline overall because the additional feature of the MEI period would ensure that value at risk is more accurately represented than at present: bettering objective (c).

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Q	Question	Response	Rationale
3	Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the Proposed Modification? Please give rationale and state objective(s)	Yes	
4	Do you support the implementation approach described in the consultation document? In particular, do you support the approach that two versions of the CRA-I020 and (under the Alternative only) ECVAA-I014 would be maintained? Please give rationale	Yes	The working group looked at this issue very closely. There was consensus that the two version solution would work; and would reduce implementation costs.
5	Would implementation of P215 Proposed or Alternative impact your systems, particularly the changes to the ECVAA-I014 associated with the P215 Alternative? Please give details of any impact, and associated cost estimate.	Yes/No	We believe it to be unlikely at this time.
6	Do you believe there are any alternative solutions not identified and that should be considered within the remaining P215 timetable? Please give rationale	No	Other solutions, such as introducing the MEI period but maintaining the CALF*GC calculation for a shorter CEI period, were considered carefully. The working group ultimately found that these solutions would be unworkable, for example by being incompatible with the qualification criteria.
7	If you would qualify for P215, but do not currently submit FPNs, would you seek to use the P215 arrangements Please give rationale	Yes/No	Possibly for some smaller units.
8	Would Proposed or Alternative Modification P215 affect how you manage your Credit Cover? Please give details of any operational impact	No	It is likely that we will stick to a prudent business model of ensuring that credit lines contain significant headroom.

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Q	Question	Response	Rationale
9	Would you expect a saving in terms of cost or collateral due to Proposed or Alternative Modification P215? Can you provide an estimate?	Yes/No	We acknowledge the potential for marginal savings but do not expect to alter our credit arrangements significantly.
10	Do you believe that Proposed or Alternative Modification P215 would better secure the market as a whole against the risk of bad debt, compared with the baseline? Please give rationale	Yes/No	We believe that only the alternative proposal advances the assessment of bad debt risk sufficiently enough to better the baseline. This would be achieved by using actual metered data earlier.
11	Do you believe that the legal text provided delivers the Proposed and Alternative Modification P215 solutions agreed by the Modification Group? Please give rationale	Yes	
12	Does P215 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
13	Are there any further comments on P215 that you wish to make?	No	

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P215 Assessment Procedure Consultation Questions

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views, or to 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.

Respondent:	Edward Hunter
Company Name:	Npower
No. of BSC Parties Represented	9
Parties Represented	RWE Trading GmbH; RWE Npower Plc; Npower Cogen Trading Ltd; Npower Direct Ltd; Npower Ltd; Npower Northern Ltd; Npower Northern Supply Ltd; Npower Yorkshire Ltd; Npower Yorkshire Supply Ltd
No. of Non BSC Parties Represented (e.g. Agents)	None
Non Parties represented	Please list all non Parties responding on behalf of (including the respondent company if relevant).
Role of Respondent	Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1	Do you believe Proposed Modification P215 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	<p>Although FPNs are a suitable proxy for metered volume and can be considered more accurate than the current GC calculation, when added to the CEI calculation they do not securitize bid and offer activity therefore are contrary to objective b.)</p> <p>Due to this potential undersecuritization whilst posing a risk to the market in the event of a credit default event this proposal would benefit generators who accept bids and offers on a regular basis. This is inconsistent with objective c.)</p> <p>There are issues around the possibility of gaming by Parties deliberately submitting erroneous FPNs in an effort to reduce their credit cover exposure.</p>

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Q	Question	Response	Rationale
2	Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the current baseline? Please give rationale and state objective(s)	Yes	The alternative modification reduces the risk of under securitizing bids and offers by using actual metered volumes. Reducing the period of CEI by introducing a period of MEI also increases the accuracy of the Total Energy Indebtedness calculation in line with BSC Objective d.) Compared to the baseline the alternative Modification also enables a generator to react quicker to a trip and re-declare its FPNs resulting in a more accurate credit cover assessment than under the current GC*CALF method.
3	Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the Proposed Modification? Please give rationale and state objective(s)	Yes	The alternative Modification is more accurate than the proposed as it contains a shorter period of CEI and introduces actual metered volume into the process at an earlier stage thus fulfilling BSC Objective d.) Earlier use of actual metered volumes goes some way to mitigating the risk of undersecuritization of Bid/Offer volumes and gaming.
4	Do you support the implementation approach described in the consultation document? In particular, do you support the approach that two versions of the CRA-I020 and (under the Alternative only) ECVA-I014 would be maintained? Please give rationale	Yes	Whilst changes to the ECVA-I014 file will impact on our systems costs are relatively small compared to those costs detailed by National Grid to perform their required changes. Maintaining 2 file types is not ideal and has cost implications however does mitigate those costs raised by National Grid.
5	Would implementation of P215 Proposed or Alternative impact your systems, particularly the changes to the ECVA-I014 associated with the P215 Alternative? Please give details of any impact, and associated cost estimate.	Yes	We cannot accurately estimate the potential system impact or associated cost implications however it is prudent to say any change in the file structure of the ECVA-I014 <i>will</i> require system changes.
6	Do you believe there are any alternative solutions not identified and that should be considered within the remaining P215 timetable? Please give rationale	No	-
7	If you would qualify for P215, but do not currently	N/A	N/A

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Q	Question	Response	Rationale
	submit FPNs, would you seek to use the P215 arrangements Please give rationale		
8	Would Proposed or Alternative Modification P215 affect how you manage your Credit Cover? Please give details of any operational impact	No	It is unlikely we would manage credit cover differently as active management incurs resource costs comparable to any possible saving that could be gained from reducing our credit cover.
9	Would you expect a saving in terms of cost or collateral due to Proposed or Alternative Modification P215? Can you provide an estimate?	No	We do not foresee that RWE npower would make any considerable savings in lodged collateral as a result of Modification P215 however we recognize there are benefits to the proposed alternative P215 solution in the event of plant trip.
10	Do you believe that Proposed or Alternative Modification P215 would better secure the market as a whole against the risk of bad debt, compared with the baseline? Please give rationale	Yes	Under the current baseline a Party that breaks its GC level has a 2 week period to re-declare these without any remedial action being taken against them or alerting the market to a possible credit problem. Under the alternative modification the use of actual metered volumes earlier in the calculation would highlight issues/problems at an earlier stage removing any potential doubt.
11	Do you believe that the legal text provided delivers the Proposed and Alternative Modification P215 solutions agreed by the Modification Group? Please give rationale	Yes	The P215 legal text delivers the solutions however we are not convinced that in the event of a Party gaming their FPNs that assertive and effective action can be taken.
12	Does P215 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	-
13	Are there any further comments on P215 that you wish to make?	No	-

P215 Assessment Consultation Form

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P215 Assessment Procedure Consultation Questions

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views, or to 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.

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

Q	Question	Response	Rationale
1	<p>Do you believe Proposed Modification P215 would better facilitate the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s)</p>	Yes	<p>P215 would better facilitate the achievement of both Applicable BSC Objective (c) and (d). The use of FPN would increase the accuracy of the estimation of BM Unit metered volumes in the calculation of CEI compared to the current baseline. The 'Energy Estimation Modelling' contained in the assessment consultation supports this conclusion, stating that the use of FPN over 8 days (P215 proposed) leads to a reduction in overestimation compared to the current baseline, from 284,816MWh to 214,854MWh. There is also a reduction in the range of error between the estimation and actual metered volumes calculated using the P215 proposed methodology, leading to energy indebtedness more accurately reflecting the actual value at risk. The administrative burden associated with the Credit Cover arrangements would also be reduced due to fewer CALF appeals as a result of increased accuracy under P215.</p>

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Q	Question	Response	Rationale
2	Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the current baseline? Please give rationale and state objective(s)	Yes	The Alternative Modification P215 would better facilitate the achievement of both Applicable BSC Objective (c) and (d) when compared with the existing Code baseline. Use of a combination of FPN over 4 days and then actual metered volumes, significantly increases the accuracy of the estimation of BM Unit metered volumes in the calculation of CEI, a reduction in overestimation of 294,816MWh (current baseline) to 107,443MWh. Besides the administrative burden associated with the Credit Cover arrangements being reduced due to fewer CALF appeals, the use of FPN and metered volumes would also increase accuracy, leading to an increase in efficiency.
3	Do you believe Alternative Modification P215 would better facilitate the achievement of the Applicable BSC Objectives when compared to the Proposed Modification? Please give rationale and state objective(s)	Yes	As a result of the alternative modification using metered volume data earlier in the calculation of Energy Indebtedness, greater accuracy is achieved. Energy indebtedness more accuracy reflects the actual value at risk under the alternative modification, compared to the proposed P215 modification.
4	Do you support the implementation approach described in the consultation document? In particular, do you support the approach that two versions of the CRA-I020 and (under the Alternative only) ECVA-A-I014 would be maintained? Please give rationale	Yes	We support the approach of two versions of the CRA-I020 and (under P215 Alternative only) ECVA-A-I014 being maintained. If National Grid does not require the Credit Cover information contained in the revised flows, then additional costs should not be incurred.
5	Would implementation of P215 Proposed or Alternative impact your systems, particularly the changes to the ECVA-A-I014 associated with the P215 Alternative? Please give details of any impact, and associated cost estimate.	Yes	Changes would be required to our current systems to upload any information or changed information from the file. This would be a market based changed and thus the cost is likely to be split amongst the User Group of the system that we use. The likely cost would be no more than £3k.
6	Do you believe there are any alternative solutions not identified and that should be considered within the remaining P215 timetable? Please give rationale	No	

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Q	Question	Response	Rationale
7	If you would qualify for P215, but do not currently submit FPNs, would you seek to use the P215 arrangements Please give rationale	N/A	Qualify
8	Would Proposed or Alternative Modification P215 affect how you manage your Credit Cover? Please give details of any operational impact	Yes	We would expect the proposed and alternative modification P215 impacting how Uskmouth manages its Credit Cover. As a consequence of both proposals improving the accuracy of BM Unit Energy Indebtedness estimation, we expect to lodge Credit Cover that more accurately reflects our Energy Indebtedness. We also expect the removal of raising CALF appeals, making the Credit Cover arrangements less onerous.
9	Would you expect a saving in terms of cost or collateral due to Proposed or Alternative Modification P215? Can you provide an estimate?	Yes	It is difficult to provide a number on what we would save by the proposed or alternative proposal. However it does ensure efficient use of cash and collateral within the business and avoids the problems we have encountered of basing historical performance on our current running. The proposed and alternative modification would both assist better with forecast cash flow planning and money lodged would reflect our intended running regime.
10	Do you believe that Proposed or Alternative Modification P215 would better secure the market as a whole against the risk of bad debt, compared with the baseline? Please give rationale	Yes	We believe that the alternative modification P215 would better secure the market as a whole against the risk of bad debt, compared with the baseline, due to using less estimated and more metered volume data in the calculation of Energy Indebtedness.
11	Do you believe that the legal text provided delivers the Proposed and Alternative Modification P215 solutions agreed by the Modification Group? Please give rationale	Yes	
12	Does P215 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	

P215 Assessment Consultation Form

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

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