

**Responses from P188 Draft Report Consultation**

**Consultation Issued 20 July 2005**

**Representations were received from the following parties**

<b>No</b>	<b>Company</b>	<b>File number</b>	<b>No BSC Parties Represented</b>	<b>No Non-Parties Represented</b>
1.	RWE Npower	P188_dMR_001	10	0
2.	EDF Energy	P188_dMR_002	9	0
3.	SAIC Ltd	P188_dMR_003	6	0
4.	British Gas Trading	P188_dMR_004	1	0
5.	British Energy	P188_dMR_005	5	0
6.	E.ON UK	P188_dMR_006	15	0

## P188 REPORT PHASE 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>John Stewart</i>
<b>No. of Parties Represented</b>	10
<b>Parties Represented</b>	RWE Trading GmbH, RWE Npower plc, Npower Co-gen Ltd, Npower Co-gen Trading Ltd, Npower Direct Ltd, Npower Ltd, Npower Northern Ltd, Npower Northern Supply Ltd, Npower Yorkshire Ltd, Npower Yorkshire Supply
<b>No. of Non Parties Represented</b>	
<b>Non Parties represented</b>	
<b>Role of Respondent</b>	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / <del>Party Agent</del> / other – please state <sup>1</sup>)</i>

Q	Question	Response <sup>1</sup>	Rationale
1.	Do you agree with the Panel's views on P188 and the provisional recommendation to the Authority contained in the draft Modification Report that P188 <b>should</b> be made? Please give rationale.	Yes	There is a defect in the current credit cover provisions and BSC Parties should expect to be protected from the risk of a credit default. All companies should be required to lodge the appropriate level of credit cover that is proportionate to the size of their business.
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P188? Please give rationale.	Yes	The timescales outlined will allow any party affected the necessary time to make the required adjustments to their credit cover arrangements.
4.	Are there any further comments on P188 that you wish to make?	No	

Please send your responses by **17:00 on Friday 29 July 2005** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P188 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

Any queries on the content of the consultation pro-forma should be addressed to David White on 020 7380 4374, email address [david.white@elexon.co.uk](mailto:david.white@elexon.co.uk).

<sup>1</sup> Delete as appropriate – please do not use strikethrough, this is to make it easier to analyse the responses

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<b>Respondent:</b>	Stephen Moore (EDF Energy)
<b>No. of Parties Represented</b>	9
<b>Parties Represented</b>	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power) EDF Energy (Cottam Power) Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; London Energy plc; Seeboard Energy Limited
<b>No. of Non Parties Represented</b>	0
<b>Non Parties represented</b>	N/A
<b>Role of Respondent</b>	Supplier/Generator/ Trader

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P188 and the provisional recommendation to the Authority contained in the draft Modification Report that P188 <b>should</b> be made? Please give rationale.	Yes	P188 should increase competition and efficiency by moderating the risk to the rest of the industry of a rogue party continuing to trade whilst in credit default.
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P188? Please give rationale.	Yes	P188 should be implemented as soon as possible, but with the intention of reducing cost by combining it with other modifications or CPs.
4.	Are there any further comments on P188 that you wish to make?	Yes	Whilst we note the views of smaller suppliers that this could become unduly burdensome, that is only the case where they breach 100% Credit Cover Percentage. It should not be a burden for those who abide by the rules of the BSC.

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<b>Respondent:</b>	<a href="#">Man Kwong Liu (SAIC Ltd)</a>
<b>No. of Parties Represented</b>	6
<b>Parties Represented</b>	<i>Please list all Parties responding on behalf of (including the respondent company if relevant).</i> <a href="#">Scottish Power UK plc</a> ; <a href="#">ScottishPower Energy Management Ltd.</a> ; <a href="#">ScottishPower Generation Ltd</a> ; <a href="#">ScottishPower Energy Retail Ltd.</a> ; <a href="#">SP Transmission Ltd</a> ; <a href="#">SP Manweb plc</a> .
<b>No. of Non Parties Represented</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>	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state <sup>1</sup>)</i> <a href="#">Supplier / Generator / Trader / Consolidator / Exemptable Generator</a>

Q	Question	Response <sup>1</sup>	Rationale
1.	Do you agree with the Panel's views on P188 and the provisional recommendation to the Authority contained in the draft Modification Report that P188 <b>should</b> be made? Please give rationale.	Yes	We support Panel's recommendation that P188 should be made and that it would improve market confidence and therefore better facilitate the BSC Objective (c) – promote competition.  The improved process of actions on Parties whose CCP is greater than 100%, as well as providing incentive for parties not to enter into defaults, also better facilitate the BSC Objective (d) – improve efficiency.
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	The legal text appears appropriate.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P188? Please give rationale.	Yes	While we would prefer earlier implementation, we accept that the recommended implementation date is the earliest possible, given the process that have to be followed.
4.	Are there any further comments on P188 that you wish to make?	No	

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Our Ref.  
Your Ref.  
29 July 2005

Dear Sirs,

**Re: Modification Proposal P188 – Revision to Credit Default Provisions**

Thank you for the opportunity of responding to this draft modification report considering Modification Proposal P188. British Gas Trading (BGT) agrees with the Panel's provisional recommendation that the Modification Proposal should be approved.

BGT believes the modification proposal will better facilitate competition in the generation and supply of electricity and therefore better facilitate Applicable BSC Objective (c). BGT believe there is a defect in the current baseline that allows suppliers' energy indebtedness to continue increasing without having to lodge credit cover commensurate with their level of activity. BGT believe this exposes the industry to a risk of being liable for a bad debt and BGT do not believe this promotes effective competition. BGT also note the asymmetry of the current base as the rules constrain generators without applying the same constraints to suppliers.

BGT believe the proposed solution is significantly better than the current baseline and reflects a good compromise when compared with the initial proposed parameters. Allowing BSC Parties 2 working days to lodge credit is consistent with the Ofgem best practice guidelines in respect of lodging credit with network operators. Also the threshold of 90% is consistent with the current obligation on BSC Parties to extricate themselves from level 2 credit default. BGT believes P188 addresses the defect and reduces an inappropriate risk that the industry is exposed to.

BGT agrees with the proposed implementation date and legal text.

If you have any questions regarding this response please contact me 01753 431137.

Yours faithfully

Mark Manley  
Contract Manager

**A *centrica* business**

**British Gas Trading Limited** Registered in England No.3078711. Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD  
[www.gas.co.uk](http://www.gas.co.uk)

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<b>Respondent:</b>	<i>Martin Mate</i>
<b>No. of Parties Represented</b>	5
<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 Parties Represented</b>	-
<b>Non Parties represented</b>	-
<b>Role of Respondent</b>	<i>Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent</i>

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P188 and the provisional recommendation to the Authority contained in the draft Modification Report that P188 <b>should</b> be made? Please give rationale.	Yes	<p>We agree that there is a defect in the code that exposes parties to a credit risk over which they have limited control.</p> <p>We agree that the proposed modification will bring that risk to the attention of the Panel and permit further action to be taken to seek to mitigate the risk.</p> <p>However, we note that the BSC credit provisions provide only limited protection to other parties against supplier payment default, because the ultimate measures of discontinuance of supply or appointment of supplier of last resort take longer than the period for which BSC credit is provided.</p> <p>The effectiveness of the well-intentioned modification may therefore be limited.</p> <p>We do not consider the modification has sufficient urgency to merit 'stand-alone' implementation, due to the additional costs balanced against a benefit which can only be determined probabilistically.</p> <p>We support the modification provided it is implemented at minimum cost, on the basis of better meeting BSC Objective relating to competition.</p>
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes / No	Yes, in principle, but some questions of clarity of detail as given below.

Q	Question	Response	Rationale
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P188? Please give rationale.	Yes / No	Our support for the modification is conditional upon it being implemented at the lowest possible cost. This can be at the earliest opportune time.
4.	Are there any further comments on P188 that you wish to make?	No	Not at this time.

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<b>Respondent:</b>	E.ON UK
<b>No. of Parties Represented</b>	15
<b>Parties Represented</b>	E.ON UK plc, Powergen Retail Limited, Cottam Development Centre Limited, Enizade Ltd, E.ON UK Drakelow Limited, E.ON UK Ironbridge Limited, E.ON UK High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy.
<b>No. of Non Parties Represented</b>	-
<b>Non Parties represented</b>	-
<b>Role of Respondent</b>	Supplier, Generator, Trader, Consolidator & Exemptable Generator

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on P188 and the provisional recommendation to the Authority contained in the draft Modification Report that P188 <b>should</b> be made? Please give rationale.	Yes	We concur with the Panel that the introduction of P188 would reduce the risk to industry of Parties breaching 100% CCP by providing an incentive for all Parties to lodge an appropriate amount of credit cover. The reduction of this risk will enhance the credit arrangements and thereby better facilitate competition. Furthermore, P188 would improve the efficiency of the credit cover process by reducing the number of parties who exceed 100% CCP.
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P188? Please give rationale.	Yes	
4.	Are there any further comments on P188 that you wish to make?	No	

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