

Modification Proposal

MP No: 174

(mandatory by BSCCo)

Title of Modification Proposal *(mandatory by proposer):*

Provision for Users of an Interconnector with a single Boundary Point connection to form a Trading Unit amongst themselves and with other BM Units at the same site.

Submission Date *(mandatory by proposer):* **27th August 2004**

Description of Proposed Modification *(mandatory by proposer):*

The proposal is to modify the current BSC rule as specified in Para 5.7.1 of Section K, Classification and Registration of Metering Systems and BM Units, such that Interconnector BM Units associated with an Interconnector with a single Boundary Point connection can belong to a Trading Unit.

Description of Issue or Defect that Modification Proposal Seeks to Address *(mandatory by proposer):*

Para 5.7.1 of Section K of the BSC currently states that 'An Interconnector BM Unit may not belong to a Trading Unit other than a Sole Trading Unit.' This has been regarded as an unnecessary and unfair restriction, especially on those Interconnector BM Units who are associated with an Interconnector at a single Boundary Point connection. The effect of the current rule is such that Interconnector Users can face higher costs than other parties in similar situations, by the failure to recognise the superposition of trades in any given half hour. The relaxation of the current provision would allow such Interconnector BM Units to operate as a Trading Unit in similar fashion to other BM Units operating at the same site and thereby 'net some of the costs/charges faced by the BM Unit. They could form a Trading Unit amongst themselves and with other BM Units at the same site.

The proposal would also enable some recognition of the superposition of trading activity across the relevant interconnector and enable closer compatibility with European Directives, in particular with the requirement to not hinder cross-border trade.

This issue is similar, although narrower in scope, to that considered under P139 'Removal of Trading Unit Restriction on Interconnector Units' which was rejected by the Authority on 20th July 2004. The assessment of P139 and the Authority's decision are therefore relevant, but have both been taken into account in this modification proposal.

Impact on Code *(optional by proposer):*

Para 5.7.1 of Section K of the BSC states that 'An Interconnector BM Unit may not belong to a Trading Unit other than a Sole Trading Unit.' The proposal seeks the amendment of Para 5.7 of Section K of the BSC, with consequent impacts on Annex K-2 and BSCP31.

Impact on Core Industry Documents *(optional by proposer):*

None that the proposer is aware of.

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Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties *(optional by proposer):*

The ensuing Trading Unit involving Interconnector User BM Units and/or other BM Units would be treated in similar fashion as existing Trading Units. Depending on the classification of the Trading Unit as a Production (import) or Consumption (export), the individual Lead Parties would have their individual Production or Consumption Energy Accounts accredited with the relevant amounts depending upon the direction of their trading activity in any given half hour. It would impact the Residual Cash Flow payments and/or charges amongst parties, BSCCo charges and transmission loss charging. Although outside the vires of the BSC it would also affect the allocation of BSUoS charges.

Impact on other Configurable Items *(optional by proposer):*

Justification for Proposed Modification with Reference to Applicable BSC Objectives *(mandatory by proposer):*

The relaxation of the current restriction on Interconnector BM Units forming a Trading Unit, as envisaged by this proposal, would help remove an unnecessary and unfair potential financial burden on existing and new Interconnector Users. The proposal would also help to avoid undue hindrance of trades between the E&W market and the markets of neighbouring systems. It would provide relevant Interconnector Users with similar opportunities, as afforded to other Trading Parties in E&W operating from the same site for the formation of a Trading Unit. It would therefore remove the undue discrimination in this context, facilitate more efficient and competitive trading activity between neighbouring systems, as well as for any parties at the same single Boundary Point connection, and remove the potential for duplicate charging. It is therefore believed that it meets Applicable BSC Objective (c) 'Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity'.

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Attachments: NO

If Yes, Title and No. of Pages of Each Attachment: