

Modification Proposal

MP No:158
(mandatory by BSCCo)

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

Introducing the ability to lodge a consolidated Letter of Credit (LoC)

Submission Date *(mandatory by originator):*

27 January 2004

Description of Proposed Modification *(mandatory by originator)*

Credit can be lodged in the form of a LoC or cash or as a combination of the two. This modification is seeking to allow a Party which owns multiple BSC Party Ids to be able to lodge a single consolidated LoC, rather than having to post an individual LoC for each Party Id. The consolidated LoC would need to be sub-divided and an amount of credit allocated against each Party Id. The proposer believes this modification proposal could be introduced on a voluntary basis.

This proposal is not intended to alter the method of calculating a Party's energy indebtedness i.e. energy indebtedness would still be calculated at a Party Id level rather than against an affiliate group.

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

The BSC prevents a Party which owns more than 1 BSC Party Id lodging consolidated credit cover against the group of trading parties. The proposer believes this to be a defect within the current drafting of the BSC.

BGT believes the proposal will assist BSCCo and the BSCCo Agent (Funds Administration Agent (FAA)) in managing the process after credit cover has been lodged. BGT also believes this proposed change will increase the efficiency of the process in terms of lodging credit for a BSC Party.

This modification will lessen the monitoring required by the FAA in ensuring credit cover gets renewed. It should also assist BSCCo in the event of a Party with multiple BSC Party Ids going into Default by reducing the number of LoC on which BSCCo may have to draw.

BGT also believe it will benefit BSC Parties as it will reduce the administrative burden of lodging and having to refresh credit cover several times a year for a Party with multiple BSC Party Ids. The modification will also allow a Party with multiple BSC Party Ids to source credit cover in a more efficient manner thus reducing costs.

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Impact on Code *(optional by Originator)*

BGT is of the view that Section M of the BSC will need amending to give effect to the proposed change. An additional Annex may need to be drafted which could be utilised by a BSC Party wishing to lodge a consolidated LoC.

Impact on Core Industry Documents *(optional by Originator)*

BGT believe the FAA Service Description may be impacted and may need amending to recognise a consolidated LoC.

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

BGT does not believe that this modification proposal should require any changes to be made to BSC Systems. Some processes may be impacted by this proposed change.

Impact on other Configurable Items *(optional by originator)*

BGT is not aware of any changes that may be necessary to the other configurable items.

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

BGT believe this modification proposal will better facilitate Applicable BSC Objective (c) “Promoting effective competition in the generation and supply of electricity and promoting such competition in the sale and purchase of electricity” and (d) “Promoting efficiency in the implementation and administration of the balancing and settlement arrangements” in the following ways:-

- From a BSC Party perspective it will provide an administrative and financial benefit in terms of monitoring and sourcing credit cover.
- It should reduce the level of monitoring required by the FAA in meeting their obligations as detailed in Section M 2.2.3 of the BSC. This requires that the FAA notify BSC Parties in advance of the impending expiry of their LoC. The modification should therefore reduce the administrative burden in monitoring and notifying BSC Parties.
- It should also assist BSCCo in the event of a BSC Party being placed in default in the event of Insolvency. A consolidated LoC will reduce the monitoring required by BSCCo in monitoring the expiry date of individual LoC it will also improve the efficiency of the process as it will reduce the number of counter parts that ELEXON need to negotiate with to draw on the credit cover lodged.

Details of Proposer:

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Modification Proposal**MP No:158**
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