

Modification Proposal – F76/01	MP No: 147 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by originator):</i>	
Introduction of a Notified Contract Capacity to limit Party liability in event of erroneous contract notifications	
Submission Date <i>(mandatory by originator):</i> 19th November 2003	
Description of Proposed Modification <i>(mandatory by originator)</i>	
<p>This modification will introduce a new term to the BSC, the Notified Energy Contract Capacity (NECC), which would provide a cap to the total volume of contracts notified to an Energy Account for each settlement period. This cap will provide a limit to a party's imbalance liability, thus limiting any exposure that may occur through erroneous or malicious contract notifications. The NECC parameter would be notified seasonally by each BSC party for each account in a similar manner to the notification of GC and DC parameters. Whilst Section P2.3.4 (c) already imposes a cap on individual notifications, the NECC would limit the volume of Energy Contract Volumes notified to that Party's Energy Account within a Settlement Period to +/- NECC. Processes are required to enable parties be notified by BSCCo if the aggregate volume of contract notifications approached the NECC (for example an 80% notice and a 90% notice) and to enable parties to revise the NECC in circumstances where a breach may imminent.</p>	
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by originator)</i>	
<p>Modification Proposal P98 was proposed by Dynegey on 2nd September 2002. It was approved on the grounds that by removing the risk of unlimited settlement liability as the result of malicious or erroneous notifications it would encourage new entry by traders and thereby promote competition in generation and supply thus better meeting BSC Objective (c). Concern at the considerable cost of modifying central systems was muted when the cost of development and implementation was reduced to £2.16 million (£1.3m change-specific cost and £860k project overhead cost). At this cost the benefits from a web-based system were judged to leave the proposal neutral to BSC Objective (d), promoting efficiency in the balancing and settlement arrangements.</p> <p>P98 is the first Modification where it has been left to the discretion of the BSC Party as to whether it is implemented in their systems. It is now apparent that few, if any, BSC parties appear willing to provide for dual notification. As new entrants will chose notification systems that are compatible with incumbent parties in order to trade efficiently, there seems little scope for any uptake of the P98 Dual Notification system.</p> <p>This proposal would limit liability associated with contract notifications identified in Modification Proposal P98 and enable these risks to be effectively managed by BSC parties at much lower cost. We are requesting that this be treated as an Urgent Modification under BSC Section F2.9 as it could nullify the need for any further expenditure on P98 implementation. We believe that it should be treated as Urgent as this modification seeks to avoid the introduction of uncertainty into the market though the introduction of 2 parallel notification systems. This uncertainty could lead to the very problems that P98 sought to avoid. We also believe that it will inflict disproportionate costs on impacted parties, as those non-physical traders who might use the P98 functionality, would not have to pay for the implementation and use of those systems. Furthermore, the sooner the Modification is discussed and resolved, the greater the potential benefit that can arise from the Modification.</p>	
Impact on Code <i>(optional by Originator)</i>	

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Impact on Core Industry Documents <i>(optional by Originator)</i>	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by originator)</i>	
Impact on other Configurable Items <i>(optional by originator)</i>	
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by originator)</i>	
<p>P98 was approved on the grounds that by removing the risk of unlimited settlement liability as the result of malicious or erroneous notifications it would encourage new entry by traders and thereby promote competition in generation and supply. By replacing Dual Notification with a voluntary limit on settlement liability, the modification will replicate the benefits in the promotion of competition under BSC Objective (c).</p> <p>However, P98 was approved with a substantial cost attached, and was deemed to be neutral when assessed against BSC Objective (d). This modification will markedly reduce these costs, thus providing greater efficiency within the market and a benefit to customers, thus better fulfilling BSC Objective (d).</p>	
Details of Proposer:	
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Modification Proposal – F76/01	MP No: 147 <i>(mandatory by BSCCo)</i>
Details of Representative's Alternate:	
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Attachments: No <i>(delete as appropriate) (mandatory by originator)</i>	