

INITIAL WRITTEN ASSESSMENT for Modification Proposal P146 New Participation Category to the BSC – Clearing House

Prepared by: ELEXON¹ Limited

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This document has been distributed in accordance with Section F2.1.10² of the Balancing and Settlement Code.

RECOMMENDATIONS

On the basis of the initial assessment BSCCo recommends that the Panel:

- **DETERMINE that Modification Proposal P146 should be submitted to the Assessment Procedure;**
- **AGREE the Assessment Procedure timetable such that an Assessment Report should be completed and submitted to the Panel for consideration at their meeting of 12 February 2004;**
- **DETERMINE that the Assessment Procedure should be undertaken by the Settlement Standing Modification Group (supplemented by the Governance Standing Modification Group and non-physical traders); and**
- **AGREE any refinement to the Modification Group Terms of Reference.**

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¹ ELEXON Ltd currently fulfils the role of the Balancing and Settlement Code Company ('BSCCo'), pursuant to Annex X-1 of the Balancing and Settlement Code (the 'Code').

² The current version of the Code can be found at www.elexon.co.uk/ta/bscrel_docs/bsc_code.html

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as BSCCo has been able to assess, the following parties/documents may be impacted by Modification Proposal P146.

Parties	Sections of the BSC	Code Subsidiary Documents	
Suppliers <input type="checkbox"/>	A <input checked="" type="checkbox"/>	BSC Procedures <input checked="" type="checkbox"/>	
Generators <input type="checkbox"/>	B <input type="checkbox"/>	Codes of Practice <input type="checkbox"/>	
Licence Exemptable Generators <input type="checkbox"/>	C <input type="checkbox"/>	BSC Service Descriptions <input checked="" type="checkbox"/>	
Transmission Company <input type="checkbox"/>	D <input checked="" type="checkbox"/>	Service Lines <input type="checkbox"/>	
Interconnector <input type="checkbox"/>	E <input type="checkbox"/>	Data Catalogues <input type="checkbox"/>	
Distribution System Operators <input type="checkbox"/>	F <input type="checkbox"/>	Communication Requirements Documents <input checked="" type="checkbox"/>	
Party Agents			
Data Aggregators <input type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input checked="" type="checkbox"/>	
Data Collectors <input type="checkbox"/>	H <input type="checkbox"/>	MIDS <input type="checkbox"/>	
Meter Operator Agents <input type="checkbox"/>	J <input type="checkbox"/>	Core Industry Documents	
ECVNA <input type="checkbox"/>	K <input type="checkbox"/>	Grid Code <input type="checkbox"/>	
MVRNA <input type="checkbox"/>	L <input type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>	
BSC Agents			
SAA <input type="checkbox"/>	M <input checked="" type="checkbox"/>	Ancillary Services Agreements <input type="checkbox"/>	
FAA <input type="checkbox"/>	N <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>	
BMRA <input type="checkbox"/>	O <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>	
ECVAA <input checked="" type="checkbox"/>	P <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>	
CDCA <input type="checkbox"/>	Q <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>	
TAA <input type="checkbox"/>	R <input type="checkbox"/>	Settlement Agreement for Scotland <input type="checkbox"/>	
CRA <input checked="" type="checkbox"/>	S <input type="checkbox"/>	Distribution Codes <input type="checkbox"/>	
Teleswitch Agent <input type="checkbox"/>	T <input type="checkbox"/>	Distribution Use of System Agreements <input type="checkbox"/>	
SVAA <input type="checkbox"/>	U <input type="checkbox"/>	Distribution Connection Agreements <input type="checkbox"/>	
BSC Auditor <input type="checkbox"/>	V <input type="checkbox"/>	BSCCo	
Profile Administrator <input type="checkbox"/>	W <input type="checkbox"/>	Internal Working Procedures <input checked="" type="checkbox"/>	
Certification Agent <input type="checkbox"/>	X <input checked="" type="checkbox"/>	Other Documents	
MIDP <input type="checkbox"/>		Transmission Licence <input type="checkbox"/>	
TLFA <input type="checkbox"/>			
Other Agents			
SMRA <input type="checkbox"/>			
Data Transmission Provider <input type="checkbox"/>			

Estimated cost for progressing P146 through Modification Procedures	60 ELEXON man days
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1 DESCRIPTION OF PROPOSED MODIFICATION

1.1 Modification Proposal

Modification Proposal P146 'New Participation Category to the BSC – Clearing House' (P146) was raised on 3 November 2003 by OM London Exchange Ltd.

P146 seeks to modify the Balancing and Settlement Code ('the Code') in order to establish a new participation capacity of 'Clearing House'. This capacity would have specific attributes reflecting the role of Clearing Houses in the energy market.

Parties who operate as Clearing Houses hold Energy Accounts and are therefore currently obliged to register as Trading Parties under the Code. The Proposer of P146 argues that this requirement to act as a Trading Party does not recognise the specific role of such organisations in the market, and therefore seeks to establish a new participation capacity of 'Clearing House' within Section A of the Code. Within this category Clearing Houses would be able to submit Energy Contract Volume Notifications (ECVNs) for their cleared contracts as currently, but would not be authorised to act in any other capacity. However, those Parties registering as Clearing Houses under the Code would receive two unique benefits as follows:

- **Direct Notification of Credit Default from ECVA** – The Proposer argues that Clearing Houses operate a different market position to other Trading Parties since they take responsibility for the credit risk involved in, and the performance of, the contracts they clear. P146 therefore seeks to help guarantee delivery of these contracts by introducing an obligation in Section M of the Code for the Energy Contract Volume Aggregation Agent (ECVAA) to inform a Clearing House in circumstances where a Trading Party for whom the Clearing House has submitted ECVNs enters Credit Default. These notifications would be provided for Level 1 Credit Defaults at the end of the Query Period, and for Level 2 Credit Defaults with immediate effect. The Clearing House would specify an email address to receive the notifications.
- **Single Notified Volume Charge** – The Proposer suggests that the Notified Volume Charge, which is currently applied to all Trading Parties by total notified energy volume, discriminates against Clearing Houses since they act as the counter-party to all their cleared positions and therefore receive twice the level of charges due to this 'doubling' of ECVNs. P146 therefore proposes to alter Section D of the Code so that those Parties registered within the capacity of Clearing House would be charged a single notification fee for each cleared position, determined on the basis of positive energy volumes.

The Proposer believes that P146 would meet the following 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.

P146 states that Clearing Houses are subject to their own regulatory requirements, do not hold positions in power contracts, and do not seek to profit from price changes in the market. The Proposer argues that, by acting as the 'buyer to every seller and the seller to every buyer', Clearing Houses allow Parties to trade at the 'best price' available in the market without concerns about the credit-worthiness of counter-parties. The Proposal suggests that the Code should seek to facilitate and enhance the role of Clearing Houses in the market since they increase the efficiency and transparency, and therefore the competitiveness, of the sale and purchase of electricity.

1.2 Issues raised by the Modification Proposal

An initial assessment of Modification Proposal P146 has identified the following potential areas of impact and issues which will need to be considered and addressed in progressing the Modification Proposal:

- **Principle of discrimination** – whether the changes proposed by P146 would provide Clearing Houses with a commercial advantage, and therefore discriminate against other Parties and wider competition, or if Clearing Houses represent a unique case for receiving the benefits of P146.
- **Distinctiveness of Clearing Houses from other Trading Parties** – central to the above is the need to establish a definition of ‘Clearing House’ and assess its distinctiveness from other Parties. Non-physical traders or portfolio players in particular may seek to balance their position in a similar manner, and may therefore be subject to the same risks and charges.
- **Code definition of ‘Clearing House’** – establishment of the Code criteria under which Parties would hold the new participation capacity of Clearing House. Parties currently accede to the Code in one or more of the capacities outlined in Paragraph A1.3; however P146 proposes that Parties registered under the new capacity of Clearing House would not be entitled to act in any other role. If there are currently situations in which a single BSC Party functions both as a Clearing House and as another kind of non-physical trader, the implications of P146 for such Parties will therefore need to be examined. Consideration is also required regarding whether P146 would provide incentives for other Trading Parties (or their subsidiaries) to register as Clearing Houses.
- **Code definition of ‘Trading Party’** – whether this definition would require amendment so that Clearing Houses would not be deemed to be Trading Parties, or if Clearing Houses would become a subset of Trading Party. Currently the Code defines a Trading Party as a Party, other than the Transmission Company, which holds Energy Accounts.
- **Regulatory requirements upon Clearing Houses** – consideration of the robustness of these requirements and whether they result in a unique market role for Clearing Houses. Discussion will also be required regarding the principle of introducing a participation capacity into the Code where the criteria to act in such a capacity (i.e. the holding of a Clearing House license) falls outside of Ofgem’s regulation.
- **Current arrangements in the gas market** – clarification of the role of Clearing Houses under the Network Code, and whether this role should be similarly reflected within the BSC arrangements as suggested by the Proposer.
- **Parties for whom Clearing Houses would receive ECVAA notifications of Credit Default** - P146 is ambiguous regarding which Parties in Credit Default would be notified to Clearing Houses by the ECVAA. The Proposer states in the ‘Description of the Proposed Modification’ that the ECVAA would provide notifications relating to those Parties for whom the Clearing House had already submitted ECVNs. This would require an automated ECVAA process to monitor which Trading Parties the Clearing House had active contracts with, and to provide notification to the Clearing House of a Credit Default by any of these Parties. However, when describing the impact of P146 upon the Code, the Proposer states that notifications will be provided regarding Parties for whom the Clearing House is *authorised* to submit ECVNs. This information may or may not be currently held by the ECVAA, depending on what is meant by authorisation in this context.
- **Timing and commercial sensitivity of Credit Default information** – whether, under P146, Clearing Houses would receive Credit Default information prior to its publication on the Balancing Mechanism Reporting Service (BMRS) and thereby gain a commercial advantage.

Currently, all Parties are informed via the BMRS when an authorisation notice for Level 1 or Level 2 Credit Default has been given by BSCCo to the ECVAA. For Level 1 this occurs at the end of the default cure period following the Level 1 Query Period, and for Level 2 immediately following the end of the relevant Level 1 Query Period. However, the Proposer states that under P146 the ECVAA should inform a Clearing House of Level 1 Credit Defaults at the end of the Query Period and of Level 2 Credit Defaults ‘with immediate effect’. P146 would therefore result in a Clearing House receiving Level 1 information before other Parties at a time when the Party concerned would be in potential, rather than actual,

Default. In addition, Clearing Houses would receive early warning of potential Level 2 Credit Defaults if 'immediate effect' is taken to mean that notification would be provided as soon as the Party breached 90% of its Credit Cover Percentage. Under circumstances where a Party manages to resolve its potential Default before an authorisation is given (so that no actual Default takes place), Clearing Houses would receive information not made available to Parties.

Consideration will therefore need to be given as to whether it is appropriate for Clearing Houses to have access to such information, and its implications for commercial confidentiality and trading. All Parties are exposed to risks and uncertainties regarding the credit-worthiness of counter-parties, and an argument as to why such risks should be mitigated only for Clearing Houses would need to be established.

- **Exception from Notified Volume Charge for negative energy volumes** – whether it would be appropriate for Clearing Houses to pay only the charges relating to positive energy volumes, since other Parties who are not Clearing Houses may be subject to both positive and negative energy volume charges and may therefore be disadvantaged by P146. BSCCo's published Business Strategy and Annual Budget for 2003-2006 has estimated that it will recover 3.9% of BSC costs annually via Notified Volume Charges. Any shortfall in charging resulting from P146 would be recouped via BSCCo's Monthly Funding Shares.

These issues are to be put into the Modification Group's Terms of Reference.

2 INITIAL ASSESSMENT OF IMPACTS OF MODIFICATION PROPOSAL

2.1 Impact on BSC Systems and processes

An initial assessment has been undertaken in respect of all BSC Systems and processes and the following have been identified as potentially impacted by the Modification Proposal.

BSC System/Process	Potential Impact of Proposed Modification
Registration	P146 would introduce a new participation capacity of Clearing House. This would require changes to documents, systems and processes dealing with Market Entry and Exit.
Credit Checking	P146 would introduce a new process whereby Clearing Houses are provided with Credit Default information for certain Parties at the end of a Level 1 Query Period or immediately in the case of Level 2. This would require changes to ECVAAs systems, documentation and processes.
Clearing, Invoicing and Payment	P146 would introduce a different charging system for the new participation capacity of Clearing House. Changes to ECVAAs systems, as well as ECVAAs and BSCCo working procedures, would be required.

2.2 Impact on other systems and processes used by Parties

An initial assessment has identified that no systems and processes used by parties would be impacted by P146.

2.3 Impact on documentation

2.3.1 Impact on Balancing and Settlement Code

An initial assessment has been undertaken in respect of all Sections of the Code and the following Sections have been identified as potentially impacted by the Modification Proposal.

Item	Potential Impact of Proposed Modification
Section A Parties and Participation	Addition of new participation category for Clearing Houses. The definition of a Trading Party may also require revision.
Section D BSC Cost Recovery and Participation Charges	Changes to state that the Notified Volume Charge applicable to a Clearing House shall be determined on the basis of the positive volumes notified for their Energy Account, and that negative energy charges notified for that Energy Account shall not be subject to Notified Volume Charges.
Section M Credit Cover and Credit Default	Addition of obligation and timings for ECVAA to notify a Clearing House of Credit Default information at the end of a Level 1 Query Period or immediately in the case of Level 2.
Annex X-1 General Glossary	Change to add definition of Clearing House. The definition of a Trading Party may also require revision.

2.3.2 Impact on Code Subsidiary Documents

An initial assessment has been undertaken in respect of all Code Subsidiary Documents and the following documents have been identified as potentially impacted by the Modification Proposal.

Item	Potential Impact of Proposed Modification
BSCP65 Registration of Parties and Exit Procedures	Changes to add new participation capacity of Clearing House for Market Entry and Exit.
CRA User Requirement Specification	Changes to add a new ID for Clearing Houses.
CRA Service Description	
CRA System Specification	
CRA Manual System Specification	
ECVAA User Requirement Specification	Changes to record the new data flow between the ECVAA and Clearing Houses.
ECVAA Service Description	
ECVAA Manual System Specification	
ECVAA Operational Services Manual	
IDD Part 1	Change to reflect the new data flow between the ECVAA and Clearing Houses.
IDD Part 2	Change to the ECVAA-I023 flow from the ECVAA to BSCCo to reflect the new charging arrangements for Clearing Houses. This flow

	currently provides BSCCo with total energy volumes for all Parties and would therefore require amendment.
Reporting Catalogue	Changes may be required to reflect the new participation capacity of Clearing House.
Communication Requirements Document	Addition of process by which a Clearing House notifies the ECVAA of an email address to be used for notifications of Credit Default, and for deeming receipt of such notifications.

2.4 Impact on Core Industry Documents

An initial assessment has identified that no Core Industry Documents are impacted by P146.

2.5 Impact on other configurable items

An initial assessment has identified that no other configurable items are impacted by P146.

3 IMPACT ON BSCCO

An initial assessment has been undertaken in respect of BSCCo and the following have been identified as potentially impacted by the Modification Proposal.

Area of Business	Potential Impact of Proposed Modification
BSCCo Systems	<p>BSCCo's Market Entry Database would require the addition of a new participation capacity, and any associated Market Entry steps.</p> <p>The Market Entry and Market Exit section of the BSC Website would require additional pages and checklists for the new capacity of Clearing House.</p>
BSCCo Documentation	<p>Potential updates would be required to:</p> <p>BSCCo's Market Entry Database User Guide;</p> <p>BSCCo's Simple Guide to Market Entry;</p> <p>BSCCo's Credit Default contacts database;</p> <p>Various BSCCo Working Instructions concerning Accession, Registration, Qualification, Withdrawal and CVA Operations;</p> <p>The Material Doubt Guideline currently being produced for Approved Modifications P122 and P123; and</p> <p>The Business Process Model.</p>
BSCCo Procedures	<p>BSCCo's Finance Department currently receive all notified volumes via a data flow, and may require a mechanism to identify those belonging to Clearing Houses in order to apply a different invoicing process. This mechanism may be provided via the ECVAA and CRA system changes outlined above.</p> <p>There is potential impact upon ELEXON's Credit Default management process.</p>

Other (e.g. costs, staffing, etc.)	Any additional resources required by ELEXON as a result of P146 will depend on the entry and exit requirements placed on the new participation capacity, and the level of interest or applications to register under that capacity.
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4 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

An initial assessment has identified that no BSC Agent contractual arrangements are impacted by P146.

5 RATIONALE FOR BSCCO'S RECOMMENDATIONS TO THE PANEL

BSCCo believes that further assessment of P146 by a Modification Group is required in order to address, and consult upon, the issues raised by this Initial Written Assessment as well as to consider any Alternative Modification which may better facilitate the Applicable BSC Objectives. A detailed impact assessment by the BSC Agent regarding the proposed ECVA and CRA changes is also required.

Due the number of issues to be considered, and the potential interruption of the Christmas period, ELEXON recommends a 3-month Assessment Procedure for P146.

6 PROCESS, TIMETABLE AND COST FOR PROGRESSING THE MODIFICATION PROPOSAL

BSCCo therefore recommends that P146 be submitted to a three-month Assessment Procedure by the Settlement Standing Modification Group (supplemented by the Governance Standing Modification Group and non-physical traders). An Assessment Report would be presented to the Panel at its meeting on 12 February 2004.

It is estimated that the progression of P146 will require:

- 4 Modification Group meetings;
- One industry consultation;
- One Detailed Level Impact Assessment; and
- One request for Transmission Company analysis.

The proposed timetable for the progression of P146 is shown in Annex 2 of this report.

The progression of P146 through the Modification Procedures is estimated to require 60 ELEXON man days effort and to incur no third-party costs.

The cost of implementing any Proposed or Alternative Modification will be determined during the Assessment Procedure.

7 DOCUMENT CONTROL

7.1 Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	06/11/03	Kathryn Coffin	Change Delivery	Initial Draft for Review
1.0	07/11/03	Change Delivery		For Panel Decision

ANNEX 1 MODIFICATION PROPOSAL

Modification Proposal – F76/01	MP No: P146 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by originator):</i> New Participation Category to the BSC – Clearing House	
Submission Date <i>(mandatory by originator):</i> 03 November 2003	
<p>Description of Proposed Modification <i>(mandatory by originator)</i></p> <p>A new Participation Category of a "Clearing House" will be established under Section A of the BSC. A Party operating as a Clearing House shall hold Energy Accounts, and will be able to submit Energy Contract Notifications for these accounts.</p> <p>To be eligible to act as a Clearing House, a Party should be appropriately licensed and regulated by their national regulatory authority as a clearing house, and shall not intend to hold a net position in their Energy accounts at any point. A party acting as a Clearing House shall continue to be able to act as an Energy Contract Volume Notification Agent (ECVNA), but shall not be able to act in any other Participation Capacity under the BSC.</p> <p>Section M of the BSC shall be amended to so that a Clearing House shall be informed by ECVAAs should a Trading Party for whom the Clearing House has submitted notifications be in Level 1 or Level 2 Credit Default.</p> <p>Annex D-3 of Section D of the BSC, defining the BSC Cost Charges shall be amended to reflect the notification procedure Clearing Houses use to notify cleared positions to ECVAAs. Accordingly, Annex D-3 shall be amended so that the Notified Volume Charge applicable to Clearing Houses shall be determined on the basis of positive energy volumes, rather than the total energy volume, notified for the Energy Accounts held by parties acting as Clearing Houses. This amendment will have the effect that Clearing Houses will be charged a single notification fee for each MWh position they clear, as opposed to the current notification fee structure, under which Clearing Houses are effectively charged two notification fees for each MWh position they clear.</p>	
<p>Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by originator)</i></p> <p>The BSC does not recognise the role played by Clearing Houses in the energy market. By requiring entities that act as Clearing Houses to participate in the BSC as "Trading Parties", the BSC fails to appropriately regulate and facilitate the development and operation of clearing services active in the UK power market. Clearing Houses operate a different business model from other parties acting as Trading Parties and will not, as part of their routine activities, trade or hold positions in power contracts. Clearing Houses will not seek to profit from price changes in the market. Additionally, Clearing Houses will be subject to regulatory requirements regarding their market neutrality, capital adequacy, commercial confidentiality and operational robustness. Accordingly, as Clearing Houses act in a different manner to other bodies that actively trade and hold UK power positions, it is inappropriate that that Clearing Houses be required to act as Trading Parties under the Code. The BSC can be contrasted in this aspect to the equivalent document for the UK gas industry, the Network Code, which specifically provides for the role of clearing operations.</p> <p>This inability to facilitate the operation of clearing organisations is manifest in the inability of the ECVAAs to supply information to the Clearing House in the event of one of the Clearing House's counterparties going into Credit Default under the BSC. Clearing Houses act to guarantee the performance of the contracts they clear, and this function will typically include taking responsibility for the delivery of such contracts. Accordingly, any impediment to a Clearing House's ability to notify the position held by one of their counterparties presents a substantial risk to the operational integrity of the Clearing House. Furthermore, amending the BSC to enable active communication and between the ECVAAs and a Clearing House in the occurrence of a Credit Default, will enhance the Clearing House's ability to resolve and regulate the situation</p>	

Modification Proposal – F76/01	MP No: P146 <i>(mandatory by BSCCo)</i>
<p>appropriately, allowing for a more efficient market solution to resolve many Credit Default situations.</p> <p>Another area in which the BSC's failure to recognise the role of Clearing Houses is in the charging schedule applied to the submission of Energy Contract Notifications. Clearing Houses act as the central counterparty to all positions they clear, and so will submit Energy Contract Notifications on the basis that they are the "buyer to every seller and the seller to every buyer". Accordingly, for every position cleared, the Clearing House will submit two separate Energy Contract Notifications. Because of this 'doubling' of the level of notifications, under the Code's current charging system Clearing Houses will pay twice the level of notification fees as paid by other entities acting as Trading Parties. This discriminates against the operation of clearing activities in the UK power market.</p>	
<p>Impact on Code <i>(optional by Originator)</i></p> <p>Insertion of a new Participation Capacity of "Clearing House" in Section A of the Code. BSC Signatories wishing to act as Clearing Houses shall provide clearing services as one of their core business activities and shall be required to be licensed and regulated to act as a Clearing House by the appropriate regulatory authority in the state in which the Clearing House is based.</p> <p>Amend Section M of the Code, to the effect that a Clearing House shall be informed by ECVAA should a Trading Party for whom that Clearing House is authorised to submit notifications is in Credit Default. In the event of the counterparty be in Level 1 Credit Default, the ECVAA will inform the Clearing House of the Default at the end of the Query Period, subject to the ECVAA determining that the Credit Default shall stand. In the event of the counterparty being in Level 2 Credit Default, the ECVAA will inform the Clearing House with immediate effect. All communication between the ECVAA and the Clearing House with regard to a Level 1 or Level 2 Credit Default shall be by way of e-mail to an e-mail address that the Clearing House has specified for such purpose. The communication shall specify which Trading Party is in default and whether the Trading Party is in Level 1 or Level 2 Credit Default.</p> <p>The Clearing House shall treat all information from the ECVAA with regard to a Credit Default as entirely confidential in all regards, with the exception of the Clearing House being able to discuss the resolution of the Credit Default with the Trading Party involved.</p> <p>Amendment of Annex D-3 of Section D of the Code, to the effect that Notified Volume Charges are determined for Clearing Houses on the basis of the positive volumes notified for the Clearing House's Energy Account. Negative energy values notified for the Clearing Houses' Energy Account shall not be subject to Notified Volume Charges.</p>	
<p>Impact on Core Industry Documents <i>(optional by Originator)</i></p>	
<p>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by originator)</i></p>	
<p>Impact on other Configurable Items <i>(optional by originator)</i></p>	

Modification Proposal – F76/01	MP No: P146 <i>(mandatory by BSCCo)</i>
<p>Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by originator)</i></p> <p>The relevant Applicable BSC Objective with regard to this modification is the “promoting of effective competition in the generation and supply of electricity, and (so far as consistent therewithin) promoting competition in the sale and purchase of electricity”.</p> <p>Credit issues are exerting, and will continue to exert, a considerable negative impact on the UK power market. The processes of price discovery and of the matching of buyers with sellers are distorted by credit concerns held by market participants as to the credit-worthiness of their potential counterparts.</p> <p>Clearing Houses act to minimise these concerns, and allow market participants to trade at the ‘best price’ available in the market. This increases the efficiency and transparency, and therefore the competitiveness, of the sale and purchase of electricity. Accordingly, the Code should seek to facilitate and enhance the role of Clearing Houses in the UK market. To do this, the Code must be able to distinguish between Trading Parties and Clearing Houses, in order to govern the activities of both parties in the most appropriate manner. It is important that the Code reflects the regulated nature of Clearing Houses, and the obligations and restrictions on the activities of Clearing House that such regulation involves. By modifying the Code to formally recognise the role of Clearing Houses, and to amend the Credit Default procedures and the notification charging structure to reflect the role and operation of Clearing Houses, this modification will assist in the development of a mature, competitive UK power market.</p>	
<p>Details of Proposer:</p> <p>Name Ben Mitchell</p> <p>Organisation OM London Exchange Ltd</p> <p>Telephone Number 020 7065 8912</p> <p>Email Address ben.mitchell@om.com</p>	
<p>Details of Proposer’s Representative:</p> <p>Name Ben Mitchell</p> <p>Organisation OM London Exchange Ltd</p> <p>Telephone Number 020 7065 8912</p> <p>Email Address ben.mitchell@om.com</p>	
<p>Details of Representative’s Alternate:</p> <p>Name Lisa Ashford</p> <p>Organisation OM London Exchange Ltd</p> <p>Telephone Number 020 7065 8202</p> <p>Email Address lisa.ashford@om.com</p>	

Modification Proposal – F76/01	MP No: P146 <i>(mandatory by BSCCo)</i>
Attachments: No <i>(delete as appropriate) (mandatory by originator)</i> If Yes, Title and No. of Pages of Each Attachment:	

ANNEX 2 GANTT CHART

