

Responses from P132 Definition Consultation

Consultation issued 11 August 2003

Representations were received from the following parties:

No	Company	File Number	No. BSC Parties Represented	No. Non-Parties Represented
1.	NGT	P132_DEF_001	1	0
2.	Aquila Networks	P132_DEF_002	1	0
3.	Scottish Power	P132_DEF_003	6	0
4.	British Gas Trading	P132_DEF_004	1	0
5.	Powergen	P132_DEF_005	14	0

P132_DEF_001 – NGT

Respondent:	<i>National Grid Transco</i>
No. of BSC Parties Represented	<i>One</i>
BSC Parties Represented	<i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant). National Grid</i>
No. of Non BSC Parties Represented	<i>None</i>
Non BSC Parties represented	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant). N/A</i>
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state) BSC Party</i>

Q	Question	Response	Rationale
1.	Do you support the principle of P132? I.e. to redefine Credit Cover Requirements to account for Reconciliation Charges, Trading Disputes and Past Notification Error (PNE) claims in order to ensure that credit is retained for a withdrawing or withdrawn Party to ensure future Settlement liabilities can be met? Please give rationale	No	Whilst the principle aim of this proposal is to ensure a withdrawing Party will pay for all its liabilities prior to its withdrawal from the BSC; it is clear from the analysis in the consultation that retaining additional Credit Cover may prove to be a barrier to entry and would not better facilitate the applicable BSC Objectives.
2.	Do you believe that P132 requires further assessment? The SSMG intend to recommend that P132 is sent straight to report and reject. Please give rationale	No	Given the analysis in the consultation it is now clear that it is not possible to estimate the liabilities P132 is seeking to cover. We therefore support the recommendation of SSMG.
3.	Do you support the definition/approach described in this document? Please give rationale	Yes	We support the work carried out by the SSMG in the definition of P132 as being consistent with the original proposal.
4.	Do you support the form of the new Credit Cover arrangement as defined by the SSMG? I.e that	No	Given our answer to Q1 and Q2 we do not support P132, however, the form of the proposed new Credit Cover arrangement as defined by the

Q	Question	Response	Rationale
	<p>withdrawing Parties should post an amount of Credit Cover calculated by BSCCo on a case by case basis.</p> <p>Please give rationale</p>		SSMG is consistent with P132.
5.	<p>Do you agree with the view of the SSMG that it is not possible to specify a meaningful level of Credit Cover to protect against the Reconciliation risk of a withdrawing Party without requiring withdrawing Parties to hold an inappropriately large amount of Credit Cover?</p> <p>Please give rationale</p>	Yes	We support the view of the SSMG that the most appropriate estimation may be zero as required by the current arrangements.
6.	<p>Regarding the potential liabilities of a withdrawing Party related to Trading Disputes. Do you agree with the view of the SSMG that it is only possible to produce a meaningful estimation of the potential liabilities arising from those Trading Disputes which had been considered and accepted by the TDC?</p>	Yes	
7.	<p>Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel submit P132 to the Assessment Procedure?</p> <p>Please give issues and rationale</p>	No	
8.	<p>Are there any Alternatives that you believe should be assessed?</p> <p>Please give rationale</p>	No	
9.	<p>Are there any further comments on P132 that you wish to make?</p>	No	

P132_DEF_002 – Aquila Networks

Please find that Aquila Networks Plc response to P132 Definition Consultation is 'No Comment'.

regards
Rachael Gardener

Deregulation Control Group &
Distribution Support Office
AQUILA NETWORKS

P132_DEF_003 – Scottish Power

Respondent:	David Finnigan (SAIC Ltd)
No. of BSC Parties Represented	6
BSC Parties Represented	<i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i> Scottish Power UK plc; ScottishPower Energy Trading Ltd.; ScottishPower Generation Ltd; ScottishPower Energy Retail Ltd.; SP Transmission Ltd; SP Manweb plc.
No. of Non BSC Parties Represented	0
Non BSC Parties represented	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state)</i> Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent

Q	Question	Response	Rationale
----------	-----------------	-----------------	------------------

Q	Question	Response	Rationale
1.	<p>Do you support the principle of P132? I.e. to redefine Credit Cover Requirements to account for Reconciliation Charges, Trading Disputes and Past Notification Error (PNE) claims in order to ensure that credit is retained for a withdrawing or withdrawn Party to ensure future Settlement liabilities can be met? Please give rationale</p>	Yes	<p>The materiality estimates for PNE claims are such that "successful" claimants stand to lose significant amounts of their PNE recoveries due to the withdrawal of parties from the BSC. These claimants have invested significant amounts of time and effort in pursuit their claims and should not be denied recovery of sums identified as due to them under the process. Although net reconciliation sums are zero across the market, it is more likely that unanticipated reconciliation charges payable will precipitate default by a party than recoverable charges.</p>
2.	<p>Do you believe that P132 requires further assessment? The SSMG intend to recommend that P132 is sent straight to report and reject. Please give rationale</p>	Yes	<p>The time remaining until publication of PNE decisions and the time to implement P132 are such that it will not provide any protection to successful PNE claimants. The departure of significant BSC Parties (TXU, Independent and others) will already have damaged claimants' potential recoveries. However, ongoing protection for Parties against the risk of default in reconciliation charges should be provided.</p>
3.	<p>Do you support the definition/approach described in this document? Please give rationale</p>	Yes	
4.	<p>Do you support the form of the new Credit Cover arrangement as defined by the SSMG? I.e that withdrawing Parties should post an amount of Credit Cover calculated by BSCCo on a case by case basis. Please give rationale</p>	Yes	
5.	<p>Do you agree with the view of the SSMG that it is not possible to specify a meaningful level of Credit Cover to protect against the Reconciliation risk of a withdrawing Party without requiring withdrawing Parties to hold an inappropriately large amount of Credit Cover?</p>	No	<p>An absolute average variation between SF and RF runs could be used to estimate potential settlement risk and applied to an appropriate time period (say 3 months) of Party SF imbalance charges.</p>

Q	Question	Response	Rationale
	Please give rationale		
6.	Regarding the potential liabilities of a withdrawing Party related to Trading Disputes. Do you agree with the view of the SSMG that it is only possible to produce a meaningful estimation of the potential liabilities arising from those Trading Disputes which had been considered and accepted by the TDC?	Yes	Any other methodology would involve pre-judging the success of Disputes and may be prejudicial to the Dispute process.
7.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel submit P132 to the Assessment Procedure? Please give issues and rationale	No	
8.	Are there any Alternatives that you believe should be assessed? Please give rationale	No	
9.	Are there any further comments on P132 that you wish to make?	No	A case of "shutting the stable door after the horse has bolted" as far as PNE recoveries are concerned.

P132_DEF_004 – British Gas Trading

Respondent:	Mark Manley
No. of BSC Parties Represented	
BSC Parties Represented	British Gas Trading (BGT)
No. of Non BSC Parties Represented	
Non BSC Parties represented	
Role of Respondent	

Q	Question	Response	Rationale
1.	<p>Do you support the principle of P132? I.e. to redefine Credit Cover Requirements to account for Reconciliation Charges, Trading Disputes and Past Notification Error (PNE) claims in order to ensure that credit is retained for a withdrawing or withdrawn Party to ensure future Settlement liabilities can be met? Please give rationale</p>	Yes	BGT note that any party can request the ECVAAs to calculate their Minimum Eligible Amount in respect of the amount of credit cover lodged. This option does provide a withdrawing party with the ability to withdraw all or a large percentage of their credit cover. The ability of parties to request a reduction on their credit cover does provide a risk for the remaining BSC Parties.
2.	<p>Do you believe that P132 requires further assessment? The SSMG intend to recommend that P132 is sent straight to report and reject. Please give rationale</p>	No	Whilst BGT are supportive of the principle and in recognising the risk, BGT also realise the difficulties of calculating a residual level of credit cover that must be left by the withdrawing Party. It does not appear sensible to select an arbitrary figure that does not indicate an expected level of future charges. Also BGT believe that the amount of credit cover lodged by BSC Parties should represent a reasonable level of protection rather than providing complete protection. The existing process provides a reasonable level of protection.

Q	Question	Response	Rationale
			<p>Furthermore BGT note the success of the credit arrangements to date in protecting BSC Parties financial interests when a number of BSC Parties have gone into administration.</p> <p>In view of these three points BGT agree with the recommendation of the SSMG to cease further assessment of this proposal.</p>
3.	<p>Do you support the definition/approach described in this document?</p> <p>Please give rationale</p>	Yes	
4.	<p>Do you support the form of the new Credit Cover arrangement as defined by the SSMG? I.e that withdrawing Parties should post an amount of Credit Cover calculated by BSCCo on a case by case basis.</p> <p>Please give rationale</p>	Yes	<p>If this modification was to be progressed to the assessment phase this is an issue that would need to be considered by the modification group.</p> <p>If such an obligation is placed on withdrawing Parties BGT believe it is essential that any calculation should treat all Parties equitably and fairly.</p>
5.	<p>Do you agree with the view of the SSMG that it is not possible to specify a meaningful level of Credit Cover to protect against the Reconciliation risk of a withdrawing Party without requiring withdrawing Parties to hold an inappropriately large amount of Credit Cover?</p> <p>Please give rationale</p>	Yes	<p>BGT agree with the view of the SSMG that it is impossible to specify a meaningful level of credit cover.</p> <p>It is impossible to forecast Parties future liabilities that may accrue from timetabled reconciliation runs. Also the nature of the Settlement process means that a Party could be owed money from the future reconciliation runs.</p>
6.	<p>Regarding the potential liabilities of a withdrawing Party related to Trading Disputes. Do you agree with the view of the SSMG that it is only possible to produce a meaningful estimation of the potential liabilities arising from those Trading Disputes which had been considered and accepted by the TDC?</p>	No	<p>As part of the disputes process the raising party has to provide an estimate of the materiality. Using that materiality against individual BSC Parties metered take an estimate of BSC Parties liabilities could be calculated.</p>

Q	Question	Response	Rationale
7.	<p>Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel submit P132 to the Assessment Procedure?</p> <p>Please give issues and rationale</p>	No	
8.	<p>Are there any Alternatives that you believe should be assessed?</p> <p>Please give rationale</p>	No	
9.	<p>Are there any further comments on P132 that you wish to make?</p>	No	

P132_DEF_005 – Powergen

Respondent:	Powergen UK plc
No. of BSC Parties Represented	14
BSC Parties Represented	Powergen UK plc, Powergen Retail Limited, Cottam Development Centre Limited, TXU Europe Drakelow Limited, TXU Europe Ironbridge Limited, TXU Europe 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 Limited
No. of Non BSC Parties Represented	
Non BSC Parties represented	
Role of Respondent	(Supplier, Generator, Trader, Consolidator & Exemptable Generator)

Q	Question	Response	Rationale
1.	<p>Do you support the principle of P132? I.e. to redefine Credit Cover Requirements to account for Reconciliation Charges, Trading Disputes and Past Notification Error (PNE) claims in order to ensure that credit is retained for a withdrawing or withdrawn Party to ensure future Settlement liabilities can be met?</p> <p>Please give rationale</p>	No	<p>It is not possible to assess accurately whether a withdrawing Party is likely to owe money in these circumstances, let alone ascertain the magnitude of cover which should be left. If the withdrawing Party is required to hold credit cover then it is fully covering the risk associated with this inability to forecast accurately the extent of any liabilities. This would present a barrier to exiting the market.</p> <p>Alternatively, the remaining Parties could underwrite the risk (ie as now). This spreads the risk across the Parties who are only exposed if the withdrawing Party ends up owing money <u>and</u> does not honour its debt. It must be borne in mind that these Parties are withdrawing in a controlled manner so we should not automatically assume that they will default.</p>

Q	Question	Response	Rationale
2.	Do you believe that P132 requires further assessment? The SSMG intend to recommend that P132 is sent straight to report and reject. Please give rationale	No	This had already been raised as a formal issue at the SSMG earlier this year. At its meeting of 29 January the SSMG decided that the raising of a modification proposal was not warranted. This fact, plus the further deliberations of the SSMG in considering this modification proposal, leads us to agree that the modification should proceed to report with the recommendation to reject.
3.	Do you support the definition/approach described in this document? Please give rationale	No	The definition is consistent with the proposed modification. However, we do not support the proposed modification and therefore cannot support the defined solution.
4.	Do you support the form of the new Credit Cover arrangement as defined by the SSMG? I.e that withdrawing Parties should post an amount of Credit Cover calculated by BSCCo on a case by case basis. Please give rationale	No	See answers to other questions.
5.	Do you agree with the view of the SSMG that it is not possible to specify a meaningful level of Credit Cover to protect against the Reconciliation risk of a withdrawing Party without requiring withdrawing Parties to hold an inappropriately large amount of Credit Cover? Please give rationale	Yes	Reconciliation can result in a Party being owed money or owing money. It is not possible to determine which of these will be the case for a particular withdrawing supplier, yet alone the magnitude of the amounts concerned.
6.	Regarding the potential liabilities of a withdrawing Party related to Trading Disputes. Do you agree with the view of the SSMG that it is only possible to produce a meaningful estimation of the potential liabilities arising from those Trading Disputes which had been considered and accepted by the TDC?	Yes	

Q	Question	Response	Rationale
7.	<p>Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel submit P132 to the Assessment Procedure?</p> <p>Please give issues and rationale</p>	No	
8.	<p>Are there any Alternatives that you believe should be assessed?</p> <p>Please give rationale</p>	No	
9.	<p>Are there any further comments on P132 that you wish to make?</p>	No	