

## Responses from P123 Draft Report Consultation

Consultation issued 17 July 2003

Representations were received from the following parties:

<b>No</b>	<b>Company</b>	<b>File Number</b>	<b>No. BSC Parties Represented</b>	<b>No. Non-Parties Represented</b>
<b>1.</b>	BizzEnergy	P123_DR_001	1	0
<b>2.</b>	Aquila Networks	P123_DR_002	1	0
<b>3.</b>	NGT	P123_DR_003	1	0
<b>4.</b>	Innogy	P123_DR_004	9	0
<b>5.</b>	Powergen	P123_DR_005	14	0
<b>6.</b>	Scottish and Southern	P123_DR_006	4	0
<b>7.</b>	British Gas Trading	P123_DR_007	1	0

**P123\_DR\_001 – BizzEnergy**

<b>Respondent:</b>	<i>Name</i> Keith Munday
<b>No. of BSC Parties Represented</b>	1
<b>BSC Parties Represented</b>	<i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i>  BizzEnergy
<b>No. of Non BSC Parties Represented</b>	0
<b>Non BSC Parties represented</b>	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>
<b>Role of Respondent</b>	<i>Supplier</i>

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree with the Panel's views on P123 and the provisional recommendation to the Authority contained in the draft Modification Report that P123 should be made? Please give rationale.	Yes	The proposal allows a better reflection of the credit exposure of the community imposed by an individual supplier such that the affected party does not have to post excessive credit cover. Competition is facilitated by reducing supplier costs and risks.  The material doubt part of the proposal will allow BSCCo to work more efficiently rather than imposing new requirements.
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P123? Please give rationale.	Yes	

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
4.	Are there any further comments on P123 that you wish to make?	Yes	The material doubt guidelines need to be devised with a view to efficiency of process because the impact of portfolio change on credit cover percentage will usually occur around midnight when the new II-Run file is loaded by the ECVAA. Work done when the II-Run File comes available can allow a swift determination of material doubt.

**P123\_DR\_002 – Aquila Networks**

Please find that Aquila Networks Plc response to P123 Consultation on draft Modification Report is 'No Comment'.

regards  
Rachael Gardener

Deregulation Control Group &  
Distribution Support Office  
AQUILA NETWORKS

**P123\_DR\_003 – NGT**

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

<b>Q</b>	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree with the Panel's views on P123 and the provisional recommendation to the Authority contained in the draft Modification Report that P123 should be made? Please give rationale.	Yes	We believe that P123 better facilitates applicable BSC objective (c) namely "promoting effective competition in the generation and supply of electricity" by removing a barrier to certain Industrial and Commercial Suppliers.
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	We agree with the Panel that the draft legal text will give effect to the solution identified in the Modification Report.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P123? Please give rationale.	Yes	We agree with the recommended Implementation Date, which is sufficient to allow establishment of P123 before the April 2004 contracting round.
4.	Are there any further comments on P123 that you wish to make?	No	

**P123\_DR\_004 – Innogy**

<b>Respondent:</b>	Ben Willis
<b>No. of BSC Parties Represented</b>	9
<b>BSC Parties Represented</b>	Innogy plc, Innogy Cogen Ltd, NP Cogen Trading Ltd, Npower Ltd, Npower Direct Ltd, Npower Northern Ltd, Npower Northern Supply Ltd, Npower Yorkshire Ltd and Npower Yorkshire Supply Ltd.
<b>No. of Non BSC Parties Represented</b>	
<b>Non BSC Parties represented</b>	
<b>Role of Respondent</b>	Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent

<b>Q</b>	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree with the Panel's views on P123 and the provisional recommendation to the Authority contained in the draft Modification Report that P123 should be made? Please give rationale.	Yes	
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P123? Please give rationale.	Yes	
4.	Are there any further comments on P123 that you wish to make?	No	

**P123\_DR\_005 – Powergen**

<b>Respondent:</b>	Powergen UK plc
<b>No. of BSC Parties Represented</b>	14
<b>BSC Parties Represented</b>	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
<b>No. of Non BSC Parties Represented</b>	-
<b>Non BSC Parties represented</b>	-
<b>Role of Respondent</b>	Supplier, Generator, Trader, Exemptable Generator

<b>Q</b>	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree with the Panel's views on P123 and the provisional recommendation to the Authority contained in the draft Modification Report that P123 should be made? Please give rationale.	Yes	Like the proposed solution for P122, this proposal provides a pragmatic, low cost solution to the defect which ensures that the protection provided by the credit cover arrangements is not compromised. The ability to re-declare DC's, with revised guidelines for calling Material Doubt, should prove to be a sufficient safeguard against credit default being called purely as a result of an overstating of indebtedness, due to a change in a Party's portfolio.
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P123? Please give rationale.	Yes	However, we note the solution will not be in place in time for the April contract round, should a decision from the Authority be forthcoming after 17 November 2003.
4.	Are there any further comments on P123 that you wish to make?	No	

## **P123\_DR\_006 – Scottish and Southern**

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd.

In relation to the four questions listed in the Consultation Paper, contained within your note of 17th July 2003 concerning Modification Proposal P123, we have the following comments to make.

However, prior to commenting on the four questions we wish to record our deep concern at the comments made in Section 1.2 of the Consultation Document, namely that:-

"The SSMG unanimously agreed that Proposed Modification P123 should be made. The SSMG noted that the consultation responses (section 11 of the Assessment report) supported that opinion"

The clear inference from this last sentence is that the consultation responses were also unanimous. In fact of the eight responses received two (25%) did not agree that P123 met the Applicable BSC Objectives (and therefore should NOT be made). This latest consultation document should have made this point clearly by, for example, saying that "The SSMG noted that the majority of consultation responses (section 11 of the Assessment report) supported that opinion"

Our comments on the four questions are as follows:-

### **Q1 Do you agree with the Panel's views on P123 and the provisional recommendation to the Authority contained in the draft Modification Report that P123 should be made? Please give rationale.**

No. We do not believe that Modification Proposal P123 better facilitates the achievement of the Applicable BSC Objectives.

Please note our response to any of the following questions should not be construed to lend support whatsoever to this Modification.

### **Q2 Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.**

No. Whilst there may be merit in permitting there to be two decreases (in the DC of an SVA BM unit) per season (without the need for Panel approval), in order to correct the defect or issue identified in the Modification Proposal there needs to be a timeframe for this to ensure that Parties are incentivised to provide accurate DC data at the outset of each season. To this end it would be appropriate to only permit two decreases per season if no decreases occurs within the first 30 calendar days of the season starting. If there is a decrease within these 30 calendar days then the existing arrangements (regarding the need for Panel approval etc.) should apply. The draft legal text should be amended accordingly to reflect this.

### **Q3 Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P123? Please give rationale.**

If the Modification Proposal P123 is approved, we agree with the proposed BSC Panel recommendation on the timing for the Implementation Date, as outlined in Section 1.1 of the Modification Report.

### **Q4 Are there any further comments on P123 that you wish to make?**



Nothing further at this time.

Regards

Garth Graham  
Scottish and Southern plc

**P123\_DR\_007 – BGT**

**Re: Modification Proposal P123 – Assessment of Credit Cover following a change in a Party's Portfolio**

Thank you for the opportunity of responding to this draft modification report considering Modification Proposal P123. British Gas Trading (BGT) agrees the Modification Proposal will better facilitate Applicable BSC Objective (c). Obligating parties to lodge excessive levels of credit cover can be seen as a barrier to entry. Ensuring parties post the appropriate level of cover as detailed in the modification proposal can be seen to promote competition.

BGT believe the credit cover provisions within the BSC are there to provide BSC Parties with a reasonable level of protection against the risk of a party going into administration. Therefore the BSC should ensure that parties lodge an appropriate level of credit cover in respect of their contracted position. If a party loses a proportion of their portfolio they should be able to reduce their credit cover requirements appropriately to reflect their new portfolio.

BGT note the potential this modification provides for submitting erroneous capacity parameters and therefore believe it is important that ELEXON continue to undertake post season reviews of the submissions. BGT believe it is equally important that if a party is found to be abusing the process then ELEXON undertake appropriate measures to prevent this occurrence.

BGT agree P123 should be implemented as part of the CVA batch release program and the February 2004 release will allow BSC Parties to utilise the solution from the April 2004 contract round onwards.

Yours faithfully

Mark Manley  
Contract Manager