

## Responses from P123 Assessment Consultation

Consultation issued 4 June 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>
1.	NGT	P123_ASS_001	1	0
2.	LE Group	P123_ASS_002	9	1
3.	Aquila Networks	P123_ASS_003	1	0
4.	BizzEnergy	P123_ASS_004	1	0
5.	British Gas Trading	P123_ASS_005	1	0
6.	Powergen	P123_ASS_006	15	0
7.	Innogy	P123_ASS_007	9	0

**P123\_ASS\_001 – NGT**

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

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1	Do you agree with the SSMG that the preferred implementation approach for change DC and CALF for reasons of portfolio change is option 2? Please give rationale	Yes	We agree that Option 2 "Decrease in DC in mid-season" is the preferred approach as it provides the most pragmatic solution to the identified defect. However, we note that this solution may incentivise Parties to register an incorrect DC and would seek assurances that the BSCCo will be monitoring the situation.
2	Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P123? Please give rationale.	Yes	We agree that option B of clarifying the material doubt process via guidelines or a BSCP will make the process more transparent to parties whilst not constraining the BSCCo. We also note that Option B requires no modification to the BSC.
3	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	We note the possible alternative discussed within the SSMG. However, we believe that the preferred approach gives the best solution encompassing a mixture of system and procedural changes.

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
4	Does P123 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
5	Do you believe Proposed Modification P123 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)	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.
6	Are there any further comments on P123 that you wish to make?	No	

**P123\_ASS\_001 – LE Group**

<b>Respondent Name:</b>	<b>Harish Mistry</b>
<b>No. of BSC Parties Represented</b>	<b>9</b>
<b>BSC Parties Represented</b> <i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i>	LE Group plc, London Electricity plc, Jade Power Generation Ltd, Sutton Bridge Power Ltd, West Burton Power, London Power Networks plc, EPN Distribution Ltd, Seeboard Power Networks plc, Seeboard Energy Ltd,
<b>No. of Non BSC Parties Represented</b>	1 (this is a BSC Party Agent)
<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>ECS Metering &amp; Data Services</b>
<b>Role of Respondent</b>	<b>Supplier / Generator / Party Agent / Distribution Business</b>

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1	Do you agree with the SSMG that the preferred implementation approach for change DC and CALF for reasons of portfolio change is option 2? Please give rationale	Yes	
2	Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P123? Please give rationale.	Yes	
3	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
4	Does P123 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
5	Do you believe Proposed Modification P123 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)	Yes	
6	Are there any further comments on P123 that you wish to make?	No	

**P123\_ASS\_003 – Aquila Networks**

Hello,

Please find that Aquila Networks Plc response to P122 & P123 Assessment Consultation is 'No Comment'.

regards  
Rachael Gardener

Deregulation Control Group &  
Distribution Support Office  
AQUILA NETWORKS

**P123\_ASS\_004 – BizzEnergy**

<b>Respondent Name:</b>	
<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>	
<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>	Supplier

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree with the SSMG that the preferred implementation approach for change DC and CALF for reasons of portfolio change is option 2? Please give rationale	Mainly	<p>The allowance of 2 mid-season portfolio-driven DC changes is a pragmatic compromise between flexibility and administrative burden on central systems (albeit it is asymmetrical in that any number of portfolio-driven DC increases are required under the Code).</p> <p>However, there must be a concern with not allowing a mid-season CALF change as well because it permits parties to offer accurate data. In practice this will be less of a problem because affected parties can either lodge an early CALF appeal and then delay presenting the evidence or else manage all the change to BMCAIC by change in DC.</p>

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
2.	<p>Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P123? Please give rationale.</p>	No	<p>Option B is flawed in one significant respect – it does not change the definition of material doubt under the Code. This definition (at M3.4.3(a)) states: "... material doubt as to whether, <i>at the time</i>, the systems and processes used by the ECVAA are giving correct determinations ...". This means that BSCCo has no vires to determine the materiality of doubt about information coming from the II-Run until a level 1 default notice has been issued. This interpretation of the Code is the legal advice given to SSMG.</p> <p>In process terms, this means that, although the II-Run data comes available during a Business Day, it is not until midnight of that day, when the ECVAA processes the data that they can materially doubt it – when, typically, the loading of this poor data that replaces a days worth of CEI data tips the affected Party into level 1 default.</p> <p>The situation worsens because, frequently, the data drives the affected Party straight into level 2 default for which there is no Cure Period. The lack of a Cure Period (a period which always covers a banking day) means that, unless material doubt can be declared almost immediately, the affected Party is forced to use the limited time available to acquire additional credit cover because the risk of waiting until only, maybe an hour before the banks close on the gamble that material doubt will be declared is not sustainable. The Option as described therefore fails to address a fundamental defect identified in the Modification Proposal.</p> <p>However, if material doubt can be redefined to apply at the time the data becomes available (noting that data for any day in an II-Run will not alter until the SF-Run, which is always outside the 29-day credit cover window), then its impact can be assessed for the affected Party before the data is used by the ECVAA. The difference between the calculation that the ECVAA will make (when the data is loaded at midnight) and the results derived from an alternative methodology can be expressed as a percentage of credit cover for the day (and for all the days covered by AEI calculation) allow BSCCo to assess in</p>



	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
3.			<p>With this fundamental change – defining material doubt as applying when the data becomes available, with only the declaration of material doubt being reserved until receipt of the level I default notice – Option B would be broadly acceptable.</p> <p>It should be emphasised that the objectives of the proposal are only achievable if the decision as to how the data should be treated is made before the problem materialises. This brings us very close to Option C anyway (although the flow diagram in Annex A1.7 does not seem to accord with the description in the text).</p>
4.	<p>Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale</p>	No	
5.	<p>Does P123 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale</p>	No	

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
6.	<p>Do you believe Proposed Modification P123 better facilitates the achievement of the Applicable BSC Objectives ?</p> <p>Please give rationale and state objective(s)</p>	Yes	<p>The proposal facilitates competition by allowing Parties with specialist portfolios to maintain a more appropriate level of credit cover. This reduces their costs, thereby encouraging niche competitors and lowers the cost of market entry for new suppliers.</p> <p>Management of operations under the Code is facilitated where BSCCo is allowed to pre-empt level 1 default notices for specific parties by assessing material doubt when the data becomes available rather than when the data is used by the ECVAA (usually at midnight). This will allow assessment of material doubt in business hours using considered information rather than the intensive and imprecise process currently required due to the timescales.</p>
7.	<p>Are there any further comments on P123 that you wish to make?</p>	No	

**P122\_ASS\_005 – British Gas Trading**

<b>Respondent Name:</b>	Mark Manley
<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>	British Gas Trading (BGT)
<b>No. of Non BSC Parties Represented</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>Role of Respondent</b>	

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree with the SSMG that the preferred implementation approach for change DC and CALF for reasons of portfolio change is option 2? Please give rationale	Yes	<p>BGT support the preferred approach of the SSMG to limit the number of mid season DC Changes to 2 with the caveat that submissions are reviewed at the end of the season.</p> <p>It is BGT’s understanding that ELEXON currently undertake a post season review to ensure that GC/DC submissions are reflective of the characteristics of the BM Unit. BGT support the continued use of a post season review to monitor any potential misuse of mid season submissions. If any parties are found to be abusing the process ie submitting GC/DCs that are too low the registrant of the BM Unit should be prevented from making mid season changes without the approval of ELEXON.</p> <p>BGT would also like the Party requesting the change to submit in writing to ELEXON why the change is required.</p>

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
2.	Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P123? Please give rationale.	Yes	<p>BGT is supportive of option B in line with the recommendation of the SSMG. The proposed solution will help to negate one of the main defects identified by the proposer, the excessive length of time it takes to cancel erroneous default notices. Improving the guidelines will assist Parties by illustrating what information they will need to provide to ELEXON in support their claim that they have been erroneously placed in Level 1 Credit Default. Parties who are anticipating entering Level 1 Credit Default erroneously will be able to submit data in advance of the Credit Cover Percentage (CCP) exceeding the 80 per cent threshold. This should assist ELEXON and allow them to call material doubt in a much shorter timeframe, as they will be able to undertake the majority of the necessary calculations in advance of the Level 1 default notice being issued. BGT would still expect ELEXON to validate the information provided by the appellant, as the decision to call material doubt must be based on credible information.</p> <p>Option B also has the added benefit of addressing the issue by providing a low cost implementation solution because no system changes are required.</p>
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
4.	Does P123 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
5.	<p>Do you believe Proposed Modification P123 better facilitates the achievement of the Applicable BSC Objectives ?</p> <p>Please give rationale and state objective(s)</p>	Yes	<p>The Modification Proposal has identified a defect in the credit calculations that can result in a BSC Party being placed in Level 1 Credit Default when it has lost a percentage of its portfolio mid season. The BSC should obligate Parties to post appropriate levels of credit cover to cover their estimated liabilities. Therefore by addressing the defect which may result in BSC Parties posting excessive levels of credit can be seen to better facilitate competition and therefore better facilitate Applicable BSC Objective (c).</p>
6.	<p>Are there any further comments on P123 that you wish to make?</p>	No	

**P123\_ASS\_006 – Powergen**

<b>Respondent Name:</b>	Powergen
<b>No. of BSC Parties Represented</b>	15
<b>BSC Parties Represented</b> <i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i>	Powergen UK plc, Powergen Retail Limited, Diamond Power Generation 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> <i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>	
<b>Role of Respondent</b>	Supplier / Generator

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree with the SSMG that the preferred implementation approach for change DC and CALF for reasons of portfolio change is option 2? Please give rationale	Yes	Although it is unnecessary to provide for mid season CALF appeals. In the majority of cases the season will be largely over by the time the appeal has been considered. Additionally, there is no provision for a CALF change for a mandatory mid season increase in DC, so it not clear why it is being provided for a decrease.  The ability to reduce DC will provide the main benefit of the proposal. As there is little validation of DC declarations at present, it is consistent not to require it for these purposes.
2.	Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P123? Please give rationale.	Yes	This would allow Elexon more flexibility to deal with circumstances as they arise, within certain tolerances.

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
4.	Does P123 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
5.	Do you believe Proposed Modification P123 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)	Yes	Objective C. It will help promote competition by ensuring that participants do not need to maintain unreasonably high levels of credit cover.  Objective D. It will lead to more efficient credit arrangements.
6.	Are there any further comments on P123 that you wish to make?	No	

**P123\_ASS\_007 – Innogy**

<b>Respondent Name:</b>	Ben Willis
<b>No. of BSC Parties Represented</b>	9
<b>BSC Parties Represented</b> <i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i>	Innogy plc, Innogy Cogen Ltd, NP Cogen Trading Ltd, Npower Ltd, Npower Direct Ltd, Npower Yorkshire Ltd, power Yorkshire Supply Ltd, Npower Northern Ltd, Npower Northern Supply Ltd
<b>No. of Non BSC Parties Represented</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>Role of Respondent</b>	Supplier / Generator / Party Agent

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree with the SSMG that the preferred implementation approach for change DC and CALF for reasons of portfolio change is option 2? Please give rationale	Yes	Given that the Modification specifies the April and October contract rounds as the reason why the Modification was raised, allowing up to 2 changes per season seems generous.
2.	Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P123? Please give rationale.	Yes	This process retains flexibility and avoids a prescriptive methodology that may itself have to be appealed.
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
4.	Does P123 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	



	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
5.	Do you believe Proposed Modification P123 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We believe the Modification better facilitates objectives (b), efficient, economic and co-ordinated operation, and (c), promoting effective competition.
6.	Are there any further comments on P123 that you wish to make?	No	