

Responses from P118 Draft Report Consultation

Consultation issued 18 March 2003

Representations were received from the following parties:

No	Company	File Number	No. BSC Parties Represented	No. Non-Parties Represented
1.	NGC	P118_DR_001	1	0
2.	Scottish and Southern	P118_DR_002	4	0
3.	Powergen	P118_DR_003	15	0
4.	Aquila Networks	P118_DR_004	1	0
5.	Scottish Power	P118_DR_005	6	0
6.	British Gas Trading	P118_DR_006	1	0

P118_DR_001 – NGC

Respondent:	<i>National Grid</i>
No. of BSC Parties Represented	One
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	None
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 and Parties represented	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state) BSC Party</i>

Q	Question	Response	Rationale
1	Do you agree with the Panel's views on P118 and the provisional recommendation to the Authority contained in the draft Modification Report that P118 be made? Please give rationale.	Yes	We agree with the rationale of the Panel that this modification will increase the efficiency of the Credit Default reporting process.
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	The change is minor and clearly addresses the defect.
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P118? Please give rationale.	Yes	The rationale requires the implementation of CP707 to fully realise the benefits of P118 and therefore agree that the earliest practical implementation is 24 June 2003. After that, 15 business days following an Authority decision is appropriate as no BSC Systems are being updated.
4	Do you believe that there are any impacts that have not been highlighted? If yes please give details.	No	
5	Are there any further comments on P118 that you wish to make?	No	

P118_DR_002 – Scottish and Southern

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

Further to your note of 18th March 2003, and the associated draft Modification Report for P118, we agree with the proposed BSC Panel recommendation to the Authority that this Modification Proposal P118 should be made.

If the Modification Proposal P118 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.

Regards

Garth Graham
Scottish & Southern Energy plc

P118_DR_003 – Powergen

Respondent:	Name Christiane Sykes
No. of BSC Parties Represented	15
BSC Parties Represented	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
No. of Non BSC Parties Represented	
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 and Parties represented	Generator and supplier

Q	Question	Response Error! Bookmark not defined.	Rationale
1	Do you agree with the Panel's views on P118 and the provisional recommendation to the Authority contained in the draft Modification Report that P118 be made? Please give rationale.	Yes	The implementation of P118 should help to streamline the process by automating the posting of credit default notices. Where practical, Powergen supports any move that helps to combat some of the elongated processes surrounding the BSC. We concur that reporting credit default notices when they occur will lead to a more efficient and robust BSC, thus facilitating the objective in Condition C3 (3)(d) of the Transmission licence. We do not think that the proposal in any way discriminates against small Parties, as they should already be aware of their position when they enter into Level 1 Credit Default.
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	The amendment to the legal text in section M3.2.6 seems to provide the most simplistic way of addressing the defect.
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P118? Please give rationale.	Yes	The dates given are sensible in bringing about the timely implementation of the proposal, should the Authority wish to implement it.
4	Do you believe that there are any impacts that have not been highlighted? If yes please give details.	No	

Q	Question	Response Error! Bookmark not defined.	Rationale
5	Are there any further comments on P118 that you wish to make?	No	

P118_DR_004 – Aquila Networks

Please find that Aquila Networks Plc response to P118 Consultation on draft Modification Report is 'No Comment'.

regards

Rachael Gardener

Deregulation Control Group &
Distribution Support Office
AQUILA NETWORKS

P118_DR_005 – Scottish Power

Respondent:	Name John W Russell (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	
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 and Parties represented	<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
1	Do you agree with the Panel's views on P118 and the provisional recommendation to the Authority contained in the draft Modification Report that P118 be made? Please give rationale.	No	<i>Situations have arisen, where parties have strayed into Level 1 default through no fault of their own (mis-notification by other parties), and by using the 24 hours to post additional collateral have successfully kept their name off the BMRS. We therefore believe that this default cure period is valuable in allowing parties the opportunity to rectify their credit default before their reputation is damaged by publication on the BMRS in these circumstances. In a genuine default, there is only one channel of information and to close the remedy period may add risk rather than reducing it, therefore the default cure period is valuable and stabilises the process.</i>
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	<i>Notwithstanding that we disagree with the recommendation to approve P118, we would agree that the legal text appears to be appropriate.</i>
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P118? Please give rationale.	Yes	<i>Notwithstanding that we disagree with the recommendation to approve P118, we would agree that the implementation date appears to be appropriate.</i>

Q	Question	Response	Rationale
4	Do you believe that there are any impacts that have not been highlighted? If yes please give details.	Yes	<i>P118 removed the default cure period, which is valuable in allowing parties the opportunity to rectify their credit default before their reputation is damaged by publication on the BMRA. This therefore gives impact on parties' credit reputation, which could have significant commercial and operational impact.</i>
5	Are there any further comments on P118 that you wish to make?	Yes	<i>An area which would assist in increasing the efficiency of the balancing and settlement arrangements would be to address and clarify the process for unwinding positions in the circumstances of a default. In circumstances where genuine credit events have occurred, confusion has been widespread over the process to unwind a bilateral power position. Not from a legal perspective but from an operational perspective.</i>

P118_DR_006 – British Gas Trading

Re: Modification Proposal P118 – Increased Efficiency in the Reporting of Credit Default Statements

Thank you for the opportunity of responding to this draft modification report considering Modification Proposal P118. British Gas Trading (BGT) supports the Modification Proposal as the prompt reporting of BSC Parties entering Level 1 Credit Default improves the efficiency of the process and can be seen to better facilitate Applicable BSC Objective (d).

In view of the link between CP703 'Credit Default Process' which will deliver the functionality to allow for 24/7 reporting BGT agrees with the proposed implementation date as specified in the draft Modification Report.

BGT concurs that the draft legal text delivers the intended objective of the Modification Proposal. However there does appear to be a word omitted from section M 3.2.6, BGT believes it should read "that it is *in* Level 1 Credit Default." This has no impact on the effect of the Modification Proposal but it would appear sensible if viable to tidy up the drafting of the section under this Modification Proposal.

BGT believe the prompt reporting of BSC Parties entering Level 1 Credit Default could be further improved by providing additional notification to BSC Parties. Publication of this information on the BMRS website might not be seen by all BSC Parties, if this information was also communicated via a Tibco message and or e-mail from the ECVAA this could improve the visibility of the incident.

Yours faithfully

Mark Manley
Contract Manager