

Responses from P110 Draft Report Consultation

Consultation issued 21 February 2003

Representations were received from the following parties:

No	Company	File Number	No. BSC Parties Represented	No. Non-Parties Represented
1.	SEEBOARD	P110_DR_001	1	
2.	Innogy	P110_DR_002	9	
3.	LE Group	P110_DR_003	7	
4.	Scottish and Southern Energy Plc	P110_DR_004	4	
5.	British Gas Trading	P110_DR_005	1	
6.	Scottish Power Group	P110_DR_006	6	
7.	National Grid	P110_DR_007	1	
8.	AES Drax	P110_DR_008	1	
9.	Aquila Networks Plc	P110_DR_009	1	
10.	British Energy	P110_DR_010	3	
11.	Powergen	P110_DR_011	17	

P110_DR_001 – SEEBOARD

Respondent:	Dave Morton
No. of BSC Parties Represented	1
BSC Parties Represented	SEEBOARD Energy Limited
No. of Non BSC Parties Represented	0
Non BSC Parties Represented	
Role of Respondent and Parties Represented	Supplier

Q	Question	Response Error! Bookmark not defined.	Rationale
1	Do you agree with the Panel's views on P110 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification should be made? Please give rationale.	Yes	Removing this problem should assist Parties in supply of electricity by removing potential unjustified settlement liabilities. Therefore, BSC objective (c) should be better facilitated.
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 do have three minor issues: 4A.1 title should read "Submission of a Volume Notification Nullification Request (VNNR) and bracket at end of paragraph amended to just read "a VNNR". 4A.1.2 (a) change "Account and the Lead" to Account and/or the Lead" to enable text to relate to situation where both types of accounts and, therefore, notifications do not exist. 4A.4.4 (b) format for (i) and (ii) to made consistent with that of (iii).
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P110? Please give rationale.	Yes	

Q	Question	Response Error! Bookmark not defined.	Rationale
4	Are there any further comments on P110 that you wish to make?	Yes	BSC Agent costs in section A1.2 of report are based on all Parties contracting with a counterparty request nullification at the same time. Does this relate to worst case scenario, as in operation it could be that only one Party requests nullification of volumes. If this not a worst case scenario further details of BSC Agent costs should be considered so Parties have all details.

P110_DR_002 – Innogy

Respondent:	Mark Thomas
No. of BSC Parties Represented	9
BSC Parties Represented	Innogy Group (Innogy plc, Innogy Cogen Limited, Innogy Cogen Trading Limited, Npower Limited, Npower Direct Limited, Npower Northern Limited, Npower Northern Supply Limited, Npower Yorkshire Limited and Npower Yorkshire Supply Limited)
No. of Non BSC Parties Represented	
Non BSC Parties Represented	
Role of Respondent and Parties Represented	Supplier / Generator / Trader

Q	Question	Response Error! Bookmark not defined.	Rationale
1	Do you agree with the Panel's views on P110 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification should be made? Please give rationale.	Yes	Agree it removes the unnecessary risk in the process of contract termination and therefore better facilitates BSC objective c promoting competition in the generation and supply of electricity.
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	Subject to minor amendment highlighted in the answer to Question 4 below.
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P110? Please give rationale.	Yes	
4	Are there any further comments on P110 that you wish to make?	Yes	Page 4 of Legal text new defined term VNNCR '...in accordance with 4A.4;' should read '...in accordance with P4A.4;'

P110_DR_003 – LE Group

Respondent:	PAUL MOTT
No. of BSC Parties Represented	7
BSC Parties Represented	LE Group (EPN Distribution Ltd, London Electricity plc, London Electricity Group plc, Jade Power Generation Ltd, London Power Networks plc, Sutton Bridge Power, West Burton Ltd)
No. of Non BSC Parties Represented	-
Non BSC Parties Represented	
Role of Respondent and Parties Represented	<i>Supplier / Generator</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1	Do you agree with the Panel's views on P110 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification 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 P110? Please give rationale.	Yes	

Q	Question	Response Error! Bookmark not defined.	Rationale
4	Are there any further comments on P110 that you wish to make?	Yes	<p>We believe, as we stated in our previous response and at the mods group, that the first period for effect should be 3 periods after a valid P110 cancellation notice.</p> <p>However, periods outside the business day should be counted, so that if the nullification request comes at 17:00, the nullification would not have effect until early the next business day.</p> <p>(Business day means 09:00 to 17:00 weekdays excluding bank holidays)</p> <p>We are sensitive to the need to ensure that small parties who may not have an out-of-hours operation are nonetheless able to become aware that their former counterparty has made a nullification request and have say 3 periods (90 minutes) notice to "trade out" of the impending effect of the nullification. This would ensure that P110 is operated in a controlled way that is fair on both former counter-parties so that everyone is left knowing their forthcoming position and able to manage the situation.</p>

P110_DR_004 – Scottish and Southern

Dear Sirs,

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 21st February 2003 concerning Modification Proposals P110, we have the following comments to make:-

Q1 Do you agree with the Panel's views on P110 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification should be made? Please give rationale.

Yes. As we have indicated previously, we believe that this Modification will better achieve the 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".

We note that this may potentially create the opportunity for inappropriate behaviour by a Party leaving another Party liable to settlement exposure. For the avoidance of doubt we believe that a validation review between the Parties and Elexon is required to ensure there is no opportunity for abuse to occur. In our view a manual approach is the preferred technical solution for the Nullification Request process.

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.

Yes.

Q3 Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P110? Please give rationale.

If the Modification Proposal P110 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 P110 that you wish to make?

We have no further comments to make.

Regards

Garth Graham
Scottish and Southern Energy plc

P110_DR_005 – British Gas Trading

**Re: Modification Proposal P110 – Nullification of Volume Notifications
where no Authorisations are in place**

Thank you for the opportunity of responding to this draft modification report considering Modification Proposal P110. British Gas Trading (BGT) supports the Modification Proposal and believes this would better facilitate Applicable BSC Objectives (c). Within the BSC there is a defect that can leave a BSC Party with a stranded position with no method of amending their contract position. The ability to be able to negate that risk can be seen to promote effective competition in the generation and supply of electricity.

BGT note the recommendation of the Modification group to make the nullification request manual and the removal of the volumes semi-automated. BGT support this approach as it removes the requirement for system development by BSC Parties whilst reducing the risk of removing contract volumes. However BGT would prefer a process that is operational on a 24/7 basis rather than the recommended approach that only allows for nullification requests during a normal Business Day. BGT believe that the problem highlighted may occur at any time and, as such BGT believe there should be the ability to request nullification of contract volumes at any point in the operational day. This is because the contracts in place with our counterparties allows nullification 24/7 and thus it would be preferable for the BSC to reflect this.

Yours faithfully

Mark Manley
Contract Manager

P110_DR_006 – Scottish Power

Respondent:	<i>Name</i> 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.; Scottish Power Generation plc; ScottishPower Energy Retail Ltd.; SP Transmission plc; 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	(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state) Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent.

Q	Question	Response	Rationale
1	Do you agree with the Panel's views on P110 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification should be made? Please give rationale.	No	<i>We would wish to reiterate the concerns expressed in our previous response on P110 that this proposal can be dealt with through other processes, for instance by Trading Parties through their GTMAs. In addition, the costs associated with the preferred solution outweigh any perceived benefits from having a contract nullification process in the BSC. We do not believe that P110 meets any of the Applicable BSC Objectives</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>The draft legal text broadly meets the requirements of P110, notwithstanding that we do not support this mod proposal. However, we would suggest the following changes to tidy up the drafting:-</i> <i>P1.1.1(b) - the final sub para is "(iv)" not "(vi)".</i> <i>P1.3.5(b) and (c) - we would suggest tidier wording, e.g. for (b) - "...are to be credited or from which Energy Contract Volume(s) are to be nullified". Similar for (c).</i> <i>P4A.1.2(a) - should be a ";" at the end of the sub para.</i>
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P110? Please give rationale.	Yes	<i>Although the implementation date is acceptable, in order to reduce the overall implementation costs associated with option 5, we would prefer that this Mod is implemented as part of a scheduled Systems Release.</i>

Q	Question	Response	Rationale
	Are there any further comments on P110 that you wish to make?	No	<i>No we do not have any further comments</i>

P110_DR_007 – NGC

Respondent:	Name National Grid
No. of BSC Parties Represented	One
BSC Parties Represented	Please list all BSC Parties responding on behalf of (including the respondent company if relevant). National Grid
No. of Non BSC Parties Represented	N/A
Non BSC Parties Represented	Please list all non BSC Parties responding on behalf of (including the respondent company if relevant). N/A
Role of Respondent and Parties Represented	(Supplier / Generator / Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state) BSC Party

Q	Question	Response Error! Bookmark not defined.	Rationale
1	Do you agree with the Panel's views on P110 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification should be made? Please give rationale.	Yes	We agree with the Panel that this modification will better facilitate BSC Objective (c) by mitigating Parties' risk to erroneous imbalance exposure.
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 believe that implementing P110 as drafted would correctly address the defect and in addition would make the BSC complementary to the GTMA's termination arrangements.
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P110? Please give rationale.	Yes	The implementation date is consistent with the release strategy for non-urgent modifications.
4	Are there any further comments on P110 that you wish to make?	No	

P110_DR_008 – AES Drax

Respondent:	Ian Foy
No. of BSC Parties Represented	1
BSC Parties Represented	AESDRAX
No. of Non BSC Parties Represented	None
Non BSC Parties Represented	N/A
Role of Respondent and Parties Represented	Generator

Q	Question	Response Error! Bookmark not defined.	Rationale
1	Do you agree with the Panel's views on P110 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification should be made? Please give rationale.	Yes	We believe that this Modification allows for credible, contained, risk measures to be put in place and allows Parties to control their Imbalance Risk.
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 believe the Legal Text correctly interprets the intent of the original Modification and the detailed work/changes that have been made during the progress of this Modification.
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P110? Please give rationale.	Yes	This would seem to be the earliest date given the requirement to include the Modification as part of a BSC Release in order to contain costs (with which we agree).
4	Are there any further comments on P110 that you wish to make?	No	We believe that this Modification addresses a defect in the BSC which could lead to large costs being imposed on a Party through no fault of its own and over which it would not have any commercially-credible control. On this basis we believe that the costs involved in making this Modification are justified.

P110_DR_009 – Aquila Networks

Please find that Aquila Networks response to P110: Nullification of Volume Notifications Where No Notification Authorisations Are in Place, is 'No Comment.'

Regards,

Jason Guest

On Behalf of Rachael Gardener

Jason J Guest
Distribution Support Office
Aquila Networks plc

P110_DR_010 – British Energy

BE would like to reiterate the arguments made previously.

To: Modifications Secretary, BSCCo

BSC Modification Proposal P110: Nullification of Volume Notifications Where No Notification Authorisations Are In Place

* British Energy acknowledges the bilateral risk presented by a counterparty failing to honour its obligations under a bilateral contract, and the need for a method to nullify notifications going forward where there is no reasonable expectation of satisfactory resolution by other means. For example, notifications for volumes with a party in financial difficulty, or seriously erroneous notifications by a notification agent, where BSC default has not actually occurred.

* We note that parties do have a method of limiting bilateral exposure in the normal course of events, which is to appoint an independent notification agent and notify only relatively short periods at a time.

* We also note that the events considered are very rare.

The consultation paper concentrates on methods of nullifying notifications and does not indicate what would initiate such a process.

We are not convinced that a business case exists to move to an arrangement where notification volumes are automatically removed where no authorisations exist. Although such an arrangement was considered and could have been developed prior to NETA go-live, we do not believe it would be cost-effective to implement now, noting that it could subtly change the balance of risk in existing bilateral contracts, could require changes to the terms required in bilateral contracts, and could require significant system changes for participants. ie. BSC efficiency objective not met.

Therefore such a process should not be available for parties simply to terminate notifications as an automatic consequence of there being no notification authorisation in place between two parties. It should be exercisable only in extreme circumstances where the BSC Panel has reasonable evidence that resolution by other means is not achievable. Because the process is expected to be used very infrequently, and possibly never, an appropriate implementation option should be selected to maximise the cost benefit. We suspect this will be the manual process described as option 3.

If a business case was made and such a process were to be implemented as an automatic method of removing notification volumes where no authorisation exists, considerable notice should be given (at least a year) to allow the change to be factored into external contracts such as the Grid Trade Master Agreement, and for participant systems to be modified.

Rachel Lockley
for

British Energy Power & Energy Trading Ltd
British Energy Generation Ltd
Eggborough Power Ltd

P110_DR_011 – Powergen

Respondent:	Tim Johnson
No. of BSC Parties Represented	17
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	0
Non BSC Parties Represented	
Role of Respondent and Parties Represented	Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent

Q	Question	Response Error! Bookmark not defined.	Rationale
1	Do you agree with the Panel's views on P110 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification should be made? Please give rationale.	Yes	This is a pragmatic solution to a problem that is not solved by having a contract with a partner. It will bring more certainty to default situations, thereby increasing party confidence.
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 P110? Please give rationale.	Yes	
4	Are there any further comments on P110 that you wish to make?	No	