



Issues Report

Meeting name	SETTLEMENT STANDING MODIFICATION GROUP (SSMG)
Meeting no.	3
Date of last meeting	25 March 2003

This note reports on progress made in relation to issues discussed at the most recent meeting of the Settlement Standing Modification Group (SSMG).

ISSUE 3: CREDIT COVER FOR INTERCONNECTOR USERS

Brief Description:

Interconnector BM Units are less likely to act in accordance with their historical patterns than other kinds of BMUs due to volatility caused by pricing differences between England & Wales and the neighbouring system(s) and, in the case of the Anglo-French Interconnector, the ongoing auctioning of interconnector capacity. This means that traditional CALF methodologies - which look at historical patterns - are often irrelevant to an Interconnector Users current position.

Proposer: Steve Drummond

Organisation: EDF Trading

Date Submitted: 25 February 2003

Meeting Notes:

25 March 2003

The proposer presented a paper to the SSMG and explained the problems for interconnectors in relation to the calculation of CALF values and expressed concern over the amount of credit cover EDF has had to provide over the past six months. The issue has already been raised through an appeal at the February Imbalance Settlement Group (ISG).

ISG also considered a paper at the January meeting (ISG/24/276) with outlines potential changes to the CALF methodology as applied to Interconnector BM Units. The relative merits of these changes were discussed by the SSMG.

There does not appear to be a flawless solution to the issue. There are two possible routes to addressing the problem. Firstly, as a temporary solution, the ISG could be requested to make alterations to the CALF Methodology Guidelines and, secondly, the proposer could raise a Modification Proposal.

Given the work being done at Ofgem in reviewing the Credit Arrangements as a whole and the time it would take to progress a Code Modification it would be preferable to find a solution through changes to the CALF Methodology Guidelines.

Next Steps:

The issue has been sent to the ISG to determine whether there is a possible solution through the alteration of the CALF Methodology Guidelines. If a Code Modification is necessary, the issue will be sent back to the SSMG for further discussion.

ELEXON will conduct modelling for two potential options as follows:

1. Reverting back to the CALF methodology for interconnectors of pre-Winter 2002/3 and will be done using the latest run data available (including Initial Interim (II) data), ELEXON will calculate the average maximum volumes for any given half hour in the latest full three months. The modelling

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will be done in relation to January February and March when the II data is available in April. This option takes out the time-lag between accurate GC/DC submission and these values into the credit calculation and should be possible to through changes to the CALF Methodology Guidelines.

2. ELEXON will calculate CALF using a representative sample from the season in question and using the average flows during the period and model the effect on indebtedness of using a linear extrapolation of the Account Energy Imbalance (AEI) data to cover the period currently covered by Credit Energy Indebtedness (CEI) (i.e. for the whole 29 day credit period). This option would require a Code Modification if it were to be implemented.

ELEXON will endeavour to complete the first modelling exercise, against the current methodology, for next ISG and will liaise with Steve Drummond in the interim. The SSMG will be copied in on the results of this exercise.