



Issues Report

Meeting name	SETTLEMENT STANDING MODIFICATION GROUP (SSMG)
Meeting no.	2
Date of last meeting	29 January 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 1: CREDIT COVER PROVISIONS FOR BSC SIGNATORIES WITHDRAWING FROM THE MARKET

Brief Description:

Are there adequate provisions within the Code as currently drafted to ensure that signatories to the BSC, who elect to withdraw from the market in an orderly manner, must maintain adequate credit cover provision and ensure full payment of all bills, including ELEXON related charges, for a relevant period after they officially exit?

Proposer: Ashley Nettleton

Organisation: Gaz de France Energy

Date Submitted: 2 January 2003

Meeting Notes:

- **7 January 2003**

A Modification Group member presented the issue to the SSMG on behalf of the proposer.

The issue stemmed from a concern that there are currently a number of parties withdrawing from the BSC and no requirement for them to maintain credit cover for any unforeseen bills once they have withdrawn. This was perceived to be more of an issue where the parties are not UK based. While they would still be liable for any outstanding amounts, money would need to be retrieved from other countries and this could prove to be an expensive process.

This issue was regarded as being of particular importance as a result of work being done in relation to, Section P6 of the BSC, claiming Past Notification Errors. Companies have submitted claims but it has yet to be decided whether money will be returned to these Parties and how this money will be retrieved.

- **29 January 2003**

ELEXON reported to the SSMG that advice had been sought from the Finance, Legal and Service Delivery Teams and the view was that the current obligations under the Code are sufficient.

A Modification Group member had investigated the parallel arrangements for gas and could not find any requirement for Parties to leave credit cover under the Network Code although there could be something within operational procedures. It was also observed that most of the Parties withdrawing from the Code are Traders and, as money is most likely to be reimbursed from RCRC, these Parties are unlikely to be affected by the, BSC Section P6, Past Notification Error claims.

After further consideration, the Modification Group did not believe the issue warranted raising a Modification Proposal.

Next Steps:

The issue has been closed

ISSUE 2: CREDIT INDEBTEDNESS CALCULATION DURING HOLIDAY PERIODS

Brief Description:

Where a supplier is purely (or dominantly) non-domestic then its actual demand can drop significantly (down to 1/3) during holiday periods. Its contractual position will follow this drop. During the period between the delivery day and the II run (which can be more than 10 days during Christmas) the CALF calculation massively overstates the demand. This can rapidly tip such portfolios into credit shortfall at a time when banking services are not available.

Proposer: Keith Munday

Organisation: Bizz Energy

Date Submitted: 6 January 2003

Papers: A draft Modification Proposal has been submitted for consideration

Meeting Notes:

- **29 January 2003**

A Modification Group member presented a draft Modification Proposal on behalf of the proposer for the purpose of seeking advice on how to word the Modification Proposal. The SSMG were informed that the proposer intends to submit the proposal in time for the February BSC Panel Meeting.

The defect identified in the draft Modification Proposal is that level of Credit Cover required at times of significant reduced demand from that normally experienced during the remainder for the BSC Season are not reflective of the actual level of indebtedness. Suppliers working predominantly in the Commercial sector have 30% of average seasonal demands over a holiday period. The use of seasonal average demand capacity (DC) values results in unrealistically high level of Energy Indebtedness and the use of a 'same day of the week' rule for the QM_{ij} calculation (BSC Section T4.2.2) creates distortion if this day was a business day.

The draft Modification Proposal would require the Panel to set holiday periods for each year. Parties would be able to set holiday generation capacity (GC) and demand capacity (DC) values for these periods that would later be reset back to the appropriate seasonal values. The proposal also suggests that 'a Sunday' be used in the QM_{ij} calculation.

The SSMG was supportive of the Modification Proposal but suggested that the costs of implementing the proposal in central systems could be prohibitive. It was suggested that the solution to the perceived defect should not be too rigidly defined in the Modification Proposal because this may restrict the development of an Alternative Modification.

ELEXON advised the SSMG that it was currently possible for Parties to apply to the BSC Panel to reduce GC/DC. This may be another way of addressing the issue without going through the Modifications Process.

Next Steps:

The issue has been closed