



Issues Report

Meeting name SETTLEMENT STANDING MODIFICATION GROUP (SSMG)

Meeting no. 1

Date of meeting 7 January 2003

The Settlement Standing Modification Group (SSMG) currently has consideration over Issues 1 and 2 as outlined in the Issues Register. This note reports on progress made in relation to issues discussed at the most recent meeting of the group.

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:

A Modification Group Member presented the issue to the group on behalf of the proposer.

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withdrawing from the BSC and no requirement for them to maintain credit cover for any unforeseen bills once they have withdrawn.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

This issue is 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.

Next Steps:

ELEXON will investigate current operational arrangements and seek advice on the legal obligations contained in the BSC.

A Modification Group Member will draft a Modification Proposal to be circulated to the group by email before Monday 13 January 2003.

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In addition to the issue above, the following issue will be discussed in the next meeting on 29 January 2003.

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 this period. 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