4.5. MP Form

Modification Proposal – BSCP40/03	**MP No: P310** *(mandatory by BSCCo)*

Title of Modification Proposal *(mandatory by originator)***:**

Revised Credit Cover for Exporting Supplier BM Units

Submission Date *(mandatory by originator)***:**

31 July 2014

Description of Proposed Modification *(mandatory by originator)*

A potential solution would be to use the Balancing Mechanism Credit Assessment Export Capability (BMCAEC) value instead of the Balancing Mechanism Credit Assessment Import Capability (BMCAIC) value with regards to the Credit Assessment Energy Indebtedness (CEI) calculations when a Supplier Volume Allocation (SVA) Balancing Mechanism Unit (BMU) contains embedded generation and no consumption.

In order to reduce the system impact, it would be possible to use the current data model. By using the Manual_Credit_Qualifying_flag column in conjunction with the Final Physical Notification (FPN)_Flag column it is possible to indicate to the CEI Calculations that the above switch to using BMCAEC instead of BMCAIC has to be carried out for a specific BM Unit.

Another solution could be to add an additional flag to the BM Unit data model, which a Party can activate if the BM Unit should use the BMCAEC value instead of the BMCAIC value in the CEI Calculation. This has a minor system impact, but does not require Parties that are not affected by this issue to take any action.

Description of Issue or Defect that Modification Proposal Seeks to Address *(mandatory by originator)*

When calculating the CEI for embedded generation, BMUs that are registered in SVA and which have only generation sites and no consumption sites, the demand volume of such BMUs is estimated as zero in the first five working days (the production volumes are not considered relevant and are not taken into consideration). The assignment of zero demand volume means the generation sites are not affecting the CEI calculations, which results in the Party having to lodge Credit Cover or claim Material Doubt to prevent Credit Default.

In the case where the embedded generator has no consumption within the Supplier BM Unit the BMCAIC is calculated to be zero due to the BM Unit having a zero Demand Capacity (DC) - BMCAIC is the sum of the Credit Assessment Load Factor (CALF) multiplied by DC. This zero BMCAIC is compared against the Account Bilateral Contract Volume - as a result any energy that the generator contracts to sell creates an Energy Indebtedness (EI), which has to be covered by lodging Credit Cover.

ELEXON operates an alternative CALF calculation, which gives the opportunity to reverse the sign of the BMCAIC and thereby reflect the generation within the BM Unit. However this option

requires a non-zero DC value in order to produce a useable estimate. This solution is not applicable for Suppliers with embedded generation and no consumption, as they have to comply with Balancing and Settlement Code (BSC) Section K 'Classification and Registration of Metering Systems and BM Units' 3.4 and submit a zero DC value when having no consumption.

The Imbalance Settlement Group (ISG)148/01 "Removing GC/DC CALF from Credit calculation - revisited" gives a good explanation of the above issue.

The above issue will have a more widespread impact on market participants when the Electricity Market Reform (EMR) Feed in Tariff Contract for Differences (CfD) goes live, as it is expected that these sites will be registered within their own BM Units.

Impact on Code *(optional by originator)*

Section M 'Credit Cover and Credit Default'

Impact on Core Industry Documents or System Operator-Transmission Owner Code *(optional by originator)*

Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties (*optional by originator)*

Impact on other Configurable Items (*optional by originator)*

Justification for Proposed Modification with Reference to Applicable BSC Objectives *(mandatory by originator)*

The modification would better effect the Applicable BSC Objectives, namely 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, because the current setup constitutes a distortion in how parties with embedded generation and no consumption should lodge Credit Cover as a result of their calculated Indebtedness.

Is there a likely material environmental impact? *(optional by originator)*

Urgency Recommended: No *(delete as appropriate) (optional by originator)*

Justification for Urgency Recommendation *(mandatory by originator if recommending progression as an Urgent Modification Proposal)*

Self-Governance Recommended: No *(delete as appropriate) (optional by originator)*

Justification for Self-Governance Recommendation *(mandatory by originator if recommending progression as Self-Governance Modification Proposal)*
Fast Track Self-Governance Recommended: No *(delete as appropriate) (optional by originator)*
Justification for Fast Track Self-Governance Recommendation *(mandatory by originator if recommending progression as Fast Track Self-Governance Modification Proposal)*
Should this Modification Proposal be considered exempt from any ongoing Significant Code Reviews? *(optional by originator in order to assist the Panel decide whether a Modification Proposal should undergo a SCR Suitability Assessment)*

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Attachments: No *(delete as appropriate) (mandatory by originator)*

If Yes, Title and No. of Pages of Each Attachment: