

Modification Proposal – BSCP40/03	MP No: P326 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by originator):</i>	
Introduction of a non-Working Day adjustment to the Credit Cover Percentage calculation	
Submission Date <i>(mandatory by originator):</i>	
25 August 2015	
Description of Proposed Modification <i>(mandatory by originator)</i>	
<p><u>Background</u></p> <p>Under the BSC, payments for Trading Charges arising on any given Settlement Day are typically made by Trading Parties 29 calendar days later. Therefore, at any given time a BSC Party may have debts for Trading Charges incurred over the previous 29 Days. Each Party is therefore required to lodge Credit Cover to ensure that, should it default, ELEXON has sufficient collateral available to pay off its debts.</p> <p>There has been industry recognition that there is significantly more Credit Cover lodged than is actually necessary in the event of a BSC Party(s) Defaulting. The Proposer believes that one of the reasons for this is a limitation in the calculation of Credited Assessment Energy Indebtedness (CEI), which currently does not allow for non-Working Day variations for a Supplier Balancing Mechanism (BM) Units' BMCAIC (BM Unit Credit Assessment Import Capability).</p> <p><u>Proposed Solution</u></p> <p>The BMCAIC is a product of the Demand Capacity (DC) and Credit Assessment Load Factor (CALF) which assumes a flat profile within day and day type. This Proposed Modification aims to resolve the issue with day type and allow for non-Working Day variations</p> <p>Many BSC Parties have a significantly lower Maximum Demand over a non-Working Day compared to a Working day and this leads to an unnecessary peak in the credit requirement. The peak credit requirement sets the overall credit requirement in the BSC.</p> <p>At present the BMCAIC is calculated as $DC * CALF$. This Modification proposes to introduce a Demand Capacity Factor (DCF) calculated as:</p> <ul style="list-style-type: none"> • Maximum Seasonal non-Working Day Demand / Maximum Seasonal Working Day demand. <p>BMCAIC will then be calculated as $DC * CALF * DCF$ for a non-Working Day and in the original way for a Working day.</p>	

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Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by originator)</i>	
<p>The Modification proposes to address inefficiencies with excess Credit Cover under the BSC. The Proposer seeks to do this by removing a limitation in the calculation of CEI and allowing for non-Working Day variations for a Supplier BMUs' BMCAIC.</p> <p>A Supplier can have a significant reduction in their demand across a non-Working Day. The CEI calculation for BMUs registered in the Supplier Volume Allocation (SVA) arrangements does not currently adjust for day type (i.e. Working Day and non-Working Day). This can result in the CEI being over-estimated and lead to Parties lodging excess Credit Cover.</p>	
Impact on Code <i>(optional by originator)</i>	
Section M 'Credit Cover and Credit Default'	
Impact on Core Industry Documents or System Operator-Transmission Owner Code <i>(optional by originator)</i>	
TBC	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by originator)</i>	
TBC	
Impact on other Configurable Items <i>(optional by originator)</i>	
TBC	
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by originator)</i>	
<p>The Proposer believes that this Modification will better facilitate the Applicable BSC Objectives, namely Objective (c), when compared to the current baseline.</p> <p>This Modification will promote effective competition in the generation and supply of electricity because the current setup requires BSC Parties to potentially lodge unnecessarily high levels of Credit Cover. Reducing these levels to a more appropriate amount will result in savings across the industry which can be passed onto consumers and ease the barrier to entry for new parties.</p>	
Is there a likely material environmental impact? <i>(optional by originator)</i>	
None anticipated.	

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Urgency Recommended: No <i>(delete as appropriate) (optional by originator)</i>	
Justification for Urgency Recommendation <i>(mandatory by originator if recommending progression as an Urgent Modification Proposal)</i>	
N/A	
Self-Governance Recommended: No <i>(delete as appropriate) (optional by originator)</i>	
Justification for Self-Governance Recommendation <i>(mandatory by originator if recommending progression as Self-Governance Modification Proposal)</i>	
N/A	
Fast Track Self-Governance Recommended: No <i>(delete as appropriate) (optional by originator)</i>	
Justification for Fast Track Self-Governance Recommendation <i>(mandatory by originator if recommending progression as Fast Track Self-Governance Modification Proposal)</i>	
N/A	
Should this Modification Proposal be considered exempt from any ongoing Significant Code Reviews? <i>(optional by originator in order to assist the Panel decide whether a Modification Proposal should undergo a SCR Suitability Assessment)</i>	
Not aware of any impacts to Significant Code Reviews.	
Details of Proposer:	
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Modification Proposal – BSCP40/03	MP No: P326 <i>(mandatory by BSCCo)</i>
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Attachments: No <i>(delete as appropriate) (mandatory by originator)</i>	