

Modification Proposal – BSCP40/03	MP No: P337 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by originator):</i>	
Extension to the payment timescales for Quarter Date Advice Notes below the Advice Note Threshold Limit	
Submission Date <i>(mandatory by originator):</i>	
10 March 2016	
Description of Proposed Modification <i>(mandatory by originator)</i>	
<p>Advice Notes</p> <p>Advice Notes are invoices for Trading Charges and Reconciliation Charges. Each day, if the Advice Note value is above the Advice Note Threshold Limit (ANTL), currently set at £500, it is released (otherwise it will accumulate over a number of days until it breaches the threshold or reaches the Quarter Date). Once an Advice Note is released, it has a payment due date of three Business Days later. The process for the quarterly Advice Note trigger was introduced by P214 'Issues Relating to Funds Administration' in November 2008.</p> <p>BSC Section N 'Clearing, Invoicing and Payment' details the obligations for clearing, invoicing and payment of Trading Charges and Reconciliation Charges. This section also includes information on the production of Advice Notes and actions to be taken for unpaid Advice Notes.</p> <p>Payment Default</p> <p>Payment Default is an event where a BSC Party does not pay its Advice Note within three Business Days. The BSC specifies a day by day process for Payment Default in BSC Section N.9. This refers to the payment due date as the Affected Date (D). We then count working days after the Affected Date D as D+1 (+1 Business Day), D+2 (+2 Business Days) etc.</p> <p>At D+2 the Party's Credit Cover will be used to clear the Payment Default. If the Credit Cover is not sufficient to cover the Advice Note, the Advice Note will be recovered from all other BSC Parties according to their Default Share Amount.</p> <p>Where a BSC Party has sufficient Credit Cover in the form of a Letter of Credit (LoC) to cover the payment, ELEXON can defer action to D+5. This allows a Party more time to resolve the payment default and avoid significant administration fees from a call on the LoC.</p> <p>At D+3 a non-paying Party (without a LoC) will trigger an Event of Default under BSC Section H 'General'. Section H allows the Panel to consider a number of resolutions, from notifying all BSC Parties of a Default Funding Share to expulsion.</p> <p>Proposed Solution</p> <p>The current arrangements mean that a Party can receive an unexpected invoice for a small amount that it is expected to pay within short timescales or risk a resolution under Section H. This Modification therefore proposes to extend the payment timescales for Quarter Date Advice</p>	

Modification Proposal – BSCP40/03	MP No: P337 <i>(mandatory by BSCCo)</i>
<p>Notes below the ANTL to allow ELEXON to defer action to D+15, which is an additional 12 Business Days. It is reasonable to allow 15 Business Days to make payment in this specific event because Quarter Date Advice Notes are infrequent and the ANTL means that the value of such Advice Notes is limited (to less than £500).</p> <p>This would not affect the arrangements where an Advice Note value is above the ANTL of £500 (and if the value becomes greater than the ANTL during the 15 Business Days the existing above-ANTL rules would come into effect). The 15 Working Days would apply whether or not a Party has a LoC.</p>	
<p>Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by originator)</i></p> <p>Summary</p> <p>In circumstances relating to Quarter Date Advice Notes below the ANTL, a BSC Party may not have received an Advice Note for three months or longer. The Advice Note will request a payment between £0.01 and £500. It is often the case that a small irregular invoice is not processed by the BSC Party within three Business Days, and for the BSC this results in Payment Default.</p> <p>This can then result in a Default Funding Share (DFS) being processed, allocated to other Parties and then reversed as the Advice Note is received shortly after. This is an inefficient use of BSC resources and may cause confusion to Parties having Default Funding Share amounts on their Advice Notes with the defaulting Party identified.</p> <p>Detailed explanation</p> <p>ELEXON presented a paper to the Panel at its September 2015 meeting, detailing default activity for quarter 1 of the 2015 BSC Year. The Quarter Date occurred on 30 June 2015 with a Payment Date of 3 July 2015. There were 21 Quarter Date Advice Notes which were Payment Defaults at D+1. The Advice Notes totalled £958, for which:</p> <ul style="list-style-type: none"> • Five paid at D+1 • Four paid at D+2 • Seven had cash Credit Cover which was used at D+2 • Six did not pay and had no Credit Cover and had a total remaining debt of £326. <p>Five Parties were allowed to go beyond the D+2 deadline, at which point DFS should have been applied. ELEXON took the decision to delay action as the Parties were in contact with, and had agreed payment with, the Funds Administration Agent (FAA). At D+3 further payments reduced the outstanding debt to £107. This outstanding amount was made up of two Advice Notes, of which one was for only £0.07. The larger Advice Note was then paid at D+7, with the £0.07 amount paid at D+15.</p> <p>Due to the sums of money involved the issue was considered low risk to BSC Parties. Furthermore, correspondence with the non-paying Parties was positive, with Parties making an effort to pay as soon as possible. ELEXON advised the Panel that, if DFS was applied, the</p>	

Modification Proposal – BSCP40/03	MP No: P337 <i>(mandatory by BSCCo)</i>
<p>process to charge and reverse the DFS would take 10 working days and provide no benefit to BSC Parties.</p> <p>ELEXON added that the Parties involved would have been named as defaulting Parties on some Advice Notes. This prompts queries from industry regarding the reason for default. The reputational consequences of publishing a Party ID for a DFS are extreme compared to the values owed in the case of Advice Notes below the £500 ANTL.</p> <p>Notifying the Panel at D+3 to determine Section H Default Resolutions would not be an efficient use of BSC or Panel resources, particularly where non-paying Parties are active in arranging payment. This Modification therefore proposes an extension for Quarter Date Advice Notes, allowing action to be deferred but in any case not later than the 15th Business Day after the Affected Date.</p>	
Impact on Code <i>(optional by originator)</i>	
BSC Section N	
Impact on Core Industry Documents or System Operator-Transmission Owner Code <i>(optional by originator)</i>	
None anticipated	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by originator)</i>	
None anticipated	
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>We believe that this Modification will better facilitate Applicable BSC Objective (d) as allowing 15 Business Days discretion for Quarter Date Advice Notes below the ANTL will make the processes more efficient for BSC Parties, ELEXON and the Panel.</p>	
Is there a likely material environmental impact? <i>(optional by originator)</i>	
No	

Modification Proposal – BSCP40/03	MP No: P337 <i>(mandatory by BSCCo)</i>
Urgency Recommended: <i>(delete as appropriate) (optional by originator)</i>	
No	
Justification for Urgency Recommendation <i>(mandatory by originator if recommending progression as an Urgent Modification Proposal)</i>	
N/A	
Self-Governance Recommended: <i>(delete as appropriate) (optional by originator)</i>	
Yes	
Justification for Self-Governance Recommendation <i>(mandatory by originator if recommending progression as Self-Governance Modification Proposal)</i>	
<p>We believe this Modification meets the Self-Governance Criteria as it will have no material impact on:</p> <ul style="list-style-type: none"> • existing or future consumers; • competition; • the operation of the Transmission System; • wider market/network management issues or Code procedures; and • does not discriminate between different classes of Parties. 	
Fast Track Self-Governance Recommended: <i>(delete as appropriate) (optional by originator)</i>	
No	
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>	
No impact on any Significant Code Review anticipated.	
Details of Proposer:	
<i>Name:</i> BSC Panel	

Modification Proposal – BSCP40/03	MP No: P337 <i>(mandatory by BSCCo)</i>
Details of Proposer's Representative:	
<i>Name:</i> Panel Secretary	
<i>Organisation:</i> ELEXON	
<i>Telephone Number:</i> 020 7380 4043	
<i>Email Address:</i> bsc.change@elexon.co.uk	
Attachments: No <i>(delete as appropriate) (mandatory by originator)</i>	