

Modification Proposal – F76/01**MP No: 120***(mandatory by BSCCo)***Title of Modification Proposal** *(mandatory by originator):***Credit Cover during holiday Periods****Submission Date** *(mandatory by originator):***12th March 2003****Description of Proposed Modification** *(mandatory by originator)*

The Panel is required to set holiday periods for each year (e.g. the Christmas/New Year period and Easter).

Each party is permitted to set a holiday DC for each of BMU registered in SVA which shall be the value(s) defined in Section K3.4 with the exception that in K3.4.1 (a) and (b) “relevant BSC Season” be replaced by “relevant Holiday Period”. This will be in addition to its Seasonal DC.

At the start of each Holiday Period BSCCo will change the applied DC to be the holiday values, and at the end of the Holiday Period will reset them to the prevailing seasonal values.

For the purposes of M1.2.1, where a significantly lower DC than the seasonal DC applies, BSCCo will take this into account as:

“ substantial evidence ... to believe that the data to be derived from the Initial Settlement Run for that Trading Party and that Settlement Day are likely to be significantly different (in the context of that particular Trading Party) from the corresponding Interim Information Settlement Run data received by the ECVAA from the SAA in accordance with Section T5.3.5; ... the likelihood of such a significant difference ... may, if BSCCo so decides and to the extent that it materially affects matters, constitute a material doubt for the purposes of paragraph 3.4.3(a)(ii).”

This will result in a more appropriate and risk-reflective level of credit cover being required by the BSC.

This issue mainly effects BMUs registered in SVA, if similar circumstances arise in BMUs registered in CVA then a similar solution may apply.

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

Currently the levels of Credit Cover required to be provided by Suppliers at times of low demand during holiday periods are not reflective of the actual level of indebtedness of the Supplier. For a Supplier in the Industrial and Commercial sector demands over holiday period can be around 30% of average seasonal demands.

A Supplier who acts responsibly and aims to run with no exposure to the imbalance mechanism will normally only have modest levels of Energy Indebtedness (*indeed given current market conditions will normally be a creditor*). However, at times of low demand there are two problems:

1. the use of a seasonal average DC results in an unrealistically high level of Credit Assessment Energy Indebtedness during the Settlement Days for which the II run has not been completed.
2. the use of “same day of the week” at the II run to calculate Actual Energy Indebtedness distorts the balance between domestic demands and industrial/commercial demands.

It could be argued that the application of a significantly reduced CALF may be more appropriate but this is a less useful parameter in assessing material doubt in terms of the “same day of the week” calculation used to estimate Actual Energy Indebtedness and the effective result from reducing DC in the calculation of BMCAIC, for example, is identical.

These problems result in artificially high levels of Credit Cover being demanded and can unreasonably place such suppliers into credit default just when they are unable to raise additional credit, due to the non-banking days, and when the risk does not actually exist.

The appropriate level of credit cover should be representative of monies potentially owed; under these circumstances, this is not so.

This distortion of the competitive market is discriminatory against smaller Suppliers who specialise in the industrial and commercial sector, as the scale of the impact on their business is material, potentially placing them in breach of the Code.

Conversely, Suppliers with a relatively high proportion of domestic customers, who experience relatively higher demands over this period, benefit from this distortion.

Impact on Code *(optional by Originator)*

Modification Proposal – F76/01**MP No: 120***(mandatory by BSCCo)***Impact on Core Industry Documents** *(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)*

We believe this Modification is in line with Condition C3 (3)(a) to (c) of the Transmission Licence, namely: promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase (as defined in the Transmission Licence) of electricity.

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Details of Proposer:

Name...Keith Munday.

Organisation.....BizzEnergy

Telephone Number.....07976651122

Email Address.....keithm@bizzenergy.com.

Details of Proposer's Representative:

Name..... Maurice Smith

Organisation... Campbell Carr

Telephone Number.....01494432323

Email address..... m_smith@campbellcarr.co.uk

Details of Representative's Alternate:

Name..... Rob Barnett.....

Organisation.....Campbell Carr.....

Telephone Number.....01494432323.....

Email addressrobbarnett@ccarr1.freeserve.co.uk

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

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