

Responses from P76 Draft Report Consultation

Consultation issued 26 July 2002

Representations were received from the following parties:

| No | Company | File Number | No. Parties Represented |
|----|--------------------------------|-------------|-------------------------|
| 1. | TXU Energy | P76_MR_001 | 21 |
| 2. | British Gas Trading | P76_MR_002 | 1 |
| 3. | Aquila Networks | P76_MR_003 | 1 |
| 4. | LE Group | P76_MR_004 | 1 |
| 5. | SEEBOARD | P76_MR_005 | 1 |
| 6. | Scottish Power | P76_MR_006 | 5 |
| 7. | Scottish and Southern | P76_MR_007 | 4 |
| 8. | British Energy (late response) | P76_MR_008 | 3 |

P76_MR_001 – TXU Energy

Thank you for the opportunity to comment on Modification Proposal P76 (Anomalies Associated with Negative Levels of Credit Cover). This response is on behalf of all TXU Europe companies (21 BSC Parties).

TXU supports the recommendation that the Alternative Proposal be implemented. It is important that the current loophole is closed in order to protect the industry from bad debt risk. The Alternative Proposal provides a quick, cheap and efficient solution to the problem.

Yours faithfully

Nicola Roberts
Market Development Analyst
TXU Europe Energy Trading Ltd

P76_MR_002 – British Gas Trading

Modification Proposal 76: Anomalies Associated with Negative Levels of Credit Cover

Thank you for the opportunity of responding to this consultation. British Gas Trading Ltd (BGT) support the Panel's view that the alternative modification proposal should be implemented in preference to that originally proposed by ourselves in April of this year.

Although the Modification Group identified a more technically accurate solution to this defect the Alternative proposal recommended in the final report is the least cost way of meeting the intent of the original proposal. As such BGT believe it better facilitates the Applicable BSC Objectives by closing a loophole in the current Credit Cover Percentage equation and thus reducing the resultant credit risk faced by all BSC participants. Specifically we believe that this Alternative proposal furthers the promotion of competition in the generation and supply of electricity by removing what could constitute a barrier to entry to new entrants.

We hope these comments are helpful to you. Should you wish to discuss this issue further please do not hesitate to contact Catherine Robinson on 01753 758180.

Yours faithfully

Danielle Lane
Transportation Analyst

P76_MR_003 – Aquila Networks

Please find that Aquila Networks response to P76 Consultation on draft Modification Report is 'No Comment'.

regards
Rachael Gardener

Deregulation Control Group &
Distribution Support Office
AQUILA NETWORKS

P76_MR_004 – LE Group

P76

LE Group support the ELEXON recommendation that the alternative modification (option 2) be implemented. We agree that it fulfils BSC applicable objective (c), as by closing the existing loophole in the credit cover calculation the risk of bad debt is further decreased, which otherwise might be anti-competitive to other market participants.

P76_MR_005 – SEEBOARD

With reference to above mentioned proposal and draft modification report dated 25th July. We agree with recommendation that alternate modification, based on option 2, should be made and with implementation date detailed. From this report it is clear that this version could be rejected by the Authority and original proposal implemented instead. Our rejection of this original proposal, as a costly method for closing a potential loophole, still remains and as such we would not support original modification being made.

Dave Morton
SEEBOARD Energy Limited

P76_MR_006 – Scottish Power

Thanks for the opportunity to respond to the P76 Modification Report.

We refer to our previous comments in respect of this proposal and would wish to reiterate our support for P76 Alternative Option 2, which we believe, is the most cost effective and, along with the implementation of P2 in September 2002, will be the most appropriate solution.

We have considered the legal drafting to give effect to P76 Alternative and agree that it is appropriate.

I trust that you will find these comments helpful. Nonetheless, should you require further clarification of any of the above, please do not hesitate to contact me.

Yours Sincerely,

Man Kwong Liu
Calanais Ltd.

For and on behalf of: - *Scottish Power UK Plc.; Scottish Power Energy Trading Ltd.; Scottish Power Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.*

P76_MR_007 – Scottish and Southern Energy

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd.

Further to your note of 26th July 2002, and the associated Modification Report for P76, we agree with the proposed BSC Panel recommendation to the Authority that:-

- a) the Original Modification Proposal P76 should not be made; and
- b) the Alternative Modification Proposal P76 should be made.

If the Original or the Alternative Modification Proposal P76 is approved, we agree with the proposed BSC Panel recommendation on the timing for the Implementation Date, as outlined in Section 1.1 of the Modification Report.

Regards

Garth Graham
Scottish & Southern Energy plc

P76_MR_008 – British Energy

British Energy supports the intent of this modification to address an anomaly in the present BSC whereby a party's due but unpaid trading charges can cause its Energy Credit Cover as defined to become negative, which in turn can prevent it being placed in Credit Default even though its true indebtedness exceeds its lodged credit.

The modified credit cover percentage formula in the legal drafting for the original proposal requires clarification, in particular the use of brackets and signs. Without this clarification, we cannot be sure that it achieves the desired objective. Assuming it does, it is probably not as good a solution as "option 1" described in the report, and we note that the implementation costs are relatively high.

"Option 1" described in the draft modification report, to redefine credit cover and indebtedness such that due but unpaid trading charges are added to "indebtedness" instead of being subtracted from "credit cover" appears to be a conceptually pure solution, but we acknowledge that the implementation costs are a concern.

The alternative proposal, "Option 2" to prevent "credit cover" becoming negative at source at the FAA, is not as pure solution as "Option 1" but does nevertheless better meet the BSC objectives of promoting efficiency and competition by better facilitating a reduction in potential exposure of BSC parties to bad debt, at minimum implementation cost, and we support a recommendation to implement this alternative proposal.

Martin Mate
for
British Energy Power & Energy Trading Ltd
British Energy Generation Ltd
Eggborough Power Ltd