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MODIFICATION REPORT
MODIFICATION PROPOSAL P53-
Changes to DC, GC and CALF and
the Effect on Indebtedness

Prepared by ELEXON on behalf of the Balancing
and Settlement Code Panel

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a Authorities

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b Distribution

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Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
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Core Industry Document Owners	Various

c Related Documentation

Reference	Document
Reference 1	Assessment Report Modification Proposal P53 'Changes to DC, GC and CALF and the Effect on Energy Indebtedness' (MAR053 V1.0 14 February 2002)

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1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal during the Assessment Phase, and the resultant findings of this report, the BSC Panel recommends that:

The Proposed Modification, as set out in Section 6 of this Modification Report be approved, with an implementation date of thirty business days from any Authority decision to approve Modification Proposal P53.

1.2 Background

Modification Proposal P53 'Changes to DC, GC and CALF and the Effect on Energy Indebtedness' (Reference 1) was raised on 16 November 2001 by the Panel on the recommendation of BSCCo.

The Modification Proposal seeks to remove the obligation placed on the Energy Contract Volume Aggregation Agent (ECVAA) by the Code, Section M 1.2.4, to "*Upon any change in the value of BM Unit Credit Assessment Export Capability or BM Unit Credit Assessment Import Capability for a BM Unit, values of Energy Indebtedness (for relevant Trading Parties) shall be determined (in relation to Settlement Periods in and from the day on which, in accordance with paragraph 1.6, the change becomes effective) as though such change were effective with effect from the first of the 29 days referred to in paragraph 1.2.1.*"

The Panel considered the Initial Written Assessment for Modification Proposal P53 (Reference 2) at the meeting of 13 December 2001 and agreed to submit Modification Proposal P53 to a two month Assessment procedure to be undertaken by the Credit Modification Group (CMG), such that the Assessment Report for Modification Proposal P53 be submitted for consideration at the Panel meeting of 14 February 2002.

The CMG met on 7 January 2002 to assess Modification Proposal P53 and to determine the content and context for an industry consultation. The resulting consultation (Reference 3) was issued to industry on 25 January 2002. Responses from the consultation were received on 4 February 2002 and were circulated to the CMG for consideration and comment. The CMG, on consideration of the consultation responses (all of which supported Modification Proposal P53), did not believe that an additional Modification Group meeting was required and therefore the Assessment Report and the associated recommendations of the CMG were agreed by e-mail.

The Assessment Report for Modification Proposal P53 (Reference 1) was submitted for consideration at the Panel meeting of 14 February 2002. The Panel agreed with the recommendations of the CMG and agreed to submit Modification Proposal P53 to the Report Phase, with a recommendation that the proposed Modification be approved with an implementation date of thirty business days from any Authority decision to approve Modification Proposal P53.

1.3 Rationale for Recommendations

The Panel noted that the CMG, in addition to all (but one) of the assessment consultation responses, supported the Modification Proposal, and the CMG, supported by all of the assessment consultation responses, believe that Modification Proposal P53 better facilitates achievement of the Applicable BSC Objectives.

The Panel agreed with the CMG determination that the implementation of Modification proposal P53 would have a negligible effect on the quality of Credit Cover. Furthermore, the Panel agreed with the CMG's assertion that Modification Proposal P53 makes the credit cover arrangements more robust and increases efficiency in ELEXON's administration of these arrangements.

The Panel agreed with the CMG's belief that implementing Modification Proposal P53 enables more reliance on the reporting of Energy Indebtedness figures from the ECVAAs (on the basis that the calculations would be in line with the Code requirements after the implementation of this Modification).

On this basis, the Panel supports the CMG assertion that Modification Proposal P53 better facilitates achievement of the Applicable BSC Objectives 3(c) and 3(d), as follows:

- (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;
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd., on behalf of the Balancing and Settlement Code Panel ('the Panel'), in accordance with the terms of the Balancing and Settlement Code ('BSC'). The BSC is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the BSC.

This Modification Report is addressed and furnished to the Gas and Electricity Markets Authority ('the Authority') and none of the facts, opinions or statements contained herein may be relied upon by any other person.

An electronic copy of this document can be found on the BSC website, at www.elexon.co.uk

3 PURPOSE AND SCOPE OF THE REPORT

BSC Section F sets out the procedures for progressing proposals to amend the BSC (known as 'Modification Proposals'). These include procedures for proposing, consulting on, developing, evaluating and reporting to the Authority on potential modifications. This report has been drafted in accordance with the obligations set out in Section F of the Code.

4 HISTORY OF PROPOSED MODIFICATION

Modification Proposal P53 'Changes to DC, GC and CALF and the Effect on Energy Indebtedness' (Reference 1) was raised on 16 November 2001 under the provisions of the Balancing and Settlement Code (the Code), Section F 2.1.1 (d) (i) which allows a Modification Proposal to be raised by the Panel "on the recommendation of BSCCo in accordance with Section C 3.8.8" if the Panel believe that such Modification better facilitates achievement of the Applicable BSC Objectives, as set out in the Transmission Licence, Condition C3 paragraph 3.

The Modification Proposal seeks to remove the obligation placed on the Energy Contract Volume Aggregation Agent (ECVAA) by the Code, Section M 1.2.4, to "Upon any change in the value of BM Unit Credit Assessment Export Capability or BM Unit Credit Assessment Import Capability for a BM Unit, values of Energy Indebtedness (for relevant Trading Parties) shall be determined (in relation to

Settlement Periods in and from the day on which, in accordance with paragraph 1.6, the change becomes effective) as though such change were effective with effect from the first of the 29 days referred to in paragraph 1.2.1."

This section of the Code refers to the treatment of agreed changes within a BSC Season, and a modification is sought to bring the Code in line with the Central Services. The proposed modification does not impact the obligations relating to amendments to the value of these variables (Demand Capacity, Generation Capacity and Credit Assessment Load Factor) on BSC Season changes (specified under Section M 1.5 (CALF) and K 3.4 (DC / GC)).

The Panel considered the Initial Written Assessment for Modification Proposal P53 (Reference 2) at the meeting of 13 December 2001 and agreed to submit Modification Proposal P53 to a two month Assessment procedure to be undertaken by the Credit Modification Group (CMG), such that the Assessment Report for Modification Proposal P53 be submitted for consideration at the Panel meeting of 14 February 2002.

The CMG met on 7 January 2002 to assess Modification Proposal P53 and to determine the content and context for an industry consultation. The resulting consultation (Reference 3) was issued to industry on 25 January 2002. Responses from the consultation were received on 4 February 2002 and were circulated to the CMG for consideration and comment. The CMG, on consideration of the consultation responses (all of which supported Modification Proposal P53), did not believe that an additional Modification Group meeting was required and therefore the Assessment Report and the associated recommendations of the CMG were agreed by e-mail / telephone.

The Assessment Report for Modification Proposal P53 (attached) was submitted for consideration at the Panel meeting of 14 February 2002. The Panel agreed with the recommendations of the CMG and agreed to submit Modification Proposal P53 to the Report Phase, with a recommendation that the proposed Modification be approved with an implementation date of thirty business days from any Authority decision to approve Modification Proposal P53.

5 DESCRIPTION OF PROPOSED MODIFICATION

The proposed Modification is the removal of the obligation placed on the Energy Contract Volume Aggregation Agent (ECVAA) by the Code, Section M 1.2.4, to *"Upon any change in the value of BM Unit Credit Assessment Export Capability or BM Unit Credit Assessment Import Capability for a BM Unit, values of Energy Indebtedness (for relevant Trading Parties) shall be determined (in relation to Settlement Periods in and from the day on which, in accordance with paragraph 1.6, the change becomes effective) as though such change were effective with effect from the first of the 29 days referred to in paragraph 1.2.1."*

6 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

6.1 Conformed Version

Section M

- 1.2.4 ~~Upon any~~A change in the value of BM Unit Credit Assessment Export Capability or BM Unit Credit Assessment Import Capability for a BM Unit shall apply for the purposes of the determination of values of Credit Assessment Credited Energy Volume, ~~values of Energy Indebtedness~~ (for relevant Trading Parties) ~~shall be determined (in relation to respect of Settlement Periods in and from~~ and including the first Settlement Period of the day on which, in accordance with paragraph 1.6, the change becomes effective) ~~as though such change was effective with effect from the first of the 29 days referred to in paragraph 1.2.1.~~

6.2 Clean Version

Section M

- 1.2.4 A change in the value of BM Unit Credit Assessment Export Capability or BM Unit Credit Assessment Import Capability for a BM Unit shall apply for the purposes of the determination of values of Credit Assessment Credited Energy Volume (for relevant Trading Parties) in respect of Settlement Periods from and including the first Settlement Period of the day on which, in accordance with paragraph 1.6, the change becomes effective.

7 ASSESSMENT

The implementation of Modification Proposal P53 has the following impacts:

- The Balancing and Settlement Code, Section M 1.2.4; and
- Party systems and processes.

8 SUMMARY OF REPRESENTATIONS

Pending receipt of Draft Modification Report Consultation.

ANNEX 1 – REPRESENTATIONS

Pending receipt of consultation responses on the Draft Modification Report.