

Modification Proposal

MP No: P31
(mandatory by BSCCo)

Title of Modification Proposal (mandatory by proposer):

Waiving Of Charges Under Annex D3 (Section 3.1) Of The Balancing And Settlement Code For Parties Who Are Setting Up Their Operations During The Commissioning Periods With Effect From 27 March 2001; i.e. Retrospectively.

Submission Date (mandatory by proposer): 16 July 2001

Description of Proposed Modification (mandatory by proposer):

That with effect from 27 March 2001 (i.e. retrospectively) that the charges under Annex D-3 (section 3.1) be suspended for new entrants to the electricity market who are commissioning their infrastructure with a view to supply (or otherwise trade) in electricity in the England and Wales market during such commissioning stages until such time as they commence trading.

Description of Issue or Defect that Modification Proposal Seeks to Address (mandatory by proposer):

Currently the Balancing and Settlement Code or "BSC" requires that parties to pay charges, irrespective as to whether they are trading or not (whether they are commissioning their systems to commence trading or not.)

Although parties are (in theory) supposed to know the BSC back-to-front, that is not necessarily the case for all parties; specially new entrants who are faced not only with the issues of a complex business sector but also with the added problem of continuing changes.

Greenwich Energy Trading Limited or "GREN" is one such new entrant which is currently setting up its infrastructure to supply electricity. GREN has been encouraged by the NETA programme (together with all the NETA's Operational Support teams) ahead of the commencement date of 27 March 2001 to qualify and be ready under the BSC. As part of its setting up process, this advice and step has indeed proven to be very helpful.

Following an email in January 2001 from the Operational Support Team, GREN was advised that it would "probably have 12 default BMUs - one for each GSP area" and these were duly assigned. To assist in the setting up process it facilitate matters that such default BMUs are in fact assigned; however, under current rules the registering of such BMU's carry a monthly charge for each such BMU regardless as to whether the party is actually trading or not and regardless as to whether it is a party that is setting up its infrastructure or not.

For a new entrant like GREN which is currently setting up systems, the charges under Annex D3 (section 3.1) is high and punitive and furthermore, in the case of GREN, it was not even aware that such charges were payable during the setting up periods; consequently:

(1) These charges are not in the best interest of promoting competition to the extent that it is high and punitive for a non-trading party during its setting up stages; and

(2) these charges are cumbersome to the administration of BSC to the extent that all new entrants would claim that such charges are "anti-competition," act as a further high barrier to entry and as such would make a similar attempt like GREN to claim the same; this in turn will have a negative effect on the efficiency of the entry process.

It is therefore in the best interest of all parties that such charges be suspended during the setting up stages.

Impact on Code (optional by proposer):

Impact on Core Industry Documents (optional by proposer):

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MP No: P31
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Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties (optional by proposer):

Impact on other Configurable Items (optional by proposer):

Justification for Proposed Modification with Reference to Applicable BSC Objectives (mandatory by proposer):

(i) 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.

These charges are not in the best interest of promoting competition to the extent that it is high and punitive for a non-trading party during its setting up stages. It is therefore in the best interest of all parties that such charges be suspended during the setting up stages.

(ii) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

These charges are cumbersome to the administration of BSC to the extent that all new entrants would claim that such charges are "anti-competition," act as a further high barrier to entry and as such would make a similar attempt like GREN to claim the same; this in turn will have a negative effect on the efficiency of the entry process.

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Attachments: NO

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