

ANNEX 1 – REPRESENTATIONS

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	TXU	P11_MR_001	14
2.	British Gas Trading	P11_MR_002	4
3.	SEEBOARD	P11_MR_003	1
4.	British Energy	P11_MR_004	3
5.	ScottishPower UK Plc	P11_MR_005	5
6.	Innogy	P11_MR_006	6
7.	Bizzenergy	P11_MR_007	1

P11_MR_001 – TXU

Thank you for the opportunity to comment on the above proposal. TXU Europe Energy Trading Ltd, on behalf of all TXU Europe companies (14), would like to make the following comments. TXU supports the recommendation that both the modification proposal and the alternative proposal should be rejected.

Regards
Nicola Lea
Market Development Analyst
TXU Europe Energy Trading Ltd.

P11_MR_002 – British Gas Trading

Modification Proposal 11: Revision of Minimum Credit Cover Requirements

Thank you for the opportunity of responding to this modification. This response is on behalf of British Gas Trading, Accord, Centrica King's Lynn and Centrica Peterborough.

We do not support the implementation of this modification proposal. We do not believe P11 provides a good measure of potential indebtedness as:

- Energy Indebtedness (EI) does not accurately reflect actual indebtedness,
- Behaviour of a distressed party may change prior to default, invalidating historic data,
- As EI/actual indebtedness may be seasonal values in one season may not be a good predictor of exposure in other periods.

Also once P2 is implemented the credit arrangements in the BSC will be significantly more robust. Calculated indebtedness will provide a good measure of actual indebtedness and the speed of the level ½ default process limits the amount of additional indebtedness a distress party can build up.

The proposed modification, and its alternative do not further the Applicable BSC Objectives. Indeed the introduction of P11 would result in a barrier to entry and as such undermine the Objective c) .

Yours faithfully,
Danielle Lane
Transportation Analyst

P11_MR_003 – SEEBOARD

SEEBOARD agrees with the recommendations contained in this report that both the modification proposal and the alternative modification should be rejected.

Sue Fraser
for Dave Morton
0190 328 3465

P11_MR_004 – British Energy

British Energy have no further comments to add to those of the 30/10/01

Regards
Rachel Ace
British Energy Generation
British Energy Power and Energy Trading
Eggborough Power Ltd

P11_MR_005 – ScottishPower UK Plc

Modification Proposal P11 Draft Modification Report Consultation

I thank for the opportunity to comment on the above. In response to this consultation, I would refer you to our previous comments on the Mod Proposal when we supported the Mod. We are therefore extremely disappointed that P11, in any guises, are being recommended for rejection.

As the proposal seeks to revise the credit cover requirements in order to increase the likelihood that any party defaulting on their trading charges would have sufficient credit cover in place hence reducing the financial loss of other trading parties. SP still recognises the need to ensure that the risk of financial loss is mitigated as efficiently as possible. The argument that this proposal would hinder competition in the generation and supply of electricity is debatable. The point is recognised however it is imperative that parties that are operating in the industry should have adequate protection over entrants that do not have robust processes in place to ensure that they are effectively mitigating their own risk. The Industry has now experienced two credit events the insolvency of Independent Energy and the Enron Group. The impact associated with the latter has still to be quantified and it highlights there is a requirement to ensure external protection to the parties that employ robust credit processes internally.

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: - **ScottishPower UK Plc.**
SP Energy Trading Ltd.
SP Generation Ltd.
Scottish Power Energy Retail Ltd.
Emerald Power Generation Ltd.

P11_MR_006 – Innogy

Please find attached Innogy's response to the Draft Modification Report in respect of P45, representing

Innogy plc, npower Limited, Innogy Cogen Trading Limited, npower Direct Limited, npower Northern Limited, npower Yorkshire Limited.

The Innogy group welcome the Panel's decision to reject Modification P11 and the associated Alternative Modification.

In the light of this decision we would like to take this opportunity to highlight a potential danger within the P2 credit calculation. From September 2002, the credit cover methodology relies on the Interim Initial Settlement run, performed at D+5. There have been many inaccuracies that have entered the Settlement calculations due to CDCA data quality issues, which, of course, are reported within the II Settlement Run. If data of this quality is used within the P2 credit calculations, then there is a substantial risk that parties will be forced into credit default through no-one's fault but that of the central service provider. We are aware that Elexon have initiated an internal project addressing the data quality of the CDCA, and we fully support this. Additionally, we feel that the CDCA might improve their efforts if they are more aware of the commercial implications on Trading Parties of any errors within this data in the future.

Ben Willis
Npower Ltd.

P11_MR_007 – Bizzenegy

P11 Modification – Consultation

With regard to P11 proposals, Bizzenegy does not support such a modification because it places arbitrary obligations upon parties that have no relationship to their actual positions.

Many Thanks

Keith Munday

**Director of Trading
Bizzenegy Ltd**