

Responses from P215 Report Phase Consultation

Consultation Issued on 20 February 2008

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	SAIC Ltd. (for and on behalf of ScottishPower)	P215_dMR_01	7	0
2.	National Grid	P215_dMR_02	1	0
3.	Uskmouth Power Limited	P215_dMR_03	1	0
4.	Scottish and Southern Energy plc	P215_dMR_04	8	0
5.	RWEpower	P215_dMR_05	10	0
6.	British Energy	P215_dMR_06	5	0

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BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views, or to provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	Gary Henderson
Company Name:	SAIC Ltd. (for and on behalf of ScottishPower)
No. of BSC Parties Represented	7
Parties Represented	ScottishPower Energy Management Ltd, ScottishPower Generation Ltd, ScottishPower Energy Retail Ltd, SP Transmission Ltd, SP Manweb plc, SP Distribution Ltd, CRE Energy Limited
No. of Non BSC Parties Represented (e.g. Agents)	0
Non Parties represented	N/A
Role of Respondent	Supplier / Generator / Trader / Consolidator / Exemptible Generator / Distributor
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P215 SHOULD NOT be made? Please give rationale.	Yes	Although we believe that the Proposed Modification is better than the current baseline, the Alternative does provide a superior solution. Therefore we agree the Proposed should not be made.
2	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P215 SHOULD be made? Please give rationale.	Yes	The Alternative provides a superior solution over the Proposed, and therefore should be made.

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Q	Question	Response	Rationale
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P215? Please give rationale.	Yes	The change should be implemented as soon as possible to realise the benefits identified.
4	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solutions agreed by the Modification Group for P215 Proposed and Alternative? Please give rationale.	Yes	The legal text provides the correct changes to the Code to implement the planned changes.
5	Are there any further comments on P215 that you wish to make?	No	

Please send your responses by **12:00** noon on **Tuesday 4 March 2008** to modification.consultations@elexon.co.uk and please entitle your email '**P215 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Dean Riddell on 0207 280 4366, email address dean.riddell@elexon.co.uk.



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Respondent:	Lilian Macleod
Company Name:	National Grid Electricity Transmission plc
No. of BSC Parties Represented	1
Parties Represented	Transmission Company
No. of Non BSC Parties Represented (e.g. Agents)	N/A
Non Parties represented	N/A
Role of Respondent	Transmission Company
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1	<p>Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P215 SHOULD NOT be made?</p> <p>Please give rationale.</p>	Yes	<p>We agreed with the Panel's view that the P215 Proposed Modification as outlined in the Modification report should not be recommended to the Authority for approval/implementation.</p> <p>Although we believe that improvements should be made to the current BSC credit arrangements we are concerned that the original Proposed Modification may result in a certain sub category of BMU participants being under-securitised against their credit exposure. This would be detrimental to the industry as a whole. We are also concerned that the Proposed Modification will introduce an incentive for Parties to amend their FPN to benefit their credit position at the expense of their accuracy and usefulness to the System Operator.</p>

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Q	Question	Response	Rationale
2	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P215 SHOULD be made? Please give rationale.	Yes	We agreed with the Panel's view that the P215 Alternative Modification as outlined in the Modification report should be recommended to the Authority for approval/implementation. In National Grid's view the Alternative Modification would provide a more accurate estimation of Metered Volumes and consequently a more appropriate calculation of credit cover due to the utilisation of actual Metered Volume data.
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P215? Please give rationale.	Yes	The implementation dates appear reflective of the planning release dates and of system changes required to introduce the change.
4	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solutions agreed by the Modification Group for P215 Proposed and Alternative? Please give rationale.	Yes	
5	Are there any further comments on P215 that you wish to make?	No	

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Respondent:	Rebecca Williams
Company Name:	Uskmouth Power Limited
No. of BSC Parties Represented	1
Parties Represented	Uskmouth Power
No. of Non BSC Parties Represented (e.g. Agents)	None
Non Parties represented	
Role of Respondent	Generator
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P215 SHOULD NOT be made? Please give rationale.	No	The proposed modification P215 would better facilitate the achievement of Applicable BSC Objective (c) as a result of FPN's being a more accurate proxy for metered volumes for the qualifying BM Units in aggregate, compared to the current baseline. The proposed modification would also better facilitates the achievement of Applicable BSC Objective (d) by simplifying the current arrangements i.e. administration of the CALF process and appeals and monitoring CALF values.
2	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P215 SHOULD be made? Please give rationale.	Yes	Alternative Modification P215 would better facilitate the achievement of Applicable BSC Objective (c) due to the inclusion of FPN and BOA data in the CEI calculation increasing the accuracy. This alternative proposal also facilitates the achievement of Applicable BSC Objective (d) by the administrative burden associated with the Credit Cover arrangements being reduced due to fewer CALF appeals, the use of FPN and metered volumes

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Q	Question	Response	Rationale
			increases accuracy, leading to an increase in efficiency.
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P215? Please give rationale.	Yes	The lengthy lead time associated with the implementation of the Alternative Modification is rather disappointing. However due to cost considerations, combining the delivery date with a BSC release is appropriate.
4	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solutions agreed by the Modification Group for P215 Proposed and Alternative? Please give rationale.	Yes	Uskmouth agreed that the legal text reflects the intentions of P215 Proposed and Alternative Modification.
5	Are there any further comments on P215 that you wish to make?	No	

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Respondent:	Garth Graham
Company Name:	Scottish and Southern Energy plc
No. of BSC Parties Represented	8
Parties Represented	SSE Energy Supply Ltd., SSE Generation Ltd., Keadby Generation Ltd., Medway Power Ltd., SSE (Ireland) Ltd., Slough Energy Supplies Ltd., Southern Electric Power Distribution plc., Scottish Hydro-Electric Power Distribution Ltd.
No. of Non BSC Parties Represented (e.g. Agents)	0
Non Parties represented	N/A
Role of Respondent	Supplier/Generator/Trader/Distributors
Does this response contain confidential information?	

Q	Question	Response	Rationale
1	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P215 SHOULD NOT be made? Please give rationale.	Yes	Historical analysis indicates that FPNs tend to be overestimated on average. The use of FPN as a proxy for a generator's metered volume in the CEI window of the credit calculation (without any recognition of deviation from FPN for BOAs and/or adjustments in plant capability), would tend to systematically overestimate the value of generation in the credit model. This would lead to the market being inadequately securitised and impose greater levels of bad debt risk upon market participants.
2	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P215 SHOULD be made?	Yes	Introduction of actual metered volumes at the earliest opportunity is desirable as it quantifies the actual volume at risk much sooner, albeit with the application of imperfect price data (i.e. CAP). Couple with a short period of FPN use within the CEI window, the accuracy of the energy imbalance

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Q	Question	Response	Rationale
	Please give rationale.		aspect of the credit model is significantly improved. Crucially, the improved accuracy of estimating volumes at risk better securitises the market against bad debt risk than the current model for certain BM Units. Currently, the meter volume proxies for these BM Units are consistently and vastly overestimated within the current credit model, which results in an underestimation of security requirements.
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P215? Please give rationale.	Yes	
4	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solutions agreed by the Modification Group for P215 Proposed and Alternative? Please give rationale.	Yes	It appears to.
5	Are there any further comments on P215 that you wish to make?	No	Nothing further at this time.

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Respondent:	Edward Hunter
Company Name:	RWEnpower
No. of BSC Parties Represented	10
Parties Represented	RWE Trading GmbH; RWE Npower Plc; Npower Cogen Trading Ltd; Npower Direct Ltd; Npower Ltd; Npower Northern Ltd; Npower Northern Supply Ltd; Npower Yorkshire Ltd; Npower Yorkshire Supply Ltd; Great Yarmouth Power Ltd.
No. of Non BSC Parties Represented (e.g. Agents)	None
Non Parties represented	None
Role of Respondent	Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent.
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1	<p>Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P215 SHOULD NOT be made?</p> <p>Please give rationale.</p>	Yes	<p>Consistent with the majority view of the modification group npower agree that the Proposed Modification P215 SHOULD NOT be made.</p> <p>Applicable BSC objective C is not fulfilled by the proposed modification due to the following:</p> <ul style="list-style-type: none"> FPNs alone do not accurately represent the metered volumes of certain BMU unit types therefore do not promote competition. A move to the use of FPNs alone could cause a systematic underestimation of metered volumes for certain BMUs at considerable risk to market Parties and new entrants. FPNs alone do not secure against Bid and Offer volumes or

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Q	Question	Response	Rationale
			<p>cashflows.</p> <ul style="list-style-type: none"> There is a small risk of gaming by Parties submitting inaccurate FPNs to reduce their credit cover exposure or in the event of imminent default increasing risk to other Parties.
2	<p>Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P215 SHOULD be made?</p> <p>Please give rationale.</p>	Yes	<p>Consistent with the majority view of the modification group npower agree that the Alternative Modification P215 SHOULD be made.</p> <ul style="list-style-type: none"> Alternative modification P215 reduces the number of CALF appeals and therefore administrative burden on both Parties and Elexon. (Objective d.) The earlier inclusion of actual metered volumes into the equation reduces the risk of systematic under/over estimation of certain BMU metered volumes. The use of actual metered volumes goes some way to mitigating the risk of lack of Bid and Offer data. The earlier inclusion of actual metered volumes decreases the period of time available to game FPNs, therefore any possible benefit that could be gained. Actual metered volumes accurately represent the value at risk. Analysis presented by the Modification Group showed a clear benefit/accuracy improvement in the event of plant trip
3	<p>Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P215?</p> <p>Please give rationale.</p>	Yes	<p>Yes – Implementation of the P215 Alternative Solution requires only minor changes to our systems.</p>
4	<p>Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solutions agreed by the Modification Group for P215 Proposed and Alternative?</p>	Yes	<p>Npower agrees with the Panel's view that the legal text delivers the solutions required by the Modification Group.</p>

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Q	Question	Response	Rationale
	Please give rationale.		
5	Are there any further comments on P215 that you wish to make?	No	-

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Respondent:	Martin Mate
Company Name:	British Energy
No. of BSC Parties Represented	-
Parties Represented	British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, British Energy Direct Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd
No. of Non BSC Parties Represented (e.g. Agents)	-
Non Parties represented	-
Role of Respondent	Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P215 SHOULD NOT be made? Please give rationale.	No	<p>The proposal would provide a considerable improvement in the accuracy of calculation of indebtedness over the current arrangements, and would carry a large part of consequent benefits, at lower cost and sooner than the alternative.</p> <p>Although systematic small overestimation of PN's could lead to small underestimation of indebtedness, the current very large 'arbitrary' errors in either direction would be eliminated, and there would be far more confidence that genuine indebtedness would be identified. Note that setting Credit Assessment Price as an estimate of SBP on an assumption that this is the price likely to be faced by parties in financial difficulty is a cautious approach.</p> <p>We consider the risk of parties deliberately abusing the arrangements in the event of financial difficulty is relatively small, and acceptable compared with the considerable extra costs of the alternative, which would still not provide total protection due to the 2 working</p>

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Q	Question	Response	Rationale
			day period, which would often mean estimation over 4 days or more.
2	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P215 SHOULD be made? Please give rationale.	Yes/No	We are not convinced that the additional cost and delay of the alternative over and above the 'original' proposal justifies the marginal extra accuracy in determination of party indebtedness. The majority of benefits would be achieved by the 'original' proposal, and we believe there may be a simpler and less expensive way of achieving the same additional benefit as the alternative, that is to simply move forward the II Settlement Run. The alternative adds what is effectively an additional settlement run for the purpose of estimating indebtedness, which would require more costly development both centrally (£304k compared with £179k for the 'original') and by parties (indications as much as £50k/party compared with £15k/party).
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P215? Please give rationale.	Yes	It is disappointing that the Panel's provisionally preferred alternative option cannot be implemented until 7 months after the 'original' proposal, particularly given that just a two months delay in the assessment process has led to this outcome. Although the alternative would give a more accurate solution, we are unsure that the extra cost and delay justifies this accuracy, and there may be other solutions which could give the same enhancement at lower cost.
4	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solutions agreed by the Modification Group for P215 Proposed and Alternative?	Yes/No	Not checked.
5	Are there any further comments on P215 that you wish to make?	Yes/No	As mentioned above in relation to the alternative proposal, we think that moving forward the II run within the existing process could be a preferable way of capturing generator and other CVA meter data earlier. This would reduce the requirement for expensive and lengthy system development both centrally and by participants.

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