

<p align="center"><b>Modification Proposal – BSCP40/03</b></p>	<p align="center">MP No: 215 <i>(mandatory by BSCCo)</i></p>
<p><b>Title of Modification Proposal</b> <i>(mandatory by originator)</i>: <b>Revised Credit Cover Methodology for Generating BM Units.</b></p>	
<p><b>Submission Date</b> <i>(mandatory by originator)</i>: 27 July 2007</p>	
<p><b>Description of Proposed Modification</b> <i>(mandatory by originator)</i> The proposal is to modify Section M1.2 of the BSC for generating BM Units (where the definition of which BM Units this applies to should be defined during the modification process), replacing the BMCAEC of the CAQCE in the calculation of Credit Assessment Energy Indebtedness (CEI) with Final Physical Notification (FPN).</p>	
<p><b>Description of Issue or Defect that Modification Proposal Seeks to Address</b> <i>(mandatory by originator)</i></p> <p>The modification seeks to address the way in which the CEI is calculated for generating BM Units. At present, the CEI is calculated for each Trading party using an estimate of the BM Unit generation or demand, as attributable to the Party’s Energy Accounts and compared with the Party’s contracted volume. For example, for generating BM Units, this estimate of generation is based on a Seasonal estimate; GC (maximum generation for the relevant BSC Season as notified by the Party) times CALF (calculated for the BSC Season using the previous year’s load factor across the equivalent BSC Season), and therefore has little relevance to current or future trading activity.</p> <p>The proposal would replace the BMCAEC element of the Credit Assessment Credited Energy Volume (CAQCE) with the generating BM Unit’s FPN. This may be considered more accurate, as historic performance and GC/DC values that are submitted for a 3 month period may bear little relation to what a particular generating BM Unit might be currently producing.</p> <p>The proposal seeks to use FPN to determine the credit cover required by a generating BM Unit thus allowing an accurate calculation, at the appropriate level that reflects the risks posed to that market than at present, through GC/DC and CALF values.</p> <p>The proposal has been limited to the category of generating BM Units on the basis of only FPN data being available for generating BM Units close to real time. The proposal seeks to use the FPN data that is available for generating BM Units to prevent excess credit being requested, via the current methodology of GC and CALF values, thus creating greater efficiency. We recognise that this proposal creates a difference in the way in which the credit requirement methodology is calculated for generating BM Units compared to supplier BM Units; however this is due to the lack of real time data being available for supplier BM Units. The proposal attempts to make better use of the available data and therefore should not be considered discriminatory. Uskmouth believes that more accurate credit cover calculations may be possible for other BM units, but this proposal does not seek to address all credit cover calculations.</p>	

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<p><b>Impact on Code</b> <i>(optional by originator)</i>  The proposal seeks the amendment of Para 1.2 of Section M of the BSC to include special provisions for generating BM Units and the consequent changes to be made to the CALF Guidelines.</p>	
<p><b>Impact on Core Industry Documents or System Operator-Transmission Owner Code</b> <i>(optional by originator)</i></p>	
<p><b>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties</b> <i>(optional by originator)</i>  The CEI calculation would need to pick up the FPN data for each generating BM Unit, rather than the relevant GC/DC and CALF values.</p>	
<p><b>Impact on other Configurable Items</b> <i>(optional by originator)</i></p>	
<p><b>Justification for Proposed Modification with Reference to Applicable BSC Objectives</b> <i>(mandatory by originator)</i>  The need for lodging funds to cover the potential risks to the market is understood and accepted. The defect arises as the BSC calculations give an inaccurate reflection of a Party’s activity and the associated risk they pose to the market. Furthermore the current calculation results in “excess credit” being lodged, at a cost to the industry which is ultimately born by customers. By amending the current credit cover methodology for generating BM Units, it would remove a financial burden being placed on current and potential new Parties that have generating BM Units, through avoiding credit cover being posted for an inaccurate determination of the indebtedness. As well as reducing costs, the use of FPN as a parameter in the CEI part of the credit cover calculation will better reflect the trading risk posed by the Parties.  For these reasons, Uskmouth Power believes that this modification would better meet Applicable BSC Objectives (c), the promotion of 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. The proposed solution will ensure that generating BM Unit’s energy indebtedness is more accurately calculated and all party risks better managed. This will ensure the posting of a representative amount of credit cover, at an economically efficient level to meet the desired objective of the BSC credit cover arrangements, i.e. to cover all party risk while not incurring excessive costs. This should reduce barriers to entry and thereby encourage competition in the sale and generation of electricity.  Applicable BSC Objectives (d), the promotion of efficiency in the implementation and administration of the balancing and settlement arrangements, is also achieved through a reduction in effort required by BSCCo to handle CALF issues such as seasonal calculation and appeals processes. It is also more efficient for the market as a whole to have arrangements that achieve the “right” level of credit cover to manage the risk.</p>	

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<b>Urgency Recommended: No</b> <i>(delete as appropriate) (optional by originator)</i>	
<b>Justification for Urgency Recommendation</b> <i>(mandatory by originator if recommending progression as an Urgent Modification Proposal)</i>	
<b>Details of Proposer:</b>	
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<b>Details of Proposer's Representative:</b>	
<i>Name... Rekha Patel.....</i>	
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<b>Details of Representative's Alternate:</b>	
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<b>Attachments: No</b> <i>(delete as appropriate) (mandatory by originator)</i>	
<b>If Yes, Title and No. of Pages of Each Attachment:</b>	