

Responses from P181 Urgent Modification Consultation

Consultation Issued 23 November 2004

Representations were received from the following parties

| No | Company | File number | No BSC Parties Represented | No Non-Parties Represented |
|------------|-------------------------------|--------------------|-----------------------------------|-----------------------------------|
| 1. | RWE Trading | P181_UM_001 | 10 | 0 |
| 2. | Teesside Power Limited | P181_UM_002 | 1 | 0 |
| 3. | Central Networks | P181_UM_003 | 1 | 0 |
| 4. | Scottish Power | P181_UM_004 | 6 | 0 |
| 5. | British Energy | P181_UM_005 | 3 | 0 |
| 6. | Utility Link Ltd | P181_UM_006 | 1 | 0 |
| 7. | Scottish and Southern | P181_UM_007 | 7 | 0 |
| 8. | British Gas Trading | P181_UM_008 | 1 | 0 |
| 9. | E.ON UK | P181_UM_009 | 15 | 0 |
| 10. | National Grid Transco | P181_UM_010 | 1 | 0 |
| 11. | BizzEnergy | P181_UM_011 | 1 | 0 |

P181 URGENT MODIFICATION CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or 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: | <i>Bill Reed</i> |
| No. of Parties Represented | <i>10</i> |
| Parties Represented | <i>Please list all Parties responding on behalf of (including the respondent company if relevant). RWE Trading GmbH; RWE Npower Ltd; Npower cogen Ltd; Npower cogen trading Ltd; Npower Direct Ltd; Npower Ltd; Npower northern Ltd; Npower northern supply Ltd; npower yorkshire Ltd; npower yorkshire supply Ltd.</i> |
| No. of Non Parties Represented | <i>None</i> |
| Non Parties represented | <i>Please list all non Parties responding on behalf of (including the respondent company if relevant). None</i> |
| Role of Respondent | <i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state ¹) Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent</i> |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----------|---|---|--|
| 1. | Do you believe Proposed Modification P181 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s) | No | When assessed against the current BSC baseline, the proposal to delay settlement would not better facilitate the BSC objectives, particularly Objective C relating to competition. The proposal would: <ul style="list-style-type: none"> i) have important cashflow implications for BSC parties by delaying payments due or from parties; and ii) set an unfortunate precedent that could enable parties to avoid payment liabilities if they were to enter administration prior to payments becoming due. |
| 2. | Do you believe that the draft legal text provided in the consultation document correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale. | Yes | It would seem to be appropriate to insert a specific reference to the trading dispute in the Code. |

¹ Delete as appropriate – please do not use strikethrough, this is to make it easier to analyse the responses

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----|---|--|---|
| 3. | Do you support the implementation approach described in the consultation document? Please give rationale. | Yes | Implementation, if approved, should be expedited. |
| 4. | Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale | No | |
| 5. | Does P181 raise any issues that you believe have not been identified so far and that should be assessed by the Modification Group? Please give rationale | No | |
| 6. | Are there any further comments on P181 that you wish to make? | No | |

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12:00 midday on Monday 29 November 2004** to modification.consultations@elxon.co.uk and please entitle your email 'P181 **Urgent Modification 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 Tom Bowcutt on 020 7380 4309, email address Thomas.bowcutt@elxon.co.uk.

P181 URGENT MODIFICATION CONSULTATION QUESTIONS

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| | |
|---------------------------------------|-------------------------------|
| Respondent: | <i>Teesside Power Limited</i> |
| No. of Parties Represented | <i>1</i> |
| Parties Represented | <i>Teesside Power Limited</i> |
| No. of Non Parties Represented | |
| Non Parties represented | |
| Role of Respondent | <i>Generator</i> |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----------|---|---|--|
| 1. | Do you believe Proposed Modification P181 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s) | No | TPL believe that it is inappropriate to amend the rules regarding settlement of Emergency Instructions retrospectively and hence the Settlement run should be run as scheduled on 15 th December 2004 |
| 2. | Do you believe that the draft legal text provided in the consultation document correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale. | N/A | |
| 3. | Do you support the implementation approach described in the consultation document? Please give rationale. | N/A | |
| 4. | Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale | N/A | |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----|---|--|-----------|
| 5. | Does P181 raise any issues that you believe have not been identified so far and that should be assessed by the Modification Group? Please give rationale | N/A | |
| 6. | Are there any further comments on P181 that you wish to make? | N/A | |

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P181_UM_003.txt

P181 Urgent Modification Consultation - responses requested by 12:00
29/11/2004
From: Sue Pritchard
Sent: 29 November 2004 10:26
To: Modification Consultations
Cc: Sue Pritchard
Subject: RE: P181 Urgent Modification Consultation - responses requested by
12:00 29/11/2004

Dear all,

Central Networks would like to send a response of 'No Comment' for Modification
Consultation P181

Thank you

Julie Turner

P181 URGENT MODIFICATION CONSULTATION QUESTIONS

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| | |
|---------------------------------------|---|
| Respondent: | Man Kwong Liu (SAIC Ltd) |
| No. of Parties Represented | 6 |
| Parties Represented | <i>Please list all Parties responding on behalf of (including the respondent company if relevant).</i> |
| No. of Non Parties Represented | 0 |
| Non Parties represented | <i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i> |
| Role of Respondent | <i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state¹)</i> Supplier / Generator / Trader / Consolidator / Exemptable Generator |

| Q | Question | Response ¹ | Rationale |
|----|---|-----------------------|---|
| 1. | Do you believe Proposed Modification P181 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s) | No | The PSMG has identified that any continuation of the delay to the correct settlement of the Emergency Instruction of 19 May will only prolong the cross subsidy which currently exists between those Parties which suffered a disbenefit from NGC's failure to enter the BOA into settlement as required by the Code and those which are currently benefiting from this incorrect settlement. This is clearly detrimental to the achievement of applicable objective (c), the promotion of effective competition... Furthermore, it was open to any Party to refer the decision of the TDC regarding the date of entry of the data into settlement to the Panel under the provisions of Section W of the Code. To introduce modifications to the Code to alter a TDC decision after failing to utilise available remedies will not facilitate achievement of applicable objective (d), promoting efficiency in the implementation and administration.... |

¹ Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

| Q | Question | Response ¹ | Rationale |
|----|---|-----------------------|--|
| 2. | Do you believe that the draft legal text provided in the consultation document correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale. | Yes | Notwithstanding the fact that we do not support P181, if the Authority decides to implement this Modification, the legal text seems appropriate. |
| 3. | Do you support the implementation approach described in the consultation document? Please give rationale. | Yes | If the Authority are unable to make a decision on this modification by 10 December then settlement should take place as planned with the BOA included. |
| 4. | Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale | No | |
| 5. | Does P181 raise any issues that you believe have not been identified so far and that should be assessed by the Modification Group? Please give rationale | No | |
| 6. | Are there any further comments on P181 that you wish to make? | No | |

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| | |
|---------------------------------------|--|
| Respondent: | <i>John Capener</i> |
| No. of Parties Represented | <i>3</i> |
| Parties Represented | <i>British Energy Generation Ltd, Eggborough Power Ltd, British Energy Power & Energy Trading Ltd</i> |
| No. of Non Parties Represented | |
| Non Parties represented | <i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i> |
| Role of Respondent | <i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator/ Party Agent</i> |

| Q | Question | Response | Rationale |
|----------|-----------------|------------------------------|------------------|
| | | Error! Bookmark not defined. | |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----|---|--|--|
| 1. | Do you believe Proposed Modification P181 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s) | No | <p>British Energy Does not support P181 and does not consider that it would better facilitate the BSC objectives when compared with the present baseline for the following reasons:</p> <ul style="list-style-type: none"> • P181 would introduce a cross subsidiary from those who benefit from the Emergency Instruction to those at disbenefit, this would have a negative impact on competition and be detrimental to Applicable BSC Objective c). It is worth noting that this cross subsidiary has already occurred for the period between SF and R3, due to the delay in entering the Acceptance into Settlement at the SF Run, and P181 would only serve to prolong the situation. • Any deferral of liabilities, via a delay to Reconciliation as proposed by P181, would prolong the risk faced by the market and would be detrimental to Applicable BSC Objective c); <p>British Energy considers that P181 would be detrimental to achievement of the Applicable BSC Objectives as compared to the existing baseline.</p> |
| 2. | Do you believe that the draft legal text provided in the consultation document correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale. | No | British Energy does not accept that there is a defect or issue associated with the Code. The impact of the Emergency Instruction on settlement was entirely foreseeable, the BSC rules and systems did precisely what they were supposed to do. |
| 3. | Do you support the implementation approach described in the consultation document? Please give rationale. | Yes | While not supporting the P181 the proposals for implementation (based on the need for an Authority Decision 3 working Days before the 15 th December at the R3 run) seem pragmatic. |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----|---|--|-----------|
| 4. | Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale | No | |
| 5. | Does P181 raise any issues that you believe have not been identified so far and that should be assessed by the Modification Group? Please give rationale | No | |
| 6. | Are there any further comments on P181 that you wish to make? | Yes / No | |

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| | |
|---------------------------------------|--|
| Respondent: | <i>Utility Link Ltd</i> |
| No. of Parties Represented | <i>One</i> |
| Parties Represented | <i>Utility Link Ltd</i> |
| No. of Non Parties Represented | |
| Non Parties represented | <i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i> |
| Role of Respondent | <i>Supplier / Consolidator</i> |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----------|---|---|--|
| 1. | Do you believe Proposed Modification P181 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s) | Yes | Without a delay to Reconciliation as proposed by P181 small suppliers are likely to be disproportionately affected which will be detrimental to competition. This is a result of small suppliers' contract position being more likely to be long than in the case of large suppliers because NETA incentivises them in this manner, eg: <ul style="list-style-type: none"> • small suppliers are unable to support 24/7 trading activity and hence do not finesse their contract position to the same extent as large suppliers; • being short would require increased credit cover for imbalance charges which small suppliers have to finance by cash deposits whereas large suppliers almost always do not. Small suppliers are also likely to have a higher cost of capital. |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----|---|--|---------------------|
| 2. | Do you believe that the draft legal text provided in the consultation document correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale. | Yes / No | |
| 3. | Do you support the implementation approach described in the consultation document? Please give rationale. | Yes / No | |
| 4. | Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale | Yes / No | |
| 5. | Does P181 raise any issues that you believe have not been identified so far and that should be assessed by the Modification Group? Please give rationale | Yes | See response to Q.1 |
| 6. | Are there any further comments on P181 that you wish to make? | No | |

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From: Garth Graham
Sent: 29 November 2004 11:56
To: Modification Consultations
Subject: P181 Urgent Modification Consultation

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Scottish Hydro Electric, SSE Generation Ltd., Keadby Generation Ltd., Medway Power Ltd., and SSE Energy Supply Ltd.

In relation to the six questions contained within your note of 23rd November 2004, and the associated Consultation for P181, we have the following comments to make:-

Q1 Do you believe Proposed Modification P181 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)

No. We do not believe that Modification Proposal P181 should be made for the reasons outlined below and in the Modification Report. We believe that P181 will not better facilitate the achievement of the any of the Applicable BSC Objectives and it should therefore be rejected.

In particular, we do not believe that Modification Proposal P181 should be made for the following reasons.

First, it is directly linked to P171 and as such is clearly a contingent Modification. We note the comments of the Authority in its P111 Decision Letter, namely that:-

"The legal advice given to the [P111 Modification] Group by ELEXON stated that under Section F2.1.2, a submission for a new Modification Proposal must describe an issue or defect that it seeks to address and also describe how it better facilitates the achievement of the Applicable BSC Objectives as compared with the then current version of the Code. The advice considered that as a contingent Modification Proposal does not describe an issue or defect relating to "...the then current version of the Code", it is not possible to assess whether it better facilitates the achievement of the Applicable BSC Objectives. Consequently, the Code allows the Modification Secretary to refuse to accept such submission, in accordance with Section F2.1.3."

In addition we note that P171 was put forward initially by the Proposer for Urgent status, but that this request was refused and that subsequently the Proposer of P181 (as well as another Party) requested that P171 be expedited, but that this too was not taken forward. Accordingly, we were surprised that Elexon, the Panel and the Authority believed (a) that this was a valid Modification (because it was contingent on P171) and (b) that it should be given urgency (when P171 was not).

Second, as noted in Section 1.1 of the Consultation document "The Trading Disputes Committee (TDC) heard the Trading Dispute on 19 August 2004 and agreed that a Settlement Error had occurred" and therefore it should be settled as quickly as possible (as it should not have been excluded, by the SO, from the Settlement calculation in the first place). Should P181 be approved it will set a precedence where by a Party can seek to overturn a TDC decision by way of a Modification.

Third, in delaying the recovery of the Damhead Creek incident cost to the R3 date (in December) the TDC has, in effect, given Parties circa four months to make the necessary credit/cashflow arrangements to cover the (legitimate) cost incurred. whilst we have serious reservations, in respect to the nature of the Damhead Creek incident, we accept that the Settlement timetable, as detailed in the BSC and amended by the TDC in accordance with the BSC requirements, has been followed and should continue to be followed. To do otherwise implies that future large Settlement amounts (that may have credit/cashflow implications for a particular Party) may also be subject to delayed Settlement. If, for example, P181 were to be approved, would an

individual party subject to a single large Settlement amount of either circa £120k, or 'X%' of their 'normal' Settlement figure, be entitled to seek to delay Settlement till RF on the basis that it "would adversely affect [their] competitive ability" as noted in Section 1.2 of the Consultation Document..

In addition, given the comments in the P181 Modification Group meeting that apparently some of the initial NETA Settlement runs have still not formally been 'closed' (circa 44 months after the event, and circa 30 months after there respective RF runs), might a scenario arise where Parties seek the further deferral of the settlement of the 19th May 2004 (from RF) until any (potential) disputes have been resolved, further delaying Settlement.

Fourth, approval of P181 would have the effect of creating a contingent liability for all other Parties if a Party who could pay at R3 fails to do so (perhaps because they cease trading etc.,) at RF. In this case all other Parties would, in effect, pick up this shortfall.

Fifth, as noted in Section 2.1 of the Consultation Document:-

"Under P181, Parties that would receive an overall payment from the Damhead Creek Emergency Instruction would be subject to a delay in receipt of this payment (i.e. from R3 to RF). Similarly, Parties that would be required to make an overall payment in relation to the Damhead Creek Emergency Instruction would have this expenditure delayed. "

This delayed payment (from the R3 run to RF) has the effect of providing a direct cashflow cross subsidy from those Parties who are entitled to receive their 'benefit' to those who should be making a payment (it being clear in P181 - disagreeable as the situation surrounding the incident may be - that the Settlement cost was legitimately incurred and should be paid).

Sixth, in delaying the R3 run to RF, a further cross subsidy occurs from those Parties which (for sound commercial reasons set by external credit rating agencies and other bodies) have 'good' credit positions (and thus 'better' cost of capital by virtue of the Party operating, commercially, in a way considered by others - credit rating agencies etc.,- as being more suitable for those providing the Party with that capital) compared with other Parties who may have less than 'good' credit positions (and 'poorer' cost of capital). The cost of capital is a competitive advantage that any company is entitled to aspire to and achieve (by their own actions). P181 would undermine this competitive advantage and imply that, for the purposes of the BSC, the whole market should operate with a single 'common' cost of capital.

Seventh, we note the comments in Section 2.1 of the Consultation Document:-

"that this cross subsidiary has already occurred for the period between SF and R3, due to the delay in entering the Acceptance into Settlement at the SF Run (as required by the Code), and P181 would only serve to prolong the situation."

However, as per our comments above, we believe that had the SO acted in accordance with the requirements of the BSC (and Grid Code) this matter should have appeared much earlier in Settlement and therefore prolonging a known wrong (from SF to R3 and then R3 to RF) would be wholly inappropriate now that it has been brought to the attention of the Panel and the Authority.

Eighth, in delaying the R3 run to RF, interest (as required by the BSC) will be incurred on the debt owed to Damhead Creek as well as BSUoS charges. This means that Parties will not have access to this capital for other (commercial) purposes and will therefore have to borrow additional funds (and incur interest charges that would not be incurred but for the P181 decision) to pay for their continued business operations.

Q2 Do you believe that the draft legal text provided in the consultation document correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.

It appears to.

Q3 Do you support the implementation approach described in the consultation document? Please give rationale.

If the Modification Proposal P181 is approved, we agree with the proposed implementation approach, as outlined in the Consultation Document.

Q4 Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale

No.

Q5 Does P181 raise any issues that you believe have not been identified so far and that should be assessed by the Modification Group? Please give rationale

No.

Q6 Are there any further comments on P181 that you wish to make?

Nothing further at this time.

Regards

Garth Graham
Scottish and Southern plc

P181 URGENT MODIFICATION CONSULTATION QUESTIONS

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| | |
|---------------------------------------|---------------------------|
| Respondent: | Mark Manley |
| No. of Parties Represented | |
| Parties Represented | British Gas Trading (BGT) |
| No. of Non Parties Represented | |
| Non Parties represented | |
| Role of Respondent | |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----------|---|---|--|
| 1. | Do you believe Proposed Modification P181 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s) | No | BGT has sympathy with the concerns of the proposer and can understand the rationale for raising P181. This modification proposal highlights the scale of the trading charges that some BSC Parties are facing as a consequence of the Emergency Instruction (EI) issued for system purposes on May 19. However, BGT recognises that there are parties due payments from the settlement day in question and more specifically the generator has not yet been paid for the instruction delivered. This is creating a cross subsidy between parties who took long or short positions into settlement periods 28 and 29 on May 19 2004. This cross subsidy can be seen as being detrimental to competition. |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----------|---|---|---|
| 2. | Do you believe that the draft legal text provided in the consultation document correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale. | No | BGT are unsure if the cross-reference to Section Q 6.2.1 is appropriate. Section Q 6.2.1 specifies that the data items listed must be provided to the SAA within 15 minutes following the end of the settlement day. The BOA approved by the TDC is outside of the timescales specified in Q6.2.1. The Transmission Company will therefore be unable to operate in accordance with this section. |
| 3. | Do you support the implementation approach described in the consultation document? Please give rationale. | Yes | BGT support the implementation approach developed by the group as it allows settlements to be undertaken in accordance with the Ofgem decision in respect of P181. |
| 4. | Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale | No | |
| 5. | Does P181 raise any issues that you believe have not been identified so far and that should be assessed by the Modification Group? Please give rationale | No | |
| 6. | Are there any further comments on P181 that you wish to make? | No | BGT raised modification proposal P171, which is proposing to retrospectively remove the EI issued on May 19 from imbalance charges. On raising the proposal BGT requested that it be given urgent status, this was subsequently rejected by ELEXON. Whilst there is no guarantee that affording urgent status to P171 would have allowed Ofgem to make their decision prior to the R3 Run it would have removed the need for modification proposal P181 being raised. |

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P181 URGENT MODIFICATION CONSULTATION

| | |
|---------------------------------------|---|
| Respondent: | E.ON UK |
| No. of Parties Represented | 15 |
| Parties Represented | E.ON UK plc, Powergen Retail Limited, Cottam Development Centre Limited, Enizade Ltd, E.ON UK Drakelow Limited, E.ON UK Ironbridge Limited, E.ON UK High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy. |
| No. of Non Parties Represented | - |
| Non Parties represented | - |
| Role of Respondent | Supplier, Generator, Trader, Consolidator & Exemptable Generator |

| Q | Question | Response | Rationale |
|---|----------|----------|-----------|
|---|----------|----------|-----------|

| Q | Question | Response | Rationale |
|----|---|----------|---|
| 1. | <p>Do you believe Proposed Modification P181 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)</p> | No | <p>The sole effect of P181 which can be considered for the purpose of this assessment, is to give those parties who owe money as a result of the Damhead Creek Emergency Instruction a cash-flow benefit at the expense of those who are owed money. This cash-flow benefit has already been accruing since June, as this is when the emergency instruction should have been processed. P181 would perpetuate this until the final reconciliation run. It is not the purpose of the BSC to provide subsidised working capital for one group of parties at the expense of others. The provision of this cross subsidy would lead to P181 acting against competition and therefore against objective c). The parties who owe money for the Damhead Creek EI have known for several months that this payment is due, so should be in a position to fund it.</p> <p>The other claimed benefit of P181, that it would improve efficiency in the context of P171 being implemented, is clearly contingent on P171 and therefore inappropriate to consider against the applicable BSC objectives. Even if it were appropriate to consider such contingent effects, it is difficult to see the efficiency gains that are being claimed. Payments are made between parties as the result of each and every reconciliation run. The effect of the EI is simply to make these payments larger. However, the cost of administering them will not be any higher. This claim is therefore dubious, as well as contingent on the implementation of a modification which has yet to be considered by the Authority.</p> |
| 2. | <p>Do you believe that the draft legal text provided in the consultation document correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.</p> | Yes | It supports the intent of the modification. |
| 3. | <p>Do you support the implementation approach described in the consultation document? Please give rationale.</p> | No | We do not support implementation of this modification. |

| Q | Question | Response | Rationale |
|----|---|----------|--|
| 4. | Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale | No | None should be sought as the intent of the modification is wholly inappropriate. |
| 5. | Does P181 raise any issues that you believe have not been identified so far and that should be assessed by the Modification Group? Please give rationale | No | |
| 6. | Are there any further comments on P181 that you wish to make? | No | |

P181 URGENT MODIFICATION CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or 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: | <i>National Grid Transco</i> |
| No. of Parties Represented | |
| Parties Represented | <i>National Grid Company plc</i> |
| No. of Non Parties Represented | |
| Non Parties represented | |
| Role of Respondent | <i>BSC Party</i> |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----------|---|---|--|
| 1. | Do you believe Proposed Modification P181 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s) | No | When compared to the current BSC baseline, this proposal does not better facilitate the achievement of any BSC objectives. The benefits of this proposal are contingent on the outcome of another Modification Proposal which cannot be considered to form part of the current BSC baseline. |
| 2. | Do you believe that the draft legal text provided in the consultation document correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale. | Yes | |
| 3. | Do you support the implementation approach described in the consultation document? Please give rationale. | Yes | It appears to be robust against all potential outcomes. |
| 4. | Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale | No | |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----|---|--|-----------|
| 5. | Does P181 raise any issues that you believe have not been identified so far and that should be assessed by the Modification Group? Please give rationale | No | |
| 6. | Are there any further comments on P181 that you wish to make? | No | |

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12:00 midday on Monday 29 November 2004** to modification.consultations@elexon.co.uk and please entitle your email 'P181 **Urgent Modification 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 Tom Bowcutt on 020 7380 4309, email address Thomas.bowcutt@elexon.co.uk.

P181 URGENT MODIFICATION CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or 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: | <i>Keith Munday</i> |
| No. of Parties Represented | <i>1</i> |
| Parties Represented | <i>BizzEnergy</i> |
| No. of Non Parties Represented | <i>0</i> |
| Non Parties represented | <i>0</i> |
| Role of Respondent | <i>Supplier</i> |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----------|---|---|--|
| 1. | Do you believe Proposed Modification P181 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s) | Yes | Yes. As it removes an unintended consequence of a rule set that if left in place will distort competition. |
| 2. | Do you believe that the draft legal text provided in the consultation document correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale. | Yes | |
| 3. | Do you support the implementation approach described in the consultation document? Please give rationale. | Yes | |
| 4. | Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale | Yes | Two separate issues, what should Damhead Creek be paid and how should imbalance prices be set. |

| Q | Question | Response Error! Bookmark not defined. | Rationale |
|----|---|--|---|
| 5. | Does P181 raise any issues that you believe have not been identified so far and that should be assessed by the Modification Group? Please give rationale | No | See below |
| 6. | Are there any further comments on P181 that you wish to make? | Yes | <p>The materiality of the impact on players is the key. This is commercially sensitive and therefore will need to be considered in a separate forum. If P171 is implemented and P181 not, then the deprivation of working capital from smaller suppliers will have had a material effect on their ability to compete over the 7 month period until the next settlement run.</p> <p>It will also create a precedent that will result in suppliers having to budget for unforeseen, unquantifiable events totally outside their control. For start up companies this will present an additional barrier to entry.</p> |

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12:00 midday on Monday 29 November 2004** to modification.consultations@elexon.co.uk and please entitle your email 'P181 **Urgent Modification Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

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