

# ASSESSMENT CONSULTATION for Modification Proposal P158 Introducing the Ability to Lodge a Consolidated Letter of Credit

Prepared by: **ELEXON on behalf of the Settlement Standing Modification Group (SSMG)**

**For attention of:** BSC Parties and all other interested parties

**Responses due:** **17:00 on Tuesday 16 March 2004** (to:  
[modifications.consultations@elexon.co.uk](mailto:modifications.consultations@elexon.co.uk))

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This document has been distributed in accordance with Section F2.1.10<sup>1</sup> of the Balancing and Settlement Code.

## Purpose of document

This consultation seeks respondent's views on the issues raised by P158 and, in particular:

- Whether the Proposed Modification would better facilitate the achievement of the Applicable BSC Objectives;
- Whether there are any substantive issues not considered by the SSMG which should be brought to the Group's attention for inclusion in its assessment of P158; and
- Specific issues as addressed by the attached consultation proforma which include:
  - (a) Requirements for Affiliation checking under P158;
  - (b) Cost benefits of P158;
  - (c) Risk assessment of P158.

**You are invited to provide a response to the questions contained in the attached pro-forma.**

Please send responses, entitled 'P158 Assessment Consultation', by 17:00 on Tuesday 16 March 2004 to the following e-mail address: [modifications.consultations@elexon.co.uk](mailto:modifications.consultations@elexon.co.uk).

Any queries on the content of the consultation pro-forma should be addressed to Michelle Spurden (020 7380 4374) e-mail address [michelle.spurden@elexon.co.uk](mailto:michelle.spurden@elexon.co.uk).

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<sup>1</sup> The current version of the Code can be found at [www.elexon.co.uk/ta/bscrel\\_docs/bsc\\_code.html](http://www.elexon.co.uk/ta/bscrel_docs/bsc_code.html).

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## SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as BSCCo and the SSMG have been able to assess, the following parties/documents are potentially impacted by Modification Proposal P158.

Parties	Sections of the BSC	Code Subsidiary Documents
Suppliers <input checked="" type="checkbox"/>	A <input type="checkbox"/>	BSC Procedures <input checked="" type="checkbox"/>
Generators <input checked="" type="checkbox"/>	B <input type="checkbox"/>	Codes of Practice <input type="checkbox"/>
Licence Exemptable Generators <input checked="" type="checkbox"/>	C <input type="checkbox"/>	BSC Service Descriptions <input checked="" type="checkbox"/>
Transmission Company <input checked="" type="checkbox"/>	D <input type="checkbox"/>	Service Lines <input type="checkbox"/>
Interconnector <input checked="" type="checkbox"/>	E <input type="checkbox"/>	Data Catalogues <input type="checkbox"/>
Distribution System Operators <input type="checkbox"/>	F <input type="checkbox"/>	Communication Requirements Documents <input type="checkbox"/>
<b>Party Agents</b>		
Data Aggregators <input type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input type="checkbox"/>
Data Collectors <input type="checkbox"/>	H <input checked="" type="checkbox"/>	MIDS <input type="checkbox"/>
Meter Operator Agents <input type="checkbox"/>	J <input type="checkbox"/>	<b>Core Industry Documents</b>
ECVNA <input type="checkbox"/>	K <input type="checkbox"/>	Grid Code <input type="checkbox"/>
MVRNA <input type="checkbox"/>	L <input type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
<b>BSC Agents</b>		
SAA <input type="checkbox"/>	M <input checked="" type="checkbox"/>	Ancillary Services Agreements <input type="checkbox"/>
FAA <input checked="" type="checkbox"/>	N <input checked="" type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
BMRA <input type="checkbox"/>	O <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
ECVAA <input type="checkbox"/>	P <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
CDCA <input type="checkbox"/>	Q <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
TAA <input type="checkbox"/>	R <input type="checkbox"/>	Settlement Agreement for Scotland <input type="checkbox"/>
CRA <input type="checkbox"/>	S <input type="checkbox"/>	Distribution Codes <input type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	T <input type="checkbox"/>	Distribution Use of System Agreements <input type="checkbox"/>
SVAA <input type="checkbox"/>	U <input type="checkbox"/>	Distribution Connection Agreements <input type="checkbox"/>
BSC Auditor <input type="checkbox"/>	V <input type="checkbox"/>	<b>BSCCo</b>
Profile Administrator <input type="checkbox"/>	W <input type="checkbox"/>	Internal Working Procedures <input checked="" type="checkbox"/>
Certification Agent <input type="checkbox"/>	X <input type="checkbox"/>	<b>Other Documents</b>
MIDP <input type="checkbox"/>		Transmission Licence <input type="checkbox"/>
TLFA <input type="checkbox"/>		
<b>Other Agents</b>		
SMRA <input type="checkbox"/>		
Data Transmission Provider <input type="checkbox"/>		

## **1. DESCRIPTION OF PROPOSED MODIFICATION**

### **1.1 Scope**

This document provides background information on Modification Proposal P158 'Introducing the Ability to Lodge a Consolidated letter of Credit' (P158) and is issued to support industry consultation on the proposed change. Areas covered include:

- History of the Proposal;
- Description of the Proposal;
- Overview of the processes supporting a consolidated Letter of Credit ("LoC");
- Overview of the SSMG discussions on the issues raised; and
- Initial Assessment of the Proposal.

### **1.2 HISTORY OF THE MODIFICATION PROPOSAL**

Modification Proposal P158 was raised by British Gas Trading on 27 January 2004 (reference 1). ELEXON presented an Initial Written Assessment (IWA) (reference 2) to the Balancing & Settlement Code Panel ('the Panel') at its meeting on 12 February 2004. The Panel agreed with the recommendation in the IWA that P158 be submitted to a two month Assessment Procedure to be carried out by the Settlement Standing Modification Group (SSMG). The Assessment Report is scheduled to be presented at the Panel meeting on 8 April 2004.

The Panel noted the following issues brought to its attention in the IWA and determined that these form the Terms of Reference for the SSMG as follows:

- Criteria for qualifying for a consolidated LoC;
- Number of Parties using Consolidated LoC ;
- Impact on different types of Parties;
- Apportionment of LoC;
- Reduction and increase in Credit Cover;
- Default arrangements;
- Withdrawal of a Party from a consolidated LoC;
- Expansion to include cash cover;
- Legal drafting of consolidated LoC; and
- Cost benefits.

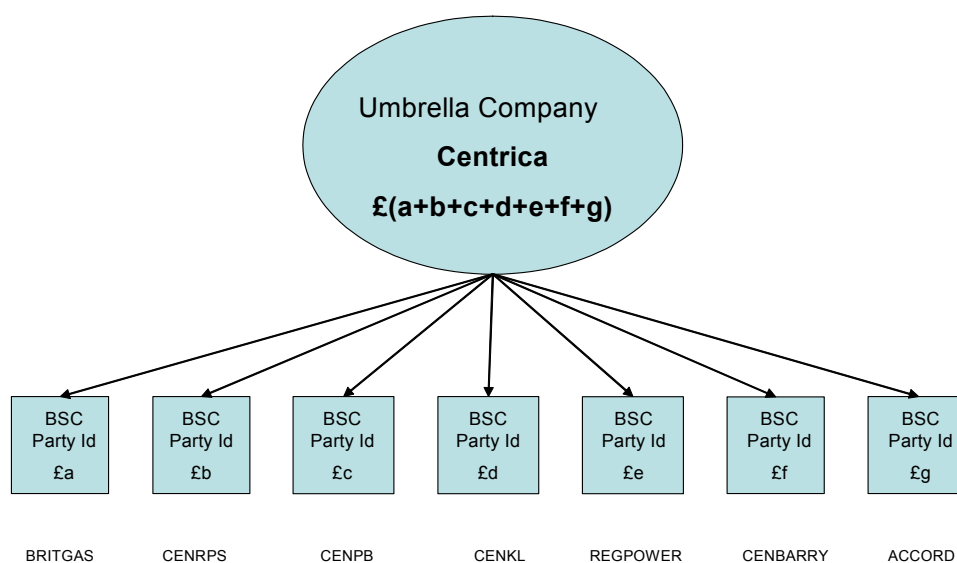
The SSMG met for the first time on 16 February 2004 to discuss the issues identified in the Initial Written Assessment for P158. The SSMG met for a second time on 25 February 2004 to further define the requirements of P158 and it was agreed that industry consultation and impact assessment should be conducted to support the groups' assessment of the Proposed Modification.

## 2 DESCRIPTION OF THE MODIFICATION PROPOSAL

Modification Proposal P158 seeks to modify the Balancing and Settlement Code (“the Code”) to allow a group of BSC Parties to lodge a single consolidated Letter of Credit (LoC). The consolidated LoC would be sub-divided and specific amounts of Credit Cover allocated against each BSC Party/BSC Party Id<sup>2</sup>, as opposed to posting an individual LoC for each BSC Party. The Proposer asserts that P158 would not alter the method of calculating a Party’s Energy Indebtedness (pursuant to Section M 1.2 of the Code), which would still be calculated at a BSC Party level rather than against a group of BSC Parties.

The Proposer intends that P158 be introduced on a voluntary basis. Figure 1 below, diagrammatically explains how the consolidated LoC would be sub-divided against a number of BSC Parties.

**Figure 1: Example Sub-division of a consolidated Letter of Credit**



Currently the Code specifies, pursuant to Section M 2.1.1, that a LoC can only be lodged against an individual Trading Party. The Code only provides provisions for a Trading Party to apply for a single Letter of Credit (Annex M-1), thus preventing a group of Trading Parties from lodging a consolidated LoC.

The Code considers each Trading Party’s application of Credit Cover on a separate basis and the Proposer believes this to be a defect within the current drafting of the Code. The Proposer therefore, believes that it would be appropriate for an additional consolidated Letter of Credit application form to be included in Section M ‘Credit Cover and Credit Default’ of the Code - potentially referenced as ‘Annex M-2’ which would allow a group of BSC Parties to lodge a consolidated LoC.

The Proposer asserts that P158 would assist BSCCo (‘ELEXON’) and the Funds Administration Agent (‘FAA’) in managing the Credit Cover process. P158 will reduce the number of Credit Cover applications submitted by BSC Parties and therefore reduce the administrative burden placed on the FAA. The Proposer also

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<sup>2</sup> Reference to BSC Party Id in the Modification refers to the unique Id given to each BSC Party (see Section A 4.3.3 of the Code) and should not be confused with the Supplier Id allocated to Supply Businesses and defined in Section S 1.3.

believes that P158 would reduce the level of monitoring required by the FAA as P158 would reduce the monitoring obligations of the FAA as set out in the Code (detailed in Section M 2.2.3) - whereby the FAA notifies BSC Parties in advance of their impending LoC expiry date.

The Proposer also believes that P158 would benefit BSC Parties by making the process of sourcing a LoC more efficient and it would also reduce the administrative process of managing a Party's Credit Cover requirements.

The Proposer believes that P158 would better facilitate achievement of Applicable BSC Objective (c) – "Promoting effective competition in the generation and supply of electricity and promoting competition in the sale and purchase of electricity", as BSC Parties would be able to source Credit Cover more efficiently. It would also reduce the administration of having to refresh several LoCs a year.

Furthermore the Proposer believes that P158 would better facilitate the achievement of Applicable BSC Objective (d) – "Promoting efficiency in the implementation and administration of the balancing and settlement arrangements", by reducing administrative burdens on BSC Parties, BSCCo and the FAA.

### **3 SSMG INITIAL ASSESSMENT**

#### **3.1 Criteria for Lodging a consolidated LoC**

The SSMG have considered the criteria for lodging consolidated LoCs under P158 and initially agreed that only affiliated companies should be eligible. It was the view of the SSMG that the definition of affiliation currently used to define a 'trading party group' for the purpose of BSC voting (pursuant to Annex B-2 'Election of Industry Panel Members', section 3.1.5) should be utilised under P158. This section outlines the issues considered by the SSMG and the arguments from which the SSMG drew its' initial conclusion.

##### **3.1.1 Non Affiliation**

The SSMG have considered whether limiting the consolidated LoC to groups of Parties meeting the existing Code definition of Affiliate (Annex X-1) would discriminate against smaller Parties. Therefore, the SSMG considered the possibility of allowing an arbitrary group of BSC Parties to post a consolidated LoC. It is the view of the SSMG that, although banks may agree to provide a LoC for affiliated companies, it was unlikely this would be the case for an arbitrary group. As such the SSMG developed a solution that excluded non-affiliate groups, the SSMG would like respondents views on whether the scope should be extended to include non-affiliate groups.

Following further discussion, the SSMG noted that there would be two qualifying requirements for lodging a consolidated LoC under P158 as follows:

- Qualification criteria introduced via Code requirements (i.e. the groups of companies the Code is willing to accept a consolidated LoC for ); and
- Qualification criteria under bank requirements (i.e. the groups of companies for which a bank is willing to provide a consolidated LoC for).

The SSMG noted that any criteria an individual bank sets when agreeing to provide a consolidated LoC for an Umbrella Party (to cover a number of affiliated or un-affiliated BSC Parties), would be outside of the scope of the Code.

The SSMG noted the FAA view that, if a valid consolidated LoC was provided by a bank, the FAA would be in a position to call upon any element of that amount, at any time, independent of any criteria for posting LoC under the Code (as each ring-fenced amount of credit would be treated as a single LoC) i.e. the ability of the FAA to call a consolidated LoC would not be dependent on affiliation status or otherwise of the Parties covered. Whilst, the SSMG noted that this was a workable solution for P158, the group agreed that for the

purpose of Impact Assessment and consultation it should be assumed only affiliated companies would be eligible to post a consolidated LoC under P158.

### **3.1.2 Affiliation Process**

The SSMG also considered the implications of limiting the criteria for lodging consolidated LoCs to affiliate groups and noted that this would require a new process for checking a Party's affiliation status. However, the SSMG will need to determine who would be responsible for managing this process i.e. the FAA or BSCCo. The arguments for and against are outlined below:

#### **BSCCo Management of Consolidated LoC:**

Under P158, the consolidated LoC process would commence with a Party lodging a consolidated LoC application with the FAA, this is in line with the existing process currently defined under the Code and within the FAA Service Description for lodging a single LoC. On receipt of an application for a consolidated LoC, the FAA would be required to notify BSCCo. BSCCo would then run a check on the affiliation status of that group of Parties through Companies House and inform the FAA of the results from that check, i.e. the group is genuinely affiliated or not. The FAA would then take the necessary steps to either accept the consolidated LoC application or reject it.

The results from the BSCCo and FAA Impact Assessment suggest that, if BSCCo were to undertake the affiliation checking process, the impact on BSCCo would not be insignificant. If BSCCo were required to undertake the affiliation check it would involve BSCCo obtaining information currently not operationally available and also the introduction of new defined manual flows between BSCCo and the FAA. BSCCo would also incur costs associated with accessing data from Companies House. It was also suggested that if the FAA were required to notify BSCCo of a consolidated LoC application and BSCCo were then required to run the affiliation check, this would create an unnecessary time-lag within the consolidated LoC application process.

#### **FAA Management of Consolidated LoC:**

The results of the FAA impact assessment indicated that there would be no benefit in fragmenting the process of lodging a consolidated LoC and that this would be detrimental to the interest of BSC Party's. The FAA proposed that it would be able to carry out the affiliation process and this would prevent any delays occurring in processing applications. Under this approach, the main impacts on documentation would be to BSCP301, which would need to accommodate the FAA carry out the affiliation check. However, changes to other documents such as the FAA Service Description, URS and IDD would be minimised.

The SSMG considered each argument for an against the FAA and BSCCo undertaking the affiliation checking process and concluded that the FAA was in a better position to facilitate this role.

### **3.1.3 Risk associated with affiliation process**

In the event that a Party covered by a consolidated LoC were to have its Credit Cover called upon by the FAA, the FAA would directly contact the lender (bank) of the LoC to request the payment of funds. However, as the Umbrella Company lodged the original consolidated LoC with the bank, the bank would therefore hold the Umbrella Company responsible for providing the outstanding funds. Therefore the overall risk would sit with the Umbrella Company and the SSMG would need to consider further.

The SSMG will review and consider the FAA and BSCCo Impact Assessments as well as any consultation responses in determining whether the affiliation process provides an additional level of assurance. This is one of the areas of consideration that will enable the group to form a view on whether Proposed Modification would better facilitates achievement of the Applicable BSC Objectives (see section 3.9).

### **3.2 Apportionment**

The SSMG have considered how Credit would be apportioned between those Parties covered by a consolidated LoC. The SSMG agreed that the consolidated LoC would be lodged by the group of Trading Parties covered but would represent one underlying relationship between the lender (bank) and 'Umbrella Company'. The group specified that each allocated portion of Credit Cover would be 'ring fenced' and treated the same way as a single LoC is under the current Code baseline.

Hence, under P158, if a Party wished to either increase or decrease its Credit Cover, then it would have to follow the processes currently defined under the Code for single LoCs. For example, a BSC Party wishing to decrease its ring fenced portion of a consolidated LoC, pursuant to Section M 2.3 'Reduction of Credit Cover', would need to apply through the 'minimum eligible amount' process as defined in section M 2.3.2(b). However, if a BSC Party wished to increase its ring fenced portion of a consolidated LoC it would still need to follow the rules currently defined in section M 2.1 'Provision of Credit Cover' and 2.2 'Letter of Credit' of the Code. Therefore, any changes to the Credit Cover of an individual Party covered by a consolidated LoC would require a new Consolidated LoC to be posted. As such, an individual Party covered by a consolidated LoC would only be able to adjust its' Credit Cover amount with the involvement of the Umbrella Party (to which the bank has the direct relationship).

### **3.3 Default**

The SSMG have considered how the default arrangements would apply to Parties covered by a consolidated LoC.

#### Default under the Code:

Currently, if a Party Defaults under the Code, pursuant to Section H.3.2.1, its Credit Cover will be frozen (until after the Final Reconciliation Run when a Party could apply to have any unused credit cover returned). The SSMG agreed that Parties covered by a consolidated LoC would be allocated individual, 'ring-fenced' amounts of Credit Cover which would be treated as an individual LoC. Therefore, if a Party Defaults under the Code only that individual Party would have its Credit Cover frozen and the remaining Parties within the group would not be impacted.

#### Payment Default:

If a Party fails to pay its Trading Charges, BSCCo may call upon any lodged Credit Cover. In the event that a Party (covered by a consolidated LoC) goes in to Payment Default only the Credit Cover associated with that Party could be called by the FAA, as its portion of credit would be treated as a single LoC. Therefore, the rest of the group covered by the consolidated LoC would not be affected by an individual Party failing to pay its Trading Charges.

#### Status of BSC Parties:

With regards to a Party being in default, the Panel is obliged to take decisions in relation to that Party. The SSMG agreed that this should not alter with the introduction of a consolidated LoC and that all affected Parties would be judged on an individual basis in relation to their portion of the consolidated LoC.

#### Renewal of LoC:

If the renewal timescales for a consolidated LoC covering a number of its BSC Parties are not met, the FAA would be able to call upon the entire LoC (as the renewal dates of each single element would have expired at the same point in time). As such, the responsibility for renewing consolidated LoCs and the associated risk would sit with the Umbrella Company (since the lender (bank) has one underlying relationship with the Umbrella Company).

The SSMG also considered what the implications would be for a Party in a form of Default that does not have sufficient Credit Cover lodged. The group considered whether the entire consolidated LoC could be

drawn down upon. However, it was agreed by the SSMG that this to be outside of the scope of P158, as it would imply a fundamental change to the Code, whereas P158 intends only a minor adjustment to the current LoC process.

### **3.4 Withdrawal of a Party from a consolidated LoC**

The SSMG considered what the implications would be if a Party, covered by a consolidated LoC were sold or voluntarily left the affiliated group. The SSMG consulted the view of the FAA, who confirmed that the unaffiliated Party's Credit Cover could still be called upon by the FAA until the Umbrella Company issued a revised / lodged a new consolidated LoC and removed that Party's name from the form. Therefore, the Umbrella Company would be responsible for lodging a new LoC. If the Umbrella Company does not lodge a new LoC then it would potentially remain obligated if the unaffiliated Party's Credit Cover were to be called upon by the FAA, i.e. if such a Party were in Payment Default. However, if the Umbrella Company had submitted a revised LoC, removing any reference to the Party that had been sold, then the new owners of that Party would be responsible for lodging credit cover for that Party. Failure to do so could mean that the Party was subject the default procedures in the BSC.

### **3.5 Format of Consolidated Letter of Credit**

At its initial meeting, the group requested visibility of the draft legal text for Annex M2 'Consolidated Letter of Credit form' and sought reassurance that this form would be robust and legally binding (draft legal text is attached as Attachment 1 of this document). The SSMG agreed that the any consolidated LoC put forward under P158 should provide the market with an equivalent level of assurance to that provide by the existing single letter of Credit. Therefore, the SSMG have taken the following steps in the preparation of the consolidated LoC:

- The FAA were invited to comment on the workability of the proposed drafting as part of the BSC Agent impact assessment of P158. No adverse comments on the workability of the consolidated LoC were made;
- The advice of an external LoC expert has been obtained and the comments provided incorporated into the drafting; and
- External legal advice on the format of the consolidated LoC has been taken and confirmed that the drafting is legally robust.

As the Credit arrangements under the Code are in place to provide protection to Parties, the SSMG agreed that views as to whether the consolidated LoC proposed under P158 would provide the market with the same level of assurance as the existing single letter of Credit should be sought via industry consultation (see section 3.9 of this document).

### **3.6 Inclusion of cash cover**

The SSMG considered the extension of P158 to include cash cover and agreed that there would be no benefit in expanding the consolidated credit process to incorporate cash cover. The FAA confirmed that cash already gets 'ring-fenced' and put into a Reserve Account. Therefore, the SSMG agreed P158 would only be applicable for Letters of Credit.

### 3.7 Cost Benefit Analysis

The SSMG are considering the costs and potential benefits associated with the introduction of a consolidated LoC under P158 and the following areas have been identified for consideration:

#### 3.7.1 Cost of Implementation

Release costs based on incremental and standalone costs:

Option 1 – BSCCo undertakes the affiliation checking process:

- Standalone<sup>3</sup> = £51,600.00
- Incremental<sup>4</sup> - £29,600.00

Option 2 – Service Provider<sup>5</sup> undertakes the affiliation checking process:

- Standalone<sup>3</sup> = £33,600.00 (incl. 2K service provider costs)
- Incremental<sup>4</sup> = £15,600.00 (incl. 2K service provider costs)

#### 3.7.2 Operational impact

Option 1 – BSCCo undertakes the affiliation checking process:

- Estimated Operational cost of = £12,500 pa

Option 2 – Service Provider undertakes the affiliation checking process

- Estimated Operational cost of = £12,500 pa (however this figure would be absorbed if other Proposed Modifications affecting the FAA were implemented)

#### 3.7.3 Potential operational saving to Parties

P158 proposes that the introduction of a consolidated Letter of Credit would provide Parties with an opportunity to significantly reduce the administrative effort of posting multiple LoC. The group also noted the savings that would result from only having to renew 1 LoC per year. The process of having to lodge only 1 consolidated LoC should reduce the risks associated with having to post numerous LoC. In reducing the likelihood of any problems in lodging credit cover it should reduce the possibility of a Party going into default for process reasons rather than financial reasons, The SSMG agreed that views on whether any potential savings exist in this area should be obtained via industry consultation.

Following the results of industry consultation the SSMG will consider whether there would be an overall cost benefit associated with P158.

### 3.8 Parties using a consolidated LoC

The SSMG considered the number of Parties which would potentially utilise the consolidated LoC and agreed that views on this issue should be obtained via industry consultation.

### 3.9 Risk

The SSMG have considered whether there would be an increased risk associated with implementing P158, i.e. that a consolidated LoC provides less assurance than a single LoC.

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<sup>3</sup> Standalone – cost of delivering Modification Proposal as a standalone change or as a single change in a planned release.

<sup>4</sup> Incremental – cost if adding Modification Proposal to the scope of an existing planned release.

<sup>5</sup> Service provider – Refers to the BSCCo Agent / Funds Administration Agent.

Some members of the SSMG expressed concern that the level of risk on Parties could potentially be increased by the fact that a consolidated LoC is a new concept and that it had not been tested within the industry before. Therefore, BSCCo undertook a number of actions in order to investigate the potential risks associated with P158, which are defined in section 3.5 of this document.

On the grounds of actions completed, a number of SSMG members are of the view that a consolidated LoC would be sufficiently robust and as workable as the current single LoC. However, a number of SSMG members are still concerned that the consolidated LoC may not prove the same level of assurance currently provided by single LoCs. Therefore, the SSMG agreed views of Parties (as those directly affected by any increased risk) should be obtained via consultation.

Hence, views of the industry on whether Parties consider the draft consolidated LoC to be equally as robust as the existing LoC (located in section M, Annex M1 of the Code) is being sought by the SSMG via industry consultation. Responses provided by industry participants will be considered by the SSMG when finalising its' assessment of P158.

#### **4. SSMG'S INITIAL ASSESSMENT OF P158 AGAINST THE APPLICABLE BSC OBJECTIVES**

The SSMG have identified arguments for or against the better achievement of the Applicable BSC Objectives under Proposed Modification P158 as follows:

##### **4.1 Applicable BSC Objective (C)<sup>6</sup>**

It is proposed that a consolidated LoC would enable Parties to source Credit Cover more efficiently by combining several LoCs into a single LoC. Furthermore, Parties would also be able to reduce the administration of having to refresh several LoCs a year as only one LoC would need to be refreshed as opposed to several on different dates. As such, P158 could be considered to promote competition and thereby better facilitate achievement of Applicable BSC Objective (c). (the issues involved are discussed in section 10)

It could be considered that a consolidated LoC, as proposed under P158, would expose Parties to an increased level of risk in comparison to the requirement for single LoCs. As such, it could be considered that P158 may have a negative effect on competition and thereby not better facilitate achievement of Applicable BSC Objective (c) (the arguments associated with risk have been discussed in section 3.9).

##### **4.2 Applicable BSC Objective (d)<sup>7</sup>**

It is proposed that a consolidated LoC would reduce the central administrative effort required to support Letters of Credit. As such, it could be considered that P158 would better facilitate achievement of applicable BSC Objective (d). (the issues involved are discussed in section 10)

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<sup>6</sup> Applicable BSC Objective (d) "Promoting efficiency in the implementation and administration of the balancing and settlement arrangements"; and

<sup>7</sup> "Promoting effective competition in the generation and supply of electricity and promoting competition in the sale and purchase of electricity".

The SSMG are seeking views on the arguments outlined above via industry consultation.

## 5. DOCUMENT CONTROL

### 5.1 Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	03/03/04	Change Delivery	Change Delivery	Chairman review
0.2	05/03/04	Change Delivery	SSMG	Modification Group review
1.0	09/03/04	SSMG	Industry	For industry consultation

### 5.2 References

Ref.	Document Title	Owner	Issue Date	Version
1	Modification Proposal P158 'Introducing the Ability to Lodge a Consolidated Letter of Credit' ( <a href="http://www.elexon.co.uk/docs/ta/modifications/modsprops/P158/p158.pdf">http://www.elexon.co.uk/docs/ta/modifications/modsprops/P158/p158.pdf</a> )	BSCCo	27/01/04	1.0
2	Initial Written Assessment for Modification Proposal P158 'Introducing the Ability to lodge a consolidated Letter of Credit'	BSCCo	06/02/04	1.0