

Responses from P146 Draft Report Consultation

Representations were received from the following parties:

No	Company	File Number	No. BSC Parties Represented	No. Non-Parties Represented
1.	Powergen UK plc	P146_DR_001	14	0
2.	EDF Trading Ltd	P146_DR_002	2	0
3.	Scottish Power UK	P146_DR_003	6	0
4.	Midlands Electricity	P146_DR_004	1	0
5.	Scottish and Southern Energy	P146_DR_005	5	0
6.	EDF Energy Networks	P146_DR_006	9	0
7.	British Gas Trading	P146_DR_007	1	0
8.	Amsterdam Power Exchange UK Ltd	P146_DR_008	2	0

P146_DR_001 – Powergen UK plc

Respondent:	Powergen UK plc
No. of BSC Parties Represented	14
BSC Parties Represented	Powergen UK plc, Powergen Retail Limited, Cottam Development Centre Limited, TXU Europe Drakelow Limited, TXU Europe Ironbridge Limited, TXU Europe 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 BSC Parties Represented	0
Non BSC Parties represented	N/A
Role of Respondent	Supplier/ Generator/ Trader / Exemptable

Q	Question	Response	Rationale
1	Do you agree with the Panel's views on P146 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification P146 should not be made and that the Alternative Modification P146 should be made? Please give rationale.	NO	<p>Although we do agree with the Panel that the proposed modification should not be made, we do not agree with the Panel's recommendation in favour of the Alternative. Powergen believe that the introduction of a single notified volume charge for Clearing Houses will not better meet applicable Objective (c). It is misleading to claim that Clearing Houses are discriminated against because they are required to pay for two notifications. The notification fee was designed to recover the cost of processing an ECVN and as the Clearing House makes two notifications it is reasonable to suggest that they pay for two notifications. To move away from this cost reflective principle is to introduce an inconsistency within the Code.</p> <p>Regardless, Clearing Houses generally pass the charges through to their members. However, it is far from clear that there would be a corresponding cost reduction for their members should Notified Volume Charges be halved for Clearing Houses. It is therefore extremely difficult to justify the modification on the grounds of improved competition.</p> <p>In fact a logical conclusion may suggest that competition would be damaged by introducing this modification. A reduction in the fees charged to the Clearing Houses would need to be recovered through the Main Funding Shares and this would result in cross-subsidy.</p>
2	Do you agree with the Panel's view that the legal text provided in the draft Modification Report for the Alternative Modification correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	N/A	We do not believe there to be a defect in the Code.
3	Do you agree with the Panel's provisional recommendations concerning the	N/A	We do not believe there to be a defect in the Code.

Q	Question	Response	Rationale
	Implementation Dates for the Proposed and Alternative Modifications? Please give rationale.		
4	Are there any further comments on P146 that you wish to make?	NO	

P146_DR_002– EDF Trading Ltd

Respondent:	EDF Trading Ltd
No. of BSC Parties Represented	2
BSC Parties Represented	EDF Trading Ltd and EDF (Generation)
No. of Non BSC Parties Represented	
Non BSC Parties represented	
Role of Respondent	Trader and Generator

Q	Question	Response	Rationale
1	Do you agree with the Panel's views on P146 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification P146 should not be made and that the Alternative Modification P146 should be made? Please give rationale.	Yes	The proposed modification includes the provision for early release of Default information to the Clearing House; this is inappropriate and does not better the BSC Objectives. However the Alternative excludes this element and it would benefit the market to encourage the use of cleared products, which this alternative mod will do through the reduction of charges.
2	Do you agree with the Panel's view that the legal text provided in the draft Modification Report for the Alternative Modification correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	
3	Do you agree with the Panel's provisional recommendations concerning the Implementation Dates for the Proposed and Alternative Modifications? Please give rationale.	Yes	
4	Are there any further comments on P146 that you wish to make?	No	

P146_DR_003– Scottish Power UK

Respondent:	David Finnigan
No. of BSC Parties Represented	6
BSC Parties Represented	Scottish Power UK plc; ScottishPower Energy Management Ltd; Scottish Power Generation Ltd; ScottishPower Energy Retail Ltd; SP transmission Ltd; SP Manweb PLC.
No. of Non BSC Parties Represented	0
Non BSC Parties represented	N/A

Role of Respondent	Consolidator on behalf of Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent
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Q	Question	Response	Rationale
1	Do you agree with the Panel's views on P146 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification P146 should not be made and that the Alternative Modification P146 should be made? Please give rationale.	Yes	We believe that without the potential Credit Default warning provisions, it would remove the concerns that parties have on the Proposed Mod. Also, while we cannot see how reducing the notification charges help the liquidity of the market unless there is corresponding reduction in clearing costs to members, we believe that due to the relative small charges involved, if there is a potential that the cost of such service could reduce, the Alternative Mod could better facilitate the competition objective (c).
2	Do you agree with the Panel's view that the legal text provided in the draft Modification Report for the Alternative Modification correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	The legal text appeared appropriate.
3	Do you agree with the Panel's provisional recommendations concerning the Implementation Dates for the Proposed and Alternative Modifications? Please give rationale.	Yes	We agree that while the Alternative Modification requires no Central Systems changes, it however incurs BSCP amendments and should therefore be implemented as part of a wider Release on the cost and efficiency grounds. The proposed dates therefore are the most appropriate dates allowing for the required notice period.
4	Are there any further comments on P146 that you wish to make?	Yes	We remain concerned that with the criteria for Clearing House test less stringent, it could open up to a large numbers of parties, particularly the non-physical/financial traders.

P146_DR_004– Midlands Electricity

Midlands Electricity (Formerly Aquila Networks) would like to return a response of 'No Comment' to P146 Consultation on Draft Modification Report.

Regards,

Sue Pritchard
DSO/DCG Manager
Distribution Support Office/

P146_DR_005– Scottish and Southern Energy

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

Further to your note of 20th February 2004, and the four questions listed in the Modification Report consultation for P146, we have the following comments to make:-

Q1 Do you agree with the Panel's views on P146 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification P146 should not be made and that the Alternative Modification P146 should be made? Please give rationale.

Yes, we agree with the proposed BSC Panel recommendation to the Authority that the Proposed Modification Proposal P146 should not be made.

No, we do not agree with the proposed BSC Panel recommendation to the Authority that the Alternative Modification Proposal P146 should be made. In coming to our decision we are mindful of the reasons expressed - in section 1.7 - by a minority of the SSMG against the Alternative Modification (as outlined at the bottom of page 16/top of page 17 of the Report Consultation document).

Q2 Do you agree with the Panel's view that the legal text provided in the draft Modification Report for the Alternative Modification correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.

It appears to.

Q3 Do you agree with the Panel's provisional recommendations concerning the Implementation Dates for the Proposed and Alternative Modifications? Please give rationale.

If the Proposed or Alternative Modification Proposal P146 is approved, we agree with the proposed BSC Panel recommendation on the timing for the Implementation Date, as outlined in the Modification Report.

Q4 Are there any further comments on P146 that you wish to make?

Nothing further at this time.

Regards

Garth Graham

Scottish and Southern Energy plc

P146_DR_006– EDF Energy Networks

Respondent:	Paul Chesterman
No. of BSC Parties Represented	9
BSC Parties Represented	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power) EDF Energy (Cottam Power) Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; London Energy plc; Seeboard Energy Limited
No. of Non BSC Parties Represented	

Non BSC Parties represented	
Role of Respondent	Supplier / Generator / Party Agent / Distribution Business

Q	Question	Response	Rationale
1	Do you agree with the Panel's views on P146 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification P146 should not be made and that the Alternative Modification P146 should be made? Please give rationale.	Yes	We are supportive of Exchanges as we believe they are a cost effective means of dealing with credit risk in the energy trading arena.
2	Do you agree with the Panel's view that the legal text provided in the draft Modification Report for the Alternative Modification correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	
3	Do you agree with the Panel's provisional recommendations concerning the Implementation Dates for the Proposed and Alternative Modifications? Please give rationale.	Yes	
4	Are there any further comments on P146 that you wish to make?	No	

P146_DR_007– British Gas Trading

Dear Sirs,

Re: Modification Proposal P146 – New Participation Category to the BSC – Clearing House

Thank you for the opportunity of responding to this draft modification report considering Modification Proposal P146. British Gas Trading (BGT) agrees with the Panel's provisional recommendation in respect of the original modification that it should not be made, but disagrees with the recommendation that the alternative should be made.

BGT does not support information on credit cover being provided to a subset of BSC Parties prior to being made available to all BSC Parties. Whilst noting that Clearing Houses do not seek to profit from price movements, Clearing Houses are still commercial entities and will endeavour to trade out their position to manage their liability. This will allow them to make decisions based upon preferential information, which will give Clearing Houses a commercial advantage that is not available to the remainder of the market. BGT do not believe this change will better facilitate competition in the generation and supply of electricity. BGT also concur with the view of the modification group that the information the proposal is seeking to gain could be provided outside of the scope of the BSC.

Whilst BGT are supportive of the intent of the proposal which is looking to increase the use of clearing services within the market, BGT is not convinced that the alternative will necessarily result in increased use of clearing services. The commercial charging arrangements between Clearing Houses and its members is outside of the vires of the BSC. Therefore if P146 is approved the BSC cannot ensure that the cost savings identified as part of the assessment of the proposal will necessarily be passed on by Clearing Houses to its members. Additionally Clearing

House members have other financial obligations placed on them as part of the terms and conditions of membership. This includes posting 'margin', as security for trading activity and simply removing the BSC notification charge may not necessarily result in additional use of clearing services.

BGT agrees with the proposed implementation dates as detailed in the draft modification report.

Yours faithfully

Mark Manley
Contract Manager

P146_DR_008– Amsterdam Power Exchange UK Ltd

Respondent:	Ben Mitchell
No. of BSC Parties Represented	2
BSC Parties Represented	Amsterdam Power Exchange UK Ltd, OM London Exchange Ltd
No. of Non BSC Parties Represented	0
Non BSC Parties represented	
Role of Respondent	Trading Party

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P146 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification P146 should not be made and that the Alternative Modification P146 should be made? Please give rationale.		Proposed Modification P146 would, by more appropriately providing for the provision of clearing services, better facilitate BSC Objective (C). Accordingly, the Proposed Modification should be made. However, whilst some benefit is lost under the Alternative Modification, the rationale for removing the double charging under Proposed Modification P146 is the same under the Alternative Modification and hence will still better facilitate the BSC Objective (C) and so should be made.
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report for the Alternative Modification correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	The legal text both identifies and adequately addresses the defects raised in the Alternative Modification.
3.	Do you agree with the Panel's provisional recommendations concerning the Implementation Dates for the Proposed and Alternative Modifications? Please give rationale.	Yes	There is a strong argument on cost-efficiency grounds for the Modification to be implemented as part of a wider systems release. Accordingly, the dates recommended by the Panel are the earliest practical implementation dates.
4.	Are there any further comments on P146 that you wish to make?	No	