67/014

INITIAL WRITTEN ASSESSMENT for Modification Proposal P140

Revised Credit Cover methodology for Interconnector BM Units

Prepared by: ELEXON[1] Limited

Date of issue:	5 September 2003	**Document reference:**	P140IR
Reason for issue:	For review	**Issue/Version number:**	1.0

This document has been distributed in accordance with Section F2.1.10[2] of the Balancing and Settlement Code.

RECOMMENDATIONS

On the basis of the initial assessment BSCCo recommends that the Panel:

- **DETERMINE that Modification Proposal P140 should be submitted to the Assessment Procedure;**
- **AGREE the Assessment Procedure timetable such that an Assessment Report should be completed and submitted to the Panel for consideration at its meeting of 11 December 2003;**
- **DETERMINE that the Assessment Procedure should be undertaken by the Settlement Standing Modification Group (SSMG); and**
- **AGREE any refinement to the Modification Group Terms of Reference.**

[1] ELEXON Ltd currently fulfils the role of the Balancing and Settlement Code Company ('BSCCo'), pursuant to Annex X-1 of the Balancing and Settlement Code (the 'Code').
[2] The current version of the Code can be found at www.elexon.co.uk/ta/bscrel_docs/bsc_code.html

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as BSCCo has been able to assess the following parties/documents have been initially identified as being potentially impacted by Modification Proposal P140.

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

Estimated cost for progressing P140 through Modification Procedures	**£ 20,000 + 60 ELEXON man days**

1 DESCRIPTION OF MODIFICATION PROPOSAL

1.1 Modification Proposal

Modification Proposal P140 "Revised Credit Cover methodology for Interconnector BM Units" ("P140") was raised on 21 August 2003 by EdF Trading Ltd.

P140 seeks to modify the Balancing and Settlement Code (the "Code") such that the value of Credit Assessment Credited Energy Volume (CAQCE) calculated for each Interconnector BM Unit is made equal to the Final Physical Notification (FPN) data submitted for that BM Unit. CAQCE is a key component in the calculation of Credited Energy Indebtedness (CEI). CEI is aggregated with Actual Energy Indebtedness (AEI) in the calculation of a Party's Energy Indebtedness (EI). Levels of EI determine the amount of Credit Cover that a Party needs to lodge.

Under the trading arrangements, payments to and from Trading Parties in respect of Trading Charges arising on any particular Settlement Day are made, on average, twenty-nine calendar days later. Thus, at any given time, Trading Parties may have outstanding liabilities in respect of Trading Charges incurred, on average, over the previous twenty-nine days. The purpose of Credit Cover is to ensure that, should a Trading Party default, sufficient collateral is available to settle these liabilities.

The Proposer is of the view that the current calculation is inappropriate, as Credited Energy Indebtedness is based upon historical average performance data of the BM Units, which may be of little relevance to current or future trading activity. This may result in the calculation of levels of CEI that do not reasonably reflect the risks this type of BM Unit poses to the market.

The proposed solution would replace the current calculation of CAQCE based upon Credit Assessment Load Factor (CALF) and Generation or Demand Capacity (GC/DC) values with one based upon FPN submissions for this type of BM Unit.

1.2 Background

This issue has been considered both by the Settlement Standing Modifications Group (SSMG) (Issue 3) and the Imbalance Settlement Group (ISG). EdF Trading Ltd raised concerns that the current CEI calculation is ill equipped to provide a representative estimation of the risk that Interconnector Users present to the marketplace.

The combination of CALF and GC/DC currently used seek to generate a CAQCE that is equivalent to the average metered volumes of the BM Unit during a historical period. The extent of deviation of current contractual position (QABC) from this estimate will then determine the volume of positive or negative CEI generated.

For most types of BM Unit historical performance can be regarded as a reasonable indication of current or future trading. It is contended that this is not the case with Interconnector BM Units, which may experience significant volatility in metered volumes due to differential energy prices between the Total System and External Systems.

Neither ISG nor SSMG believed that the issue could be adequately addressed through changes to the CALF Guidelines applied to Interconnector BM Units. The solution proposed by P140 was considered as a possible way forward at the SSMG meeting on 16 July 2003. It was agreed at this meeting that a Party should raise a Modification Proposal to resolve the perceived defect in the Code.

1.3 Issues raised by the Modification Proposal

An initial assessment of Modification Proposal P140 has identified the following potential areas of impact and issues which will need to be considered and addressed in progressing P140.

- The need to determine the impact upon the systems and processes used by the BSC Agent Systems (in particular ECVAA and CRA);
- The need to determine the impact upon the timing and performance of the calculation of Credit Cover Percentage (CCP) carried out for each Settlement Period by the ECVAA;
- The need to determine whether or not FPNs are a good proxy for Deemed Metered Volumes historically (as submitted by the Interconnector Administrator to SAA after the event);
- If FPNs are determined to have been a good proxy for Deemed Metered Volumes historically, there will be a need to determine whether controls are in place to ensure that this continues to be the case in future;
- The need to determine whether reliance on information provided by the Interconnector Administrator will cause difficulties in calculating CCP during periods of Transmission Company Outages; and
- The need to determine the impact upon the systems and processes used by BSCCo for maintaining and monitoring current components of the CEI calculation.

2 INITIAL ASSESSMENT OF IMPACTS OF MODIFICATION PROPOSAL

2.1 Impact on BSC Systems and processes

An initial assessment has been undertaken in respect of all BSC Systems and processes and the following have been identified as potentially being impacted by Modification Proposal P140.

BSC System / Process	Potential Impact of Modification Proposal
Registration	BSCCo would no longer need to calculate and seasonally update CALF values for Interconnector BM Units. CRA would no longer need to register and seasonally update CALF values held for Interconnector BM Units. Lead Parties would no longer need to register and seasonally update maximum positive and negative estimations of QMij, currently an obligation pursuant to Section K3.4. BSCP15 'BM Unit Registration' may need amendment such that Lead Parties specify the P/C Status of Interconnector BM Units on the appropriate forms, as this will no longer be evident from QMij submissions. CRA would no longer need to register and seasonally update Lead Parties' estimations of QMij.
Credit Checking	The half hourly calculation of CCP may be delayed, as this will be contingent upon receipt of FPN data from the Transmission Company. The calculation of CCP may be disrupted by Transmission Company outages that affect the receipt of FPN data. The manual reconciliation of a Party's CCP position, in instances where a Party is in, or close to, Credit Default will be more difficult due to a greater number of components within the calculation. This may increase BSCCo resourcing

BSC System / Process	Potential Impact of Modification Proposal
	time on modelling and explaining the CCP calculation to Parties.
Clearing, Invoicing and Payment	The calculation of Credit Cover Percentage may be significantly less volatile if CAQCE tracks QABC more closely in the calculation of CEI. If positive CEI peaks are lower, this may reduce Credit Cover requirements for Interconnector Users and consequently cause a reduction in the amount of Credit Cover lodged with FAA.
Reporting	BSCCo would no longer need to report CALF values for Interconnector BM Units. BSCCo would need to modify the CALF Guidelines, with the Panel/ISG's agreement, to remove provisions relating to the calculation of Interconnector CALF values. The ECVAA-I014 'Notification Report' flow may require amendment so that it continues to give Parties relevant information to reconcile their CCP position. The Trading Operations Market Analysis System (TOMAS) may require modification such that changes in the CCP calculation are appropriately picked up.
Contingencies	BSCCo would need to establish guidance / working provisions for the calculation of Energy Indebtedness during periods of Transmission Company Outage.
Dispute Resolution	The right to appeal GC/DC values (pursuant to Section K3.4.7) would no longer be available/relevant to Lead Parties of Interconnector BM Units. This would impact BSCCo resourcing on issue resolution. The right to appeal CALF values (pursuant to Section M1.5.6) would no longer be available/relevant to Lead Parties of Interconnector BM Units. This would impact BSCCo resourcing on issue resolution. Lead Parties of Interconnector BM Units would appear to lose any rights relating to contesting CAQCE calculation (beyond whether ECVAA is functioning correctly). This may impact BSCCo resourcing on Credit Default resolution.

2.2 Impact on other systems and processes used by Parties

An initial assessment has been undertaken in respect of systems and processes used by Parties and the following have been identified as potentially being impacted by Modification Proposal P140.

System / Process	Potential Impact of Modification Proposal
CCP modelling	BSCCo is aware that many Parties have systems in place to model their Energy Indebtedness. These systems may require changes.

System / Process	Potential Impact of Modification Proposal
Maintenance of Credit Cover position	P140 anticipates a reduction in Credit Cover requirements for Interconnector BM Units. This may prompt an increase in use of the Credit Cover reduction provisions set out in Section M2.3 and BSCP301 'Clearing, Invoicing and Payment' following any implementation.
Use of Metered Volume Reallocation Notifications (MVRNs)	Where an MVRN is in place this has consequential effects upon the CAQCE position of both the Lead and Subsidiary Party, which is not the case with an Energy Contract Volume Notification (ECVN). P140 may make the CAQCE attributed to Interconnector BM Units less predictable (as there will be a move from a static to a dynamic CAQCE calculation) whilst closer to anticipated QABC. This may affect Parties in their determination of whether trading these volumes via ECVN or MVRN is more attractive.

2.3 Impact on documentation

2.3.1 Impact on Balancing and Settlement Code

An initial assessment has been undertaken in respect of all Sections of the Code and the following Sections have been identified as potentially being impacted by Modification Proposal P140.

Section	Potential Impact of Modification Proposal
K	Requirement for the Lead Party of Interconnector BM Unit(s) to submit QMij estimations is likely to become superfluous (as they will no longer be used in the CCP calculation).
M	Calculation of BMCAEC / BMCAIC will need to be decoupled from CALF and GC/DC for Interconnector BM Units. Insertion of FPN provisions into CEI calculation for Interconnector BM Units.
Q	Changes to submission deadlines for FPN information from Transmission Company to NETA Central Services may be necessary. Changes to routing of FPN information from Transmission Company to ECVAA (as well as BMRA) may be necessary.

2.3.2 Impact on Code Subsidiary Documents

An initial assessment has been undertaken in respect of all Code Subsidiary Documents and the following documents have been identified as potentially being impacted by Modification Proposal P140.

Item	Potential Impact of Modification Proposal
Credit Assessment Load Factors Guidance document [3]	The CALF Guidelines will need to be modified to remove principles applied to Interconnector BM Units.
BSCP15	The requirement for the Lead Party of Interconnector BM Units to register estimations of positive and negative QMij (under K3.4) may need to be

[3] Document reference CG010

	replaced with a declaration of the P/C Status of the BM Unit.

2.4 Impact on Core Industry Documents

No impacts have been identified.

2.5 Impact on other configurable items

No impacts have been identified.

3 IMPACT ON BSCCO

An initial assessment has been undertaken in respect of BSCCo and the following have been identified as potentially being impacted by Modification Proposal P140.

Area of Business	Potential Impact of Modification Proposal
BSCCo Systems	TOMAS may need to be modified in order that the new CEI calculation may be accurately reconciled by it (affects Market Monitoring).
BSCCo Procedures	The seasonal review of QMij submissions may be modified such that Interconnector BM Units are excluded (affects CVA Operations / Customer Services Management). Pre-seasonal reminders of the need to submit QMij values for the forthcoming BSC Season may be modified such that Interconnector BM Units are excluded (affects Customer Services Management). It is anticipated that mechanisms will need to be devised to provide assurance that the Interconnector Administrator is adequately validating FPN submissions. The precise scope of such mechanisms will need to be established in the course of the Modification Group meetings.
Other (e.g. costs, staffing, etc.)	There will be a reduction / removal of Service Delivery resource costs relating to CALF / QMij submission issues, as these will become defunct for Interconnector BM Units. There may be an increase in Service Delivery resource costs relating to explaining / modelling the calculation of Energy Indebtedness, as this would be more complicated in practice.

4 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

An initial assessment has been undertaken in respect of BSC Agent contractual arrangements and the following have been identified as potentially being impacted by Modification Proposal P140.

BSC Agent Contract	Potential Impact of Proposed Modification
Logica (BMRA, CRA, CDCA, SAA, ECVAA, TAA(CVA))	ECVAA: P140 would require non-trivial amendments to ECVAA software. ECVAA would be required to receive FPN details for Interconnector BM Units and convert them to MWh energy values for use in CCP calculations. These submissions would need to be made in time for the ECVAA CCP calculation following each Gate Closure. ECVAA may also need processes in place for handling calculations during periods of Transmission Company Outages. An intended impact of P140 is to reduce the levels of Credit Cover required by Interconnector Users. If this proves to be the case, there may be a short term upturn in requests by Parties to reduce their Credit Cover levels lodged following any decision to approve (pursuant to Section M2.3 and BSCP301 processes), which will impact both ECVAA and FAA. CRA: CRA would see a reduction in the numbers of both QMij and CALF value submissions they need to manually process (received from Lead Party and from BSCCo respectively).
Logica EPFAL (FAA)	An intended impact of P140 is to reduce the levels of Credit Cover required by Interconnector Users. If this proves to be the case, there may be a short term upturn in requests by Parties to reduce their Credit Cover levels lodged following any decision to approve (pursuant to Section M2.3 and BSCP301 processes), which will impact both ECVAA and FAA.
PwC (BSC Auditor, Certification Agent)	It is anticipated that mechanisms will need to be devised to provide assurance that the Interconnector Administrator is adequately validating FPN submissions. The precise scope of such mechanisms will need to be established in the course of the Modification Group meetings and may fall within the remit of the BSC Auditor.

5 RATIONALE FOR BSCCO'S RECOMMENDATIONS TO THE PANEL

P140 proposes changes to the calculation of the Energy Indebtedness of a Party, should its portfolio contain Interconnector BM Units. These changes will have a material impact upon the amount of Credit Cover that

such Parties need to lodge in order to trade. This will have an impact concurrently upon the exposure and coverage of any risk that should a Trading Party Default they will have lodged sufficient collateral to pay their outstanding Trading Charges. The mechanism to achieve these changes would involve a change to ECVAA processes and the use of data received from the Transmission Company.

The nature of P140 means that the impact of any changes will affect BSCCo, the Transmission Company, the BSC Agent Systems (ECVAA and CRA) and all Parties.

Based upon the above, BSCCo believe a 3 month Assessment Procedure will be required, to provide the Modification Group sufficient time to address the issues initially identified in section 1.3 of this report.

6 PROCESS, TIMETABLE AND COST FOR PROGRESSING THE MODIFICATION PROPOSAL

BSCCo recommends that P140 be submitted to the Settlement Standing Modification Group (SSMG) for further assessment with the Assessment Report presented to the Panel at its meeting on 11 December 2003.

It is estimated that the progression of P140 will require:

- Four Modification Group meetings
- One industry consultation
- One detailed level impact assessment from BSCCo
- One request for Transmission Company analysis

The proposed timetable for progression of P140 is shown in annex 3 of this report.

The cost of progressing P140 through the Modification Procedures is estimated to be £20,000 and require 60 ELEXON man days effort.

The cost of implementing the Proposed or any Alternative Modification will be determined during the Assessment Procedure.

7 DOCUMENT CONTROL

7.1 Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	03/09/03	Change Delivery		For Peer Review
0.2	04/09/03	Change Delivery		Formal Review
1.0	05/09/03	Change Delivery		Panel Decision

7.2 References

Ref	Document	Owner	Issue date	Version

ANNEX 1 MODIFICATION PROPOSAL

Modification Proposal	**MP No: 140** *(mandatory by BSCCo)*

Title of Modification Proposal *(mandatory by proposer)*:

Revised Credit Cover Methodology for Interconnector BM Units

Submission Date *(mandatory by proposer)*: 21st August 2003

Description of Proposed Modification *(mandatory by proposer)*:

The proposal is to modify Section M 1.5 of the BSC for Interconnector Users (IUs) only, such that the values of Credit Assessment Credit Energy Volume (CAQCE) for each Interconnector BM Unit (I-BMU) are made equal to the FPN data, rather than trying to estimate an energy volume based on past trading activity. It would avoid the need to use or determine an I-BMU's CALF, GC and DC parameters for the Credit Energy Indebtedness (CEI) calculation.

Description of Issue or Defect that Modification Proposal Seeks to Address *(mandatory by proposer)*:

This modification seeks to address the anomalous treatment for Interconnector Users in the way the CEI is calculated for the I-BMUs, which at present is based on historical data that has little relevance to current or future trading activity.

The amount of Credit Cover needed by an Interconnector User for its I-BMUs can be very variable. This is not because of the risks posed by IUs to the rest of the market, but because of the particular methodology used for determining CAQCE in the CEI calculation (see Attachment 1 for an expansion of the calculation).

Central to the CEI calculation is the use of the Credit Assessment Load Factor (CALF), as well as Generation Capacity (GC) and Demand Capacity (DC), but for Interconnector Users these values have little (if any) relevance, other than to cause unnecessary credit cover volatility. Their use requires the need for frequent monitoring of CEI and for very flexible credit cover arrangements to enable the required amounts to be posted quickly. The large amounts that can be required can cause significant additional and unnecessary costs.

The proposal would replace CAQCE with the I-BMU's FPN data, which is considered more appropriate in this instance because of the specific auction and/or trading rules that dictate an IU's behaviour in the market.

The past trading volumes and past values of GC and DC, as well as the maximum half hourly figure, often bear no relation to what a particular I-BMU might be currently trading or indeed what might be expected at any time in a forthcoming BSC Season. Such volumes will actually depend on the capacity obtained on the interconnector and the price differentials exhibited in the interconnected markets for the period in question.

The inappropriateness of these parameters to I-BMUs has been recognised for some time by a number in the market, including the ISG and the SSMG who have been considering how the problem can be adequately addressed. The SSMG at the meeting dated 16th July 2003 agreed that Interconnector Users were different from other Parties as the net position of their Final Physical Notification data for their BMUs would be equal to their Deemed Metered Volumes and, as such, there was merit in a Modification Proposal whereby the FPN data for I-BMUs only was used as the CAQCE in credit calculations.

In the case of the Anglo-French Interconnector (although similar arrangements exist for the Anglo-Scottish Interconnector), IUs submit their Physical Notification (PN) of the net transfer (import or export as appropriate) for each half hour by 1pm on the day ahead to NGC. All the individual Contract Notifications (CN) for the I-BMU, that equate to the PN, are submitted to Central Systems soon afterwards. These roll forward to become the FPNs. NGC acts as the Interconnector Administrator in this instance and checks that the PN data is consistent with the Interconnector capacity booked to that Party. If it is higher than the booked capacity, it is flagged to the Party for it to correct or it will be scaled back accordingly. Once notified, the IU will deliver that transfer and this is recognised by the Interconnector Administrator (in this instance RTE in France) submitting DMVs for parties which will equal the PN data, except for errors due to

Modification Proposal	MP No: 140 *(mandatory by BSCCo)*

transmission losses or if the interconnector capability is reduced for some reason. An IU cannot fail to fulfil it's I-BMU obligations as given through its contract notifications, except in cases of plant failure, instances of which have been very few historically (typically, interconnector availability figures including planned outages are greater than 97%. Therefore, the risk to the market is small and, under normal circumstances, it would be expected that the credit risk would be close to zero, since the planned and actual volumes are virtually the same. Under exceptional circumstances eg system/Interconnector faults, the exposure would be limited at most to a small number of hours for the volumes being traded. Despite this reality, and instead of treating I-BMUs as a low credit risk, the current methodology assigns them a very low CALF that requires a high proportion of their trades to be substantially underwritten.

The proposal is to gain fair treatment for IUs and their I-BMUs which, it is contended, would not be unduly discriminatory in this case. All IUs would be given equal treatment, the credit cover required would be at an appropriate level and at a level that more adequately reflects the risks posed to the market than at present.

Impact on Code *(optional by proposer)***:**

The proposal seeks the amendment of Para 1.5 of Section M of the BSC to include special provisions for Interconnector BM Units and for consequent changes to be made to the CALF Guidelines.

Impact on Core Industry Documents *(optional by proposer)***:**

Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties *(optional by proposer)***:**

The CEI calculation would need to pick up the summation on the FPN data for each I-BMU, rather than the relevant CALF and GC/DC values. Reports of CALF and GC/DC values for Interconnector Users could be nullified and there would no longer be a requirement to collect them from the IUs.

Impact on other Configurable Items *(optional by proposer)***:**

Justification for Proposed Modification with Reference to Applicable BSC Objectives *(mandatory by proposer)***:**

Putting up letters of credit to cover the potential risks to the market is understood and accepted. The difficulty comes when the perceived risk, due to a particular method of calculation, is much higher than reality. The problem is then compounded when that methodology is such that the CEI value can go extremely high for trading conditions that are very likely to occur and can occur very quickly. By amending the current credit cover methodology for Interconnector BM Units as proposed, it would remove an unfair financial burden being put on current and potential IUs and it would represent a better reflection of the trading risk posed by the IUs on the market. The proposal would reduce costs to parties and hence ease trades between the E&W market and the markets of neighbouring systems, as well as helping to avoid unnecessary credit cover being posted. It would therefore meet Applicable BSC Objectives (c) and (d).

Details of Proposer:

Name: Steve Drummond

Organisation: EdF Trading Ltd

Telephone Number: 0207 061 4051 or 07884 310870

Email Address: steve.drummond@edftrading.com

Modification Proposal	**MP No: 140** *(mandatory by BSCCo)*

Details of Proposer's Representative:

Name: As above

Organisation:

Telephone Number:

Email Address:

Details of Representative's Alternate:

Name: Saeed Patel

Organisation: EdF Trading Ltd

Telephone Number: 0207 061 4055

Email Address: saeed.patel@edftrading.com

Attachments: Yes

If Yes, Title and No. of Pages of Each Attachment:

Use of CALF and GC/DC in the Energy Indebtedness Calculation – 1 Page

ANNEX 2 MODIFICATION PROPOSAL (ATTACHMENT)

Use of CALF and GC/DC in the Energy Indebtedness Calculation

The system parameter of Credit Assessment Load Factor (CALF), as described in section M.1.5 of the BSC, is central to the determination of a Trading Party's Energy Indebtedness. The amount of Credit Cover that a BSC Party is required to lodge to cover their Energy Indebtedness is calculated from a combination of Actual Energy Indebtedness (AEI) and Credited Energy Indebtedness (CEI), with the latter used for that portion of the 29 day period for which Interim Information Settlement Run data is not available. This calculation is prescribed in Section M, 'Credit Cover and Credit Default', of the BSC, and is briefly outlined below.

Credited Energy Indebtedness is calculated as:

$$CEI_{pj} = - (\sum_{a,i} CAQCE_{iaj} - \sum_{a} QABC_{aj})$$

With Credit Assessment Credited Energy Volume (CAQCE) for the Lead Energy Account for a Production BM Unit defined as:

$$CAQCE_{iaj} = (SPD * BMCAEC_{i}) - \sum_{a} CAQCE_{iaj}$$

With CAQCE for the Lead Energy Account for a Consumption BM Unit defined as:

$$CAQCE_{iaj} = (SPD * BMCAIC_{i}) - \sum_{a} CAQCE_{iaj}$$

With BM Unit Credit Assessment Export Capability (BMCAEC) defined as:

$$BMCAEC_{i} = CALF_{i} * GC_{i}$$

With BM Unit Credit Assessment Import Capability (BMCAIC) defined as:

$$BMCAIC_{i} = CALF_{i} * DC_{i}$$

With Generation Capacity (GC) defined as:

$$GC = G / SPD$$

Where G is the value of positive QM_{ij} notified under clause K 3.4.1(a) in relation to the relevant BSC Season.

With Demand Capacity (DC) defined as:

$$DC = D / SPD$$

Where D is the value of negative QM_{ij} notified under clause K 3.4.1(b) in relation to the relevant BSC Season.

A CALF value is determined for each BM Unit in relation to every BSC Season and the principles by which CALF values are calculated for each BM Unit are defined in the CALF Guidelines document, which is published on the ELEXON website.
The magnitude of BMCAEC or BMCAIC will be dependent on the CALF value calculated (using the trading volumes and the GC/DC values of last year) and the magnitude of GC and DC values submitted for the current season.

ANNEX 3 GANTT CHART

ID	Task Name	Duration	Start	Finish
1	3 Month Assessment	65 days	Fri 12/09/03	Thu 11/12/03
2	**SSMG Meeting 1**	1 day	Thu 18/09/03	Thu 18/09/03
3	Develop Requirements	6 days	Fri 19/09/03	Fri 26/09/03
4	**SSMG Meeting 2**	1 day	Mon 29/09/03	Mon 29/09/03
5	Refine Requirements	5 days	Tue 30/09/03	Mon 06/10/03
6	Develop Legal Text	25 days	Tue 07/10/03	Mon 10/11/03
7	Impact Assessment	10 days	Tue 07/10/03	Mon 20/10/03
8	Review Responses	3 days	Tue 21/10/03	Thu 23/10/03
9	Draft Consultation	19 days	Mon 29/09/03	Thu 23/10/03
10	**SSMG Meeting 3**	1 day	Fri 24/10/03	Fri 24/10/03
11	Finalise Consultation	3 days	Mon 27/10/03	Wed 29/10/03
12	Consultation	7 days	Thu 30/10/03	Fri 07/11/03
13	Draft Assessment Report	10 days	Mon 27/10/03	Fri 07/11/03
14	Review Consultation	3 days	Mon 10/11/03	Wed 12/11/03
15	**SSMG Meeting 4**	1 day	Fri 14/11/03	Fri 14/11/03
16	Update Assessment Report	4 days	Mon 17/11/03	Thu 20/11/03
17	Finalise legal Text	5 days	Mon 17/11/03	Fri 21/11/03
18	SSMG Review Report	3 days	Fri 21/11/03	Tue 25/11/03
19	SSMG Review Legal Text	3 days	Mon 24/11/03	Wed 26/11/03
20	Finalise Assessment Report	4 days	Thu 27/11/03	Tue 02/12/03
21	Internal Paper Day	1 day	Tue 02/12/03	Tue 02/12/03
22	**External Paper Day**	1 day	Fri 05/12/03	Fri 05/12/03
23	December Panel	1 day	Thu 11/12/03	Thu 11/12/03