



APRIL 2003

DRAFT MODIFICATION REPORT
MODIFICATION PROPOSAL P119 -
Increased flexibility in the reporting
of upheld Trading Disputes relating
to Credit Default

Prepared by ELEXON on behalf of the Balancing
and Settlement Code Panel

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I DOCUMENT CONTROL

a Authorities

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0.1	12/03/03	Dena Harris	Roger Salomone	Initial Draft
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0.5	04/04/03	Change Delivery	Change Delivery	Quality Review
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b Distribution

Name	Organisation
Each BSC Party	Various
Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
energywatch	energywatch
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c References

Ref.	Document	Owner	Issue Date	Version
1.	Modification Proposal P119	ELEXON	19/02/03	1.0
2.	Modification P119 Initial Written Assessment	ELEXON	07/03/03	1.0
3.	CP917 Change Proposal 'Reporting of upheld Trading Disputes relating to Credit Default on the BMRS'	ELEXON	22/01/03	1.0
4.	CP703 Change Proposal 'Credit Default Process'	ELEXON	24/09/01	1.0

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II CONTENTS TABLE

I	Document Control.....	2
a	Authorities.....	2
b	Distribution.....	2
c	References.....	2
d	Intellectual Property Rights and Copyright.....	2
II	Contents Table	3
1	Summary and Recommendations	4
1.1	Recommendation.....	4
1.2	Background	4
1.3	Rationale for Recommendations.....	4
2	Introduction.....	4
3	History of Proposed Modification.....	5
4	Description of the Modification.....	5
5	Rationale for Panel Recommendations	6
6	Legal Text to Give Effect to the Modification.....	6
7	Assessment	6
8	Summary of Representations.....	7
8.1	Arguments Supporting the Panel Recommendations.....	7
8.2	Other Issues Raised	7
8.3	Panel Discussion of Representations	8
Annex 1	Cost Summary.....	9
Annex 2	Representations	9
A2.1	Summary of Representations.....	9
A2.2	Detailed Responses.....	9
Annex 3	Legal Text	15

1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal during the Modification Procedure, and the resultant findings of this report, the Balancing and Settlement Code Panel recommends that:

Proposed Modification P119 should be made; and

The Implementation Date should be 15 Business Days after the Authority's decision.

1.2 Background

Modification Proposal P119 'Increased flexibility in the reporting of upheld Trading Disputes relating to Credit Default' (P119) seeks to amend Section M.3.5.1(a) of the Balancing and Settlement Code ('the Code') to allow notices of upheld Trading Disputes relating to Credit Default to be published on either, or both, the BSC Website and Balancing Mechanism Reporting Service (BMRS), rather than both as is currently required.

Under Section F2.1.1(d) of the Code, the Balancing and Settlement Code Panel ('the Panel') can raise a Modification Proposal on the recommendation of BSCCo to rectify minor inconsistencies, manifest errors or other minor consequential changes, or if they believe it would better facilitate the objective in Condition C3(3)(d) of the Transmission Licence, promoting efficiency in the implementation of the balancing and settlement arrangements.

An Initial Written Assessment (IWA) was submitted to the Panel on 13 March 2003 (Reference 2), and the Panel agreed with BSCCo's recommendation that P119 should proceed directly to the Report Phase as the changes proposed by P119 are of a minor and inconsequential nature. The Panel agreed that this would increase the efficiency of balancing and settlement arrangements and therefore better facilitate Applicable BSC Objective (d).

1.3 Rationale for Recommendations

The Panel agreed with BSCCo's recommendation that allowing notices of upheld Trading Disputes relating to Credit Default to be published on either, or both, of the BSC Website and the BMRS, will improve the efficiency of the balancing and settlement arrangements and therefore better facilitates achievement of the Applicable BSC Objective in Condition C3(3)(d) of the Transmission Licence.

(d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

The Panel also noted that the proposed change will have no impact on any Party or BSC Systems.

5 responses to the draft Modification Report consultation were received. 4 responses (12 Parties) supported the Panel's recommendation that the Proposed Modification be made and 1 response (15 Parties) did not express a view. A summary of the responses received is given in Section 8.

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd., on behalf of the Panel, in accordance with the terms of the Code. The Code is the legal document containing the rules of the balancing mechanism and

imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the Code.

This Modification Report is addressed and furnished to the Gas and Electricity Markets Authority ('the Authority') and none of the facts, opinions or statements contained herein may be relied upon by any other person.

An electronic copy of this document can be found on the BSC Website, at www.elexon.co.uk.

3 HISTORY OF PROPOSED MODIFICATION

P119 was raised on 19 February 2003 by BSCCo, on behalf of the Panel, in accordance with Paragraph F2.1.1(d)(iv) of the Code. P119 was raised following a discussion of paper 58/013, at the Panel meeting on 19 February 2003. P119 seeks to allow notices of upheld Trading Disputes relating to Credit Default notices to be published on either, or both, the BSC Website and BMRS, rather than both as currently required.

The IWA was submitted to the Panel at their meeting on 13 March 2003. The IWA did not identify any major issues and therefore the Panel agreed that P119 be submitted directly to the Report Phase.

The Panel recommended that the Proposed Modification should be made. The Panel also agreed that in the event that the Authority determines that the Proposed Modification should be made, the Implementation Date should be 15 Business Days after the Authority's decision.

The costs highlighted for implementation of P119 are only for documentation updates and are discussed further in Annex 1.

On the basis of the IWA, the Panel supported the view that P119 better facilitates achievement of Applicable BSC Objective (d) as it promotes efficiency in the implementation and administration of the balancing and settlement arrangements.

A draft Modification Report for P119 was issued for consultation on 19 March 2002. 5 responses, representing 27 BSC Parties, were received. 4 responses supported the Proposed Modification and 1 response did not express a view.

The draft Modification Report was presented to the Panel meeting of 10 April 2003 and at this meeting the Panel agreed [insert details of any Panel decisions that take place at the Panel meeting].

4 DESCRIPTION OF THE MODIFICATION

P119 seeks to amend Section M.3.5.1(a) of the Code to allow notices of upheld Trading Disputes relating to Credit Default notices to be published on either, or both, of the BSC Website and Balancing Mechanism Reporting Service (BMRS), rather than both as currently required.

Currently Section M.3.5.1(a) of the Code requires notices of upheld Trading Disputes relating to Credit Default notices to be published on both the BSC Website and the BMRS. At present there is no functionality to publish on the BMRS, hence, to comply with the Code, developments to the BMRS will be required. The costs for doing this and the associated operational costs have not yet been identified and are currently being assessed under CP917 'Reporting of upheld Trading Disputes relating to Credit Default on the BMRS' (Reference 3). This situation represents a potential business risk, in that, were the implementation costs for CP917 to prove unacceptably high, BSCCo would be left unable to comply with Section M3.5.1 (a) of the Code.

If CP917 is authorised, P119 will enable upheld Trading Disputes to be published alongside Credit Default statements on the BMRS - Credit Default statements will be published on the BMRS upon implementation of CP703 'Credit Default Process' (Reference 4). BSCCo would not need to replicate these notices on the BSC Website. If CP917 is not authorised, upheld Trading Disputes relating to Credit Default will not be capable of being published on the BMRS, only on the BSC Website. P119 will therefore enable BSCCo to make a commercial decision, about whether to publish the notices, as a one off publication, on the BMRS or not. The option to publish on both would be maintained to cover for any system failure. P119 will provide a more efficient implementation of the Code

5 RATIONALE FOR PANEL RECOMMENDATIONS

The Panel unanimously agreed that P119 will increase the efficiency of the upheld Trading Disputes relating to Credit Default reporting process and therefore better facilitates Applicable BSC Objective (d).

The rationale for this is that P119 proposes a change to the Code allowing the posting of upheld Trading Disputes relating to Credit Default notices on either, or both, of the BSC Website and BMRS. This would be consistent with other reporting requirements set out in the Code and would allow BSCCo to make a commercial judgement on publishing on the BMRS and thus provides increased flexibility.

6 LEGAL TEXT TO GIVE EFFECT TO THE MODIFICATION

Proposed Modification P119 requires changes to Sections M, of the Code. A summary of the changes is given below and a detailed red lined version of the legal text is included in Annex 3.

Section M (version 7.0): Changes are required to section M3 to allow the posting of upheld Trading Disputes relating to Credit Default notices on either, or both, the BSC Website and BMRS.

The legal drafting included with this report is drafted against the version of the Code current on the date of the Panel meeting (10 April 2003). The legal drafting was checked against all Modifications that had been approved by the Authority on the date of the Panel meeting, including those that have not yet been implemented. If the baseline of the Code changes prior to implementation of P119, or if other Modification Proposals are to be implemented at the same time as P119, the legal text may need to be amended.

7 ASSESSMENT

The proposed changes are of a minor and inconsequential nature, and have no impact on any systems or processes other than BSCCo local work instructions (LWI).

During the Initial Assessment of P119, the following minor impacts on BSCCo's procedures and systems were identified:

- The LWI of BSCCo's Credit Default team will need to be updated to reflect the change in the process for reporting upheld Trading Disputes relating to Credit Default under Section M3 of the Code; and
- There is potential impact on the Reporting Catalogue to change the reference to, the use of BSC Website for publishing details of upheld Trading Disputes relating to Credit Default.

The IWA was presented to the Panel on 13 March 2003. The Panel recommended that the Proposed Modification P119 should be made.

8 SUMMARY OF REPRESENTATIONS

The draft Modification Report was issued for consultation on 19 March 2003 with responses due back on 28 March 2003. 5 responses were received.

- 4 responses (12 Parties) supported the recommendation that the Proposed Modification should be made and 1 response did not express a view;
- 5 responses (27 Parties) supported the recommended Implementation Date;
- 4 responses (23 Parties) supported the Legal Drafting and 1 response had no comment;

The views expressed in the responses are summarised below:

Respondent	No. BSC Parties Represented	No. non BSC Parties Represented	Agree with Recommendations (Approve)	Agree with Legal Drafting	Agree with Implementation Date
NGC	1	0	✓	✓	✓
Powergen	15	0	N/C	✓	✓
Scottish and Southern	4	0	✓	N/C	✓
British Gas Trading	1	0	✓	✓	✓
Scottish Power Group	6	0	✓	✓	✓
TOTAL (5)	27	0	4(12)	4(23)	5(27)

Note: N/C = No comment

Annex 2 of this Modification Report contains a summary of the responses and copies of the actual responses received. A summary of the arguments and issues raised in the responses is given below. A summary of the arguments raised in the responses is given below in sections 8.1 and 8.2.

8.1 Arguments Supporting the Panel Recommendations

The following arguments were raised in the consultation responses, in support of the Panel recommendation that the Proposed Modification be made:

- Increased efficiency of the reporting of upheld Trading Disputes relating to Credit Default.
- Provision of a more flexible and cost effective vehicle for the publication of data, thereby allowing BSCCo to meet their obligations under the BSC code

8.2 Other Issues Raised

The following issues, indirectly related to P119, were raised;

- One response said that it might have been more efficient to wait for the implementation costs of CP917 to be published before looking at P119. However it should be noted that in the current situation if an upheld Trading Dispute needed to be reported BSCCo would be non compliant with the Code. P119 is not affected by implementation of CP917.
- In addition the response requested clarification of the costs of P119, were CP917 not to go ahead. P119 does not require changes to any systems only to documentation and these costs are not dependent on the fate of CP917. See Annex 1.
- One response requested confirmation that Elexon Circulars would continue to be sent following Trading Dispute Committee meetings to provide added visibility for BSC Parties. This will continue to occur.

8.3 Panel Discussion of Representations

At the Panel meeting of 10 April 2003, the arguments raised in the consultation responses were presented.

[Insert details of any Panel discussions relating to the consultation responses]

ANNEX 1 COST SUMMARY

The only costs associated with the implementation of P119 will relate to documentation updates i.e. the cost of making changes to the Code and issuing the revised version; the cost of analysing potential interactions between P119 and other pending Modification Proposals; and the cost of updating BSCCo's LWI. All of these costs are expected to be minor.

ANNEX 2 REPRESENTATIONS

A2.1 Summary of Representations

The draft Modification Report was sent out for consultation on 19 March 2003 with responses due back on 28 March 2003. The table below gives a summary of the responses and the actual responses received are attached below.

	Responses	BSC Parties	Non BSC Parties
Support recommendations	4	12	0
Do not support recommendations	0	0	0
No Comment	1	15	0
Total	5	27	0

Representations were received from the following parties:

No	Company	File Number	No. BSC Parties Represented	No. non BSC Parties Represented	Proforma
1.	NGC	P119_DR_001	1	0	
2.	Powergen	P119_DR_002	15	0	
3.	Scottish and Southern	P119_DR_003	4	0	No
4.	British Gas Trading	P119_DR_004	1	0	No
5.	Scottish Power Group	P119_DR_005	6	0	

A2.2 Detailed Responses

P119_DR_001 – NGC

Respondent:	<i>National Grid</i>
No. of BSC Parties Represented	One
BSC Parties Represented	<i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant). National Grid</i>
No. of Non BSC Parties Represented	None
Non BSC Parties represented	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent and	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC</i>

Parties represented	<i>Agent / Party Agent / other – please state) BSC Party</i>
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Q	Question	Response	Rationale
1	Do you agree with the Panel's views on P119 and the provisional recommendation to the Authority contained in the draft Modification Report that P119 be made? Please give rationale.	Yes	We agree with the rationale of the Panel that this modification will increase the efficiency of the upheld Trading Disputes relating to Credit Default reporting process.
2	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	The change is minor and clearly addresses the defect.
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P119? Please give rationale.	Yes	The implementation 15 business days after an Authority decision is appropriate as no BSC Systems are being updated.
4	Do you believe that there are any impacts that have not been highlighted? If yes please give details.	No	
5	Are there any further comments on P119 that you wish to make?	No	

P119_DR_002 – Powergen

Respondent:	<i>Name</i> Christiane Sykes
No. of BSC Parties Represented	15
BSC Parties Represented	Powergen UK plc, Powergen Retail Limited, Diamond Power Generation 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 Limited
No. of Non BSC Parties Represented	
Non BSC Parties represented	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent and Parties represented	<i>Supplier and generator</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1	Do you agree with the Panel's views on P119 and the provisional recommendation to the Authority contained in the draft Modification Report that P119 be made? Please give rationale.	Yes / No	We agree with the proposal in principle, however, it is of course, difficult to fully agree with a recommendation to implement the modification without having access to an analysis of the costs involved in the functionality to publish on the BMRS. It might have been more efficient to wait for the implementation costs of CP917 to be published before we responded to P119. We accept that regardless of the outcome of CP917, the changes proposed in P119 will still be necessary, however, recommending a proposal without all the information at hand might, perhaps, be considered somewhat imprudent.
2	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	The amendment to the legal text in section M3.5.1 seems to provide the most simplistic way of addressing the defect. We concur that the option to publish notices on both the BMRS and/or the BSC website provides cover for any system failure.
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P119? Please give rationale.	Yes	The dates given are sensible in bringing about the timely implementation of the proposal, should the Authority wish to implement it.

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
4	Do you believe that there are any impacts that have not been highlighted? If yes please give details.	Yes	Details of potential costs, in the event that CP917 is not implemented. Although this proposal is not contingent on the implementation CP917, it is reasonable that the industry is made aware of the costs involved in P119, were CP917 not to go ahead, before responding to the draft modification report.
5	Are there any further comments on P119 that you wish to make?	No	

P119_DR_003 – Scottish and Southern

THE RESPONSE RECEIVED WAS NOT IN THE FORMAT OF THE PROFORMA THEREFORE THE FOLLOWING ASSUMPTIONS HAVE BEEN MADE AS TO HOW THE RESPONDENTS VIEWS SHOULD BE PRESENTED.

Respondent:	Garth Graham
No. of BSC Parties Represented	4
BSC Parties Represented	Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd

Q1: Yes

Q2: No Comment

Q3: Yes

Q4: No Comment

Q5: No Comment

THESE HAVE BEEN VERIFIED WITH THE RESPONDENT AND THEY HAVE INDICATED THAT THEY ARE HAPPY WITH THE INTERPRETATION.

THE ACTUAL RESPONSE RECEIVED IS GIVEN BELOW:

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

Further to your note of 19th March 2003, and the associated draft Modification Report for P119, we agree with the proposed BSC Panel recommendation to the Authority that this Modification Proposal P119 should be made.

If the Modification Proposal P119 is approved, we agree with the proposed BSC Panel recommendation on the timing for the Implementation Date, as outlined in Section 1.1 of the Modification Report.

Regards

Garth Graham
Scottish & Southern Energy plc

P119_DR_003- British Gas Trading

THE RESPONSE RECEIVED WAS NOT IN THE FORMAT OF THE PROFORMA THEREFORE THE FOLLOWING ASSUMPTIONS HAVE BEEN MADE AS TO HOW THE RESPONDENTS VIEWS SHOULD BE PRESENTED.

Respondent:	Mark Manley
No. of BSC Parties Represented	1
BSC Parties Represented	British Gas Trading

Q1: Yes

Q2: Yes

Q3: Yes

Q4: No Comment

Q5: Yes (see below)

THESE HAVE BEEN VERIFIED WITH THE RESPONDENT AND THEY HAVE INDICATED THAT THEY ARE HAPPY WITH THE INTERPRETATION.

THE ACTUAL RESPONSE RECEIVED IS GIVEN BELOW:

Re: Modification Proposal P119 – Increased Flexibility in the Reporting of Upheld Trading Disputes Relating to Credit Default

Thank you for the opportunity of responding to this draft modification report considering Modification Proposal P119. British Gas Trading (BGT) supports the Modification Proposal as removing the requirement to duplicate publication of upheld Trading Disputes in relation to Credit Default can be seen to improve the efficiency of the process and can be seen to better facilitate Applicable BSC Objective (d).

BGT agree the legal text allows for the flexibility to report the incident on either the BMRS or ELEXON website and concur with the proposed implementation date.

BGT assume that ELEXON Circulars will continue to be sent following Trading Dispute Committee meetings to provide added visibility of this information to BSC Parties.

Yours faithfully

Mark Manley
Contract Manager

P119_DR_005- Scottish Power Group

Respondent:	Name John W Russell (SAIC Ltd)
No. of BSC Parties Represented	6
BSC Parties Represented	<i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i> Scottish Power UK plc; ScottishPower Energy Trading Ltd.; ScottishPower Generation Ltd; ScottishPower Energy Retail Ltd.; SP Transmission Ltd; SP Manweb plc.
No. of Non BSC Parties Represented	
Non BSC Parties represented	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent and Parties represented	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state)</i> Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent

Q	Question	Response	Rationale
1	Do you agree with the Panel's views on P119 and the provisional recommendation to the Authority contained in the draft Modification Report that P119 be made? Please give rationale.	Yes	<i>We agree that the implementation of P119 will provide a more flexible and cost effective vehicle for the publication of data, thereby allowing BSCCo to meet their obligations under the BSC code.</i>
2	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	<i>We agree that the legal text appears to be appropriate.</i>
3	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P119? Please give rationale.	Yes	<i>We agree that the implementation date appears to be appropriate.</i>
4	Do you believe that there are any impacts that have not been highlighted? If yes please give details.	No	
5	Are there any further comments on P119 that you wish to make?	No	

ANNEX 3 LEGAL TEXT

See attached document (P119 Legal drafting version 2).