



MARCH 2003

**INITIAL ASSESSMENT OF MODIFICATION
PROPOSAL P119 - INCREASED FLEXIBILITY IN
THE REPORTING OF UPHELD TRADING DISPUTES
RELATING TO CREDIT DEFAULT**

Prepared by ELEXON Limited

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Author	ELEXON Limited

I DOCUMENT CONTROL

a Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	03/03/03	Dena Harris	J.Ellis and J.Lucas	Initial Peer Review
0.2	04/03/03	Dena Harris	Chris Rowell	Technical Review
0.3	06/03/03	Dena Harris	Change Delivery	Quality Review
1.0	07/03/03	Dena Harris	The Panel	First Issue

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
Core Industry Document Owners	Various

c References

Reference	Document	Owner	Issue Date	Version
1	CP917 Change Proposal 'Reporting of upheld Trading Disputes relating to Credit Default on the BMRS'	ELEXON	22/01/03	1.0
2	CP703 Change Proposal 'Credit Default Process'	ELEXON	24/09/01	1.0

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1 SUMMARY

Modification Proposal P119 'Increased flexibility in the reporting of upheld Trading Disputes relating to Credit Default' (P119), included in Annex 2 was raised on 19 February 2003 by BSCCo on behalf of the Balancing and Settlement Code Panel in accordance with Section F2.1.1(d) of the Balancing and Settlement Code. P119 was raised following a discussion of Paper 58/013 at the Balancing and Settlement Code Panel meeting of 13 February 2003.

An initial assessment of P119 has identified that a change is required to Section M.3.5.1 of the Balancing and Settlement Code. A copy of the legal text for P119 is provided in Annex 1.

No major issues have been identified by this Initial Assessment.

On the basis of this Initial Written Assessment, the Balancing and Settlement Code Panel is invited to:

- a) **DETERMINE that Modification Proposal P119 should be submitted to the Report Phase in accordance with section F2.7 of the Code;**
- b) **AGREE the Report Phase timetable such that a draft Modification Report should be completed and submitted to the Panel for consideration at their meeting of 10 April 2003;**
- c) **AGREE that the Proposed Modification P119 should be made; and**
- d) **AGREE a provisional Implementation Date for the Proposed Modification P119 of 15 Business Days after a decision is received.**

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd. on behalf of the Balancing and Settlement Code Panel ('the Panel') in accordance with the terms of the Balancing and Settlement Code ('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.

3 DESCRIPTION OF MODIFICATION PROPOSAL

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 1). This represents a potential business risk.

However, it should be noted that P119 is useful whether CP917 is authorised or not. If CP917 is authorised, P119 will enable upheld Trading Disputes to be published alongside Credit Default

statements only on BMRS - Credit Default statements will be published on the BMRS upon implementation of CP703 Credit Default Process' (Reference 2). BSCCo would not need to replicate these notices on the BSC Website. If CP917 is not authorised, upheld Trading Disputes will not automatically 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.

Under Section F2.1.1(d) of the Code, 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.

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. The option to publish on both would be maintained to cover for any system failure. This change will provide a more efficient implementation of the Code and therefore better facilitates the achievement of Applicable BSC Objective (d):

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

4 IMPACT ON BSC SYSTEMS AND PROCESSES

The impact on all BSC systems and processes has been considered and is limited to the following

BSC System/Process	Potential Impact of Proposed Modification
BMRA	No predicted impact as the BMRA will be able to be notified about upheld Trading Disputes relating to Credit Default if CP917 is implemented. If CP917 is not implemented there is no change to BMRA

5 IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

No impact identified

6 IMPACT ON DOCUMENTATION

6.1 Impact on Balancing and Settlement Code

The impact on the Balancing and Settlement Code is limited to the following

BSC Section	Potential Impact of Proposed Modification
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BSC Section	Potential Impact of Proposed Modification
M: Credit Cover and Credit Default	Changes to section M3 are required to change the requirement to post upheld Trading Disputes relating to Credit Default notices on both the BSC Website and BMRS to allow notices to be published on either, one or both

6.2 Impact on Code Subsidiary Documents

The impact on Code Subsidiary Documents is limited to the following:

Code Subsidiary Document	Potential Impact of Proposed Modification
BSC Service Descriptions	No impact - The BSC Service Descriptions do not currently describe the arrangements for publishing details of upheld Trading Disputes that affect Credit Defaults, and are therefore unaffected by P119
Reporting Catalogue	Potential impact to change the reference to, use of BSC Website for publishing details of upheld Trading Disputes that affect Credit Defaults

6.3 Impact on Core Industry Documents

No impact identified

6.4 Other Documents and Processes

The impact on other documents and processes is limited to the following:

Item	Potential Impact of Proposed Modification
Obligations Register	The document will need to be updated to reflect the amended obligations on BSCCo

7 IMPACT ON OTHER CONFIGURABLE ITEMS

The impact on other Configurable Items is limited to the following:

Item	Potential Impact of Proposed Modification
Business Process Model	Impact on BMRA and Trading Disputes work flows

8 IMPACT ON ELEXON

The impact on ELEXON is limited to the following

Area of Business	Potential Impact of Proposed Modification
ELEXON Procedures	<p>Service Delivery will need to update their local working instructions to reflect the change to operational procedures</p> <p>The Trading Disputes team will need to update their local working instructions</p>

9 IMPACT ON FINANCIAL ARRANGEMENTS AND BUDGET

No impact identified.

10 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

No impact identified.

11 PROCESS AND TIMETABLE FOR PROGRESSING THE PROPOSAL

This Initial Assessment indicates that no further work is required to define or assess the proposed amendments to the Code and other documents and processes. ELEXON therefore recommends, that P119 be submitted directly to the Report Phase, with a provisional recommendation to the Authority, that P119 be approved. ELEXON recommends an Implementation Date of:

- 15 Business Days after the Authority's decision.

This Implementation Date is to allow time for documentation to be updated. The draft Modification Report will be issued for consultation on 19 March 2003 for 7 Business Days, and will be presented to the Panel at their meeting to be held on 10 April 2003.

12 ISSUES

No major issues were identified during this Initial Assessment. One minor issue was raised which led to a change in the legal text. This is detailed below:

- P119 suggests that the Code can be changed so that all notices of upheld Trading Disputes relating to Credit Default are published on either the BMRS or the BSC Website. During initial assessment it was noted that there may be occasions where it is necessary to publish on both. For example if the BMRS has an outage and notices are only published on the BSC Website, once the BMRS returned

to service, the missing notices would in addition be posted on the BMRS, in order to have a complete set in one place. For this reason the legal text has been amended to allow for notices to be published on **either** the BMRS **or** the BSC Website **or both**.

ANNEX 1 LEGAL TEXT

See attached document P119 Legal Text Version 2

ANNEX 2 MODIFICATION PROPOSAL

Modification Proposal	MP No: 119 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal: Increased flexibility in the reporting of upheld Trading Disputes relating to Credit Default	
Submission Date: 19 February 2003	
Description of Proposed Modification: The Proposed Modification seeks to remove the requirement for notices of upheld Trading Disputes relating to Credit Default notices to be published both on the BSC Website and the BMRS.	
Description of Issue or Defect that Modification Proposal Seeks to Address: Section M3.5.1 (a) of the Code requires BSCCo to post a notice on the BMRS and the BSC Website in the case of an upheld Trading Dispute relating to Credit Default. BSCCo is currently unable to post such notices on the BMRS. Discussions have been initiated with the central service provider to determine how much this would cost. It is therefore proposed to modify the Code to require that notices of upheld Trading Disputes relating to Credit Default be posted on the BMRS <i>or</i> the BSC Website. This would be consistent with other reporting requirements set out in the Code and would allow BSCCo to use a commercial judgement. In all events the optionality of both sites should be maintained to cover for any system failure.	
Impact on Code: Section M to be amended as follows: 3.5.1 If at any time a Trading Party has been treated as in Credit Default, and it is established or pursuant to the resolution of a Trading Dispute determined that (by reason of such Trading Party's Credit Cover Percentage having been erroneously determined or otherwise) such Trading Party should not have been so treated: (a) with effect as soon as practicable following the resolution of such Trading Dispute, BSCCo will post a notice on the BMRS and/or the BSC Website, referring to the relevant notices of Credit Default and stating that the Trading Party should not have been in Credit Default; ...	

Modification Proposal	MP No: 119 <i>(mandatory by BSCCo)</i>
Impact on Core Industry Documents: None	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties: BMRS BSC Website	
Impact on other Configurable Items: None	
Justification for Proposed Modification with Reference to Applicable BSC Objectives: Removing the requirement to report notices of upheld Trading Disputes on both the BSC Website and the BMRS will allow ELEXON to adopt the best business solution as to where to post such notices and would therefore better facilitate the objective in Condition C3 (3)(d) of the Transmission Licence, i.e. promoting efficiency in the implementation and administration of the balancing and settlement arrangements.	
Details of Proposer: Name: BSC Panel Organisation: Telephone Number: Email Address:	
Details of Proposer's Representative: Name: Modification Secretary Organisation: ELEXON Telephone Number: 020 7380 4100 Email Address: chris.rowell@elexon.co.uk	
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	
Attachments: NO If Yes, Title and No. of Pages of Each Attachment:	