

Modification Proposal

MP No: 118
(mandatory by BSCCo)

Title of Modification Proposal:

Increased efficiency in the reporting of Credit Default statements

Submission Date:

19 February 2003

Description of Proposed Modification:

The Proposed Modification seeks to allow the Energy Contract Volume Allocation Agent (ECVAA) to report Level 1 Credit Default notices immediately on a Party entering Level 1 Credit Default. This will add extra rigour to the Credit Default process by allowing the ECVAA system to be developed to automatically post Credit Default notices on the Balancing Mechanism Reporting Service (BMRS).

Description of Issue or Defect that Modification Proposal Seeks to Address:

Section M3.2.6 (b) of the Code states that Level 1 Credit Default notices shall be posted as soon as reasonably practicable after 0900 hours on the day following the expiry of the default cure period. This clause was included as a point of practicality. Following the CVA June 03 Systems Release, the ECVAA system will be capable of reporting Credit Default notices as they occur. It would be more efficient and would allow for a more robust system if the requirement to wait until 0900 hours on the following day was removed from the Code.

Impact on Code:

Section M to be amended as follows:

3.2.6 At the end of the default cure period, if the Credit Cover Percentage (as determined by the ECVAA in relation to each Settlement Period) was greater than 75% in relation to every Settlement Period in the default cure period, then subject to an authorisation notice being in force in relation to that Trading Party pursuant to paragraph 3.4 (or if later, with effect from such notice being given):

- (a) the Trading Party shall be in "**Level 1 Credit Default**";
- (b) the ECVAA shall (as soon as reasonably practicable ~~after 0900 hours on the day~~ following the expiry of the default cure period) notify the Trading Party that it is Level 1 Credit Default and post on the BMRS or the BSC Website a Level 1 Credit Default statement in relation to the Trading Party.

Impact on Core Industry Documents:

None

Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties:

ECVAA System

BMRS

BSC Website

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Impact on other Configurable Items:

None

Justification for Proposed Modification with Reference to Applicable BSC Objectives:

In the proposer's view, the Proposed Modification would 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. Removing the requirement to wait until 0900 hours on the day following a Party going into Level 1 Credit Default before posting a Level 1 Credit Default notice on the BMRS will allow a fully automated and hence more efficient Credit Default notice reporting system to be developed within ECVA.

Details of Proposer:

Name: BSC Panel

Organisation:

Telephone Number:

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Details of Proposer's Representative:

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Details of Representative's Alternate:

Name:

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Attachments: NO

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