

Change Proposal – BSCP40/02	CP No: 1313 Version No: v1.0 <i>(mandatory by BSCCo)</i>
Title <i>(mandatory by originator)</i> Remove ELEXON from the Minimum Eligible Amount (MEA) request process	
Description of Problem/Issue <i>(mandatory by originator)</i> A Minimum Eligible Amount (MEA) is the amount of credit cover (cash or Letter of Credit) a Party needs to have lodged with the Funds Administration Agent (FAA). This ensures that its Energy Indebtedness ¹ remains below 75% of its credit cover. If a Party's Energy Indebtedness exceeds 80% of its credit cover, it will enter the Credit Default ² process (Section M3 of the Code). This process is designed to stop a Party from accruing more debts, which they may be unable to pay. However, Parties may on occasions wish to reduce the monetary amount that is lodged with the FAA for a number of reasons (e.g. the Party believes that the monetary amount lodged with the FAA is in excess of what is actually required). Parties can request to reduce the credit they have lodged by submitting a form (in BSCP301) to ECVAA. This is known as a MEA request. This CP seeks to amend the current MEA process, as including ELEXON in this process does not add value, and creates an inefficient process. The current process (set out in BSCP301 section 4.6) is as follows: <ol style="list-style-type: none"> 1) A Party wanting to withdraw credit cover submits a BSCP301/06 form, to request a MEA, to ECVAA. 2) ECVAA asks ELEXON to authorise the submitted BSCP form. ELEXON authorises the MEA request, unless the request has come from a Party in Section H Default - ELEXON can prevent Parties in Default from requesting an MEA, but must process MEA requests from non-defaulting Parties. 3) On receiving authorisation from ELEXON and after a waiting period of 10 Settlement Days, ECVAA calculates the amount the Party can withdraw and notifies this to both the FAA and the Party. 4) Party withdraws up to this amount of credit cover within 2 Working Days of notification. ECVAA will be aware if a Party is in Credit Default, as ECVAA calculates a Party's Indebtedness over a rolling 29 day period. Should a Party be in Credit Default, ECVAA will process the MEA request normally but the calculation will mean that the Party cannot withdraw any monetary amounts. In a similar manner, ELEXON notifies ECVAA of any Section H ³ Defaults that ELEXON is aware of. We believe that ELEXON adds no value to the process as no additional validation or analysis is undertaken.	

¹ Energy indebtedness is the sum of a Party's debt over a rolling 29 day period. Parties lodge credit to cover some of this debt. Credit cover is required to ensure that a Trading party has sufficient funds to cover their charges/debts.

² Credit Default is a situation where a Party's Energy indebtedness exceeds 80% of its credit cover and the Party is unable to reduce it to below 75% within a set time.

³ A Section H Default is where a Party is non compliant with the provisions of the Code.

Proposed Solution *(mandatory by originator)*

Our proposed solution is to remove ELEXON from the MEA request process, so that ECVAA does not have to seek ELEXON's authorisation and only has to copy ELEXON into correspondence with the Party that submitted the MEA request. This will require changes to BSCP301 section 4.6.

If a Party is in Section H Default, ECVAA will still forward the MEA request to ELEXON. ELEXON will still process this MEA request as detailed in BSCP301 section 4.6.2, and this CP would leave this process unchanged. ECVAA will know of any Defaulting Parties, as ELEXON already inform ECVAA of all Section H resolutions, so there's little risk of confusing the two processes.

The vast majority of MEA requests are from non Defaulting Parties.

As part of the proposed solution, when ECVAA receives an MEA request they will carry out an additional internal check where:

- If the Party is in Section H Default, pass to ELEXON;
- If not, process as normal.

This internal check is specified within the proposed BSCP redlining (see attachment A).

In addition to the above, four housekeeping changes for BSCP301 are included with this CP:

- Section 1.5 'Associated BSC Procedures' – remove references to redundant item BDTP38;
- Step 4.5.1.2 should include a reference to BSCP301/04(a) as well as BSCP301/04(b) as VAT declarations may have been submitted on either form;
- In step 4.6.3.3. there is a reference to an FAA-I031 'Outstanding Liabilities and Credit Cover' flow being send from the FAA to BSCCo. There is no flow of this name in the FAA documentation or processes and so the reference to the FAA-I031 should be removed from step 4.6.3.3; and
- Sub section 5.1.3 - correcting inconsistencies with the naming of BSCP301 forms.

Justification for Change *(mandatory by originator)*

Removing ELEXON from this process will remove a non value adding step, thus increasing the efficiency of the process.

To which section of the Code does the CP relate, and does the CP facilitate the current provisions of the Code? *(mandatory by originator)*

Yes, this CP better facilitates the provisions of Section M of the Code as well as BSCP301 'Clearing, Invoicing and Payment'. We note that there is no requirement for ELEXON's involvement in the Code (this process is covered at a high level in Section M2.3 and only requires the ECVAA's involvement); ELEXON's involvement is only in the BSCP.

Estimated Implementation Costs *(mandatory by BSCCo)*

The estimated ELEXON implementation costs is 8 man days, which equates to £1.8k. This includes effort in:

- Reviewing BSC Agent Business Process Models to ensure consistency with the change proposed by CP1313;
- Amendments to the BSC Agent contract and ECVAA Service Requirement Schedule; and
- Amending Local Working Instructions (LWIs) for the Credit Default process.

The BSC Agent (BPO) and Service Provider (AMD) costs are approximately 3.2k combined which includes:

- Updates to Process Maps;
- Amending internal working procedures; and
- Updates to the ECVAA URS and IDD documentation.

Configurable Items Affected by Proposed Solution(s) *(mandatory by originator)*

BSCP301 'Clearing, Invoicing and Payment'
BSC Agent Interface Definition and Design (IDD) Part 1 and 2
ECVAA User Requirements Specification (URS)
ECVAA Service Description (SD)

Please note that redline changes to the ECVAA URS and ECVAA SD have not been included. These documents are classed as 'Category 2' documents and changes will be drafted during the CP implementation (if the CP is approved).

Impact on Core Industry Documents or System Operator-Transmission Owner Code *(mandatory by originator)*

None

Related Changes and/or Projects *(mandatory by BSCCo)*

None

Requested Implementation Date *(mandatory by originator)*

February 2010

Reason: Next available release

Version History *(mandatory by BSCCo)*

This is version 1.0 of the CP for impact assessment. This CP has not been issued previously as a DCP.

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Attachments: Y

Attachment A: BSCP301 redlined v0.2 (9 Pages)

Attachment B: NETA Interface Definition and Design (IDD) Part 1 – (2 Pages)

Attachment C: NETA Agent Interface Definition and Design (IDD) Part 2 – (3 pages)