

Change Proposal – BSCP40/01

CP No: 1128

Version No: 2.0

Title *(mandatory by originator)*

Changes to BSCP301, 'Clearing, Invoicing and Payment'

Description of Problem/Issue *(mandatory by originator)*

A number of required changes to BSCP301, 'Clearing, Invoicing and Payment' have been identified.

1: Provision of Letter of Credit (LoC).

Section 4.6, 'Manage Credit Cover' includes processes for lodging Credit Cover (steps 4.6.4.2 to 4.6.4.4). These currently stipulate that when the FAA receives a Letter of Credit (LoC) that is not 'substantially in a form approved by BSCCo' that it should notify BSCCo. BSCCo is then to approve (or not) the form of Credit Cover.

Annex X-1 of the Code stipulates that a LoC is 'an unconditional, irrevocable standby Letter of Credit substantially in the form set out in Annex M-1 (or such other form as the Panel may approve)...'. Whilst the Panel has the remit to vary the form of LoC approved, the BSCCo has no such right. It is therefore inappropriate for BSCP301 to contain a mechanism for BSCCo to approve a LoC that deviates from prescribed templates.

2: Timetable

Section 4.6.2, 'Reduction of Credit Cover by Withdrawing Parties in Default solely by virtue of Section H3.1.1(g)', requires that a minimum eligible amount (hereafter 'mea') request must be submitted by Parties exactly 15 Working Days (WDs) prior to their Withdrawal Date.

The mea calculation for a Party in this situation requires a waiting period of 10 Settlement Days (SDs) to be run as defined in the Code (M2.3.2) and Parties are required to make any subsequent Credit Cover reduction request to the FAA within 2WD of receiving the calculated value. The calculated value will be notified 1WD after the end of the waiting period. The calculation should therefore be started on 10SDs + 3-5WDs prior to the Withdrawal Date, so as to facilitate the calculation and Credit Cover reduction prior to a Party withdrawing from the Code.

3: Procedure

Section 4.6, 'Manage Credit Cover' includes processes for a Withdrawing Party in Default to reduce its Credit Cover. A Withdrawing Party in Default will lodge a mea request in accordance with step 4.6.2.1. They will subsequently be advised in step 4.6.2.7 that a mea request must be submitted exactly 15WDs prior to the Withdrawal Date and further notified in steps 4.6.2.12 – 4.6.2.16 should its request for a mea calculation be refused on this basis.

The responsibility on the Party to submit this form 10SDs + 3-5WDs prior to the Withdrawal Date should be stated in the first step, in order to remove the likelihood of Parties' mea requests being rejected.

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4: Code References

Section 4.6.2 states that Parties in default solely by virtue of H3.1.1(g) are entitled to request a reduction of Credit Cover provided they have satisfied the criteria in A5.1.3 of the Code. In fact Section A5.1.3 of the Code sets out the circumstances where a Party cannot withdraw. The first paragraph in section 4.6.3 of BSCP301 also contains the incorrect Code reference. Both statements in BSCP301 should be corrected.

Proposed Solution(s) *(mandatory by originator)*

The implication that a LoC has any flexibility from the prescribed format should be removed as proposed in Appendix A. The reference to the Code for the reduction in Credit Cover criteria should be changed from “provided they have satisfied the criteria for withdrawal from the Code stipulated in A5.1.3” to “provided they have satisfied the criteria for withdrawal from the Code stipulated in A5.1”. This statement is currently also contained in the preamble to Section 4.6.3 and should be removed in its entirety from that location.

Section 4.6, ‘Manage Credit Cover’, stretches to 38 steps. Many of these may be aggregated to create clarification and a more robust process. The mea request should also be submitted within an appropriate timescale and run 10SDs + 3-5WDs prior to the stated Withdrawal Date. Section 4.6.2 should be re-drafted as shown in Appendix B.

The Business Process Model (BPM) should be updated to correctly model the processes in BSCP301. BSCP65 will need a change to 4.6.15 and Appendix 3 ‘exit checklist’ to reflect the new timescale.

Justification for Change *(mandatory by originator)*

BSCP301 contains facts, steps and processes that are unclear and in some cases inconsistent with Code requirements.

In particular, the process for ‘Reduction of Credit Cover by Withdrawing Parties in Default solely by virtue of Section H3.1.1(g)’ contained within 4.6.2 of BSCP301 has only been used once since its introduction. This resulted in an operational issue whereby the mea calculation was deemed ‘out-of-date’ by the FAA at the time the Party confirmed that the Credit Cover was to be reduced. This was despite the Party following the process required by BSCP301. Clarification of the process will avoid a re-occurrence of this situation.

It is in the best interests of BSC Parties, BSC Agents, and BSCCo that BSCPs are clear and consistent with the Code.

Is the Change being proposed a Housekeeping Change? *(optional by originator)*

No

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Configurable Items Potentially Affected by Proposed Solution(s) <i>(optional by originator)</i> BSCP301, BSCP65 and the Business Process Model	
Impact on Core Industry Documents or System Operator-Transmission Owner Code <i>(optional by originator)</i> None identified	
Related Changes and/or Projects <i>(mandatory by BSSCo)</i> None identified	
Requested Implementation Date <i>(mandatory by originator)</i> First available scheduled release, though this change would not merit implementation on a standalone basis. Reason: The errors identified with regard to the process for ‘Reduction of Credit Cover by Withdrawing Parties in Default solely by virtue of Section H3.1.1(g)’ (see 2 above) are significant, and cause the BSCP to be at variance with Code requirements. In acknowledging that, it should be noted that the circumstances where that process is carried out in practice are low volume (it has only been used once since its introduction). It is therefore suggested that this CP should be implemented in the first available scheduled release. Whilst noting that some of the defects are significant, the affected process is used sufficiently infrequently that it would not appear justified to implement the changes on a standalone basis (i.e. outside a scheduled release).	
Agreed Release/Implementation Date <i>(mandatory by BSSCo)</i> <i>Targeted at the CVA February 06 Release</i>	
Originator’s Details: <i>BCA Name</i>Thomas Bowcutt..... <i>Organisation</i>ELEXON..... <i>Email Address</i>ccc@elxon.co.uk..... <i>Date</i>25 April 2005.....	

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Attachments: Y

No. of Pages attached: 3 - Appendix A (1 page) plus Appendix B (2 pages)