

## REQUIREMENTS SPECIFICATION for Modification Proposal P214 'Issues relating to Funds Administration'

Prepared by: P214 Modification Group

<b>Date of Issue:</b>	3 September 2007	<b>Document Reference:</b>	P214AS
<b>Reason for Issue:</b>	For Impact Assessment	<b>Version Number:</b>	1.0

**Proposed Modification P214** seeks to amend the Balancing and Settlement Code ('the Code') to update procedures that give rise to the inefficient processing of transactions and the large number of small transactions. It also seeks to amend the Code to reflect current banking practices.

### **BACKGROUND AND PURPOSE OF IMPACT ASSESSMENT**

The BSC Panel considered P214 at its meeting on 9 August 2007 and submitted the proposal to a 3-month Assessment Procedure to be conducted by the P214 Modification Group (formed with members with expertise in Funds Administration). The P214 Modification Group ('the Group') has met twice to date on 13 August 2007 and 20 August 2007 and agreed the requirements for a number of options which could form part of the Proposed Modification or an Alternative Modification. Following consideration of the costs and impacts of these different options, the Group will agree the final solution for the Proposed Modification and any Alternative. This document sets out the requirements agreed by the Group, and supports impact assessment by BSC Agents, BSC Parties, the Transmission Company and BSCCo.<sup>1</sup>

Any queries regarding the impact assessment requirements should be addressed to Andrew Wright (020 7380 4217), e-mail address [andrew.wright@elexon.co.uk](mailto:andrew.wright@elexon.co.uk).

---

<sup>1</sup> The Balancing and Settlement Code Company (ELEXON).

## CONTENTS TABLE

<b>Summary of Impacted Parties and Documents .....</b>	<b>3</b>
<b>1 Summary of Proposed Modification Solution .....</b>	<b>4</b>
<b>2 Detail of Proposed Modification Solution Requirements.....</b>	<b>5</b>
2.1 Introducing electronic delivery of Advice Notes/Confirmation Notices .....	5
2.2 Combining the amounts from Trading Charges, Reconciliation Charges and Default Charges onto a daily Advice Note .....	7
2.3 Introducing thresholds below which an Advice Note would not be produced .....	8
2.4 Amending the BSC to bring it in line with current banking practices .....	10
2.5 Implementation Options.....	13
<b>3 Estimated Impact of Modification on Systems, Processes and Documentation .</b>	<b>13</b>
<b>4 Development Process .....</b>	<b>16</b>
<b>5 Terms Used in this Document .....</b>	<b>16</b>
<b>6 Document Control.....</b>	<b>16</b>
6.1 Authorities .....	16
6.2 References .....	16
6.3 Attachments .....	16

### Intellectual Property Rights, Copyright and Disclaimer

The copyright and other intellectual property rights in this document are vested in ELEXON or appear with the consent of the copyright owner. These materials are made available for you for the purposes of your participation in the electricity industry. If you have an interest in the electricity industry, you may view, download, copy, distribute, modify, transmit, publish, sell or create derivative works (in whatever format) from this document or in other cases use for personal academic or other non-commercial purposes. All copyright and other proprietary notices contained in the document must be retained on any copy you make.

All other rights of the copyright owner not expressly dealt with above are reserved.

No representation, warranty or guarantee is made that the information in this document is accurate or complete. While care is taken in the collection and provision of this information, ELEXON Limited shall not be liable for any errors, omissions, misstatements or mistakes in any information or damages resulting from the use of this information or action taken in reliance on it.

## SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as the Modification Group has been able to assess, the following parties/documents would be impacted by P214.

Please note that this table represents a summary of the full initial impact assessment contained in Section 3.

Parties	Sections of the BSC	Code Subsidiary Documents
Distribution System Operators <input checked="" type="checkbox"/>	A <input type="checkbox"/>	BSC Procedures <input checked="" type="checkbox"/>
Generators <input checked="" type="checkbox"/>	B <input type="checkbox"/>	Codes of Practice <input type="checkbox"/>
Interconnectors <input checked="" type="checkbox"/>	C <input type="checkbox"/>	BSC Service Descriptions <input checked="" type="checkbox"/>
Licence Exemptable Generators <input checked="" type="checkbox"/>	D <input type="checkbox"/>	Party Service Lines <input type="checkbox"/>
Non-Physical Traders <input checked="" type="checkbox"/>	E <input type="checkbox"/>	Data Catalogues <input checked="" type="checkbox"/>
Suppliers <input checked="" type="checkbox"/>	F <input type="checkbox"/>	Communication Requirements Documents <input checked="" type="checkbox"/>
Transmission Company <input checked="" type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input type="checkbox"/>
<b>Party Agents</b>	H <input type="checkbox"/>	<b>Core Industry Documents</b>
Data Aggregators <input type="checkbox"/>	I <input type="checkbox"/>	Ancillary Services Agreement <input type="checkbox"/>
Data Collectors <input type="checkbox"/>	J <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
Meter Administrators <input type="checkbox"/>	K <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
Meter Operator Agents <input type="checkbox"/>	L <input type="checkbox"/>	Distribution Code <input type="checkbox"/>
ECVNA <input type="checkbox"/>	M <input type="checkbox"/>	Distribution Connection and Use of System Agreement <input type="checkbox"/>
MVRNA <input type="checkbox"/>	N <input checked="" type="checkbox"/>	Grid Code <input type="checkbox"/>
<b>BSC Agents</b>	O <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
SAA <input type="checkbox"/>	P <input type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
FAA <input checked="" type="checkbox"/>	Q <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
BMRA <input type="checkbox"/>	R <input type="checkbox"/>	<b>BSCCo</b>
ECVAA <input type="checkbox"/>	S <input type="checkbox"/>	Internal Working Procedures <input checked="" type="checkbox"/>
CDCA <input type="checkbox"/>	T <input type="checkbox"/>	<b>BSC Panel/Panel Committees</b>
TAA <input type="checkbox"/>	U <input type="checkbox"/>	Working Practices <input type="checkbox"/>
CRA <input type="checkbox"/>	V <input type="checkbox"/>	<b>Other</b>
SVAA <input type="checkbox"/>	W <input type="checkbox"/>	Market Index Data Provider <input type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	X <input checked="" type="checkbox"/>	Market Index Definition Statement <input type="checkbox"/>
BSC Auditor <input type="checkbox"/>		System Operator-Transmission Owner Code <input type="checkbox"/>
Profile Administrator <input type="checkbox"/>		Transmission Licence <input type="checkbox"/>
Certification Agent <input type="checkbox"/>		
<b>Other Agents</b>		
Supplier Meter Registration Agent <input type="checkbox"/>		
Unmetered Supplies Operator <input type="checkbox"/>		
Data Transfer Service Provider <input type="checkbox"/>		

## 1 SUMMARY OF PROPOSED MODIFICATION SOLUTION

P214 was raised on 3 July 2007 by ScottishPower ('the Proposer'). P214 seeks to amend the Balancing and Settlement Code ('the Code') to update Funds Administration procedures that give rise to inefficient processing of transactions and a large number of small value transactions. It also seeks to amend the Code to reflect current banking practices.

The Proposer has highlighted four main areas for consideration:

- Introducing electronic delivery of Advice Notes/Confirmation Notices;
- Combining the amounts from Trading Charges, Reconciliation Charges and each Default Charge onto one daily Advice Note/Confirmation Notice;
- Introducing thresholds below which an Advice Note/Confirmation Notice would not be produced; and
- Amending the Code to bring it in line with modern banking practices.

P214 was raised following the BSC Review for 2006/7<sup>2</sup> which focussed on the area of Funds Administration. Following the presentation of the BSC Review to the BSC Panel ('the Panel') Standing Issue 27 'Balancing and Settlement Code (BSC) Review - Funds Administration' was raised to further consider the issues and potential solutions. As a result of the Standing Issue Group discussions, it was concluded that a modification should be raised to resolve the concerns from Issue 27 relating to processing of transactions, small value transactions and current banking practice not being reflected.

For each transaction the Funds Administration Agent (FAA) produces an Advice Note and a subsequent Confirmation Notice. The Advice Note details the amounts payable by or to a Payment Party on the relevant Payment Date, and the Confirmation Notice details the amount of VAT received in or paid out in respect of the Trading Charges. There is a requirement set out in the Communications Requirement Document that Advice Notes and Confirmation Notices be posted to each BSC Party ('Parties'). Parties are also optionally able to request that Advice Notes and Confirmation Notices are faxed to them alongside the mandatory posted Advice Notes/Confirmation Notices. Every month the FAA issues an estimated 8,200 Advice and Confirmation Notices, with the average payment run comprising of 10 sheets of paper each. The posted versions may well arrive too late to be used by Parties and the fax machines struggle with the volume of correspondence. P214 proposes that Advice Notes and Confirmation Notices be emailed to Parties.

Another issue with the current Funds Administration process is the number of small value transactions which are processed by the FAA. On each Payment Date the amounts due to and from each BSC Party relating to the Settlement Day approximately 29 days earlier, and the amounts relating to the various Reconciliation Charges for the Settlement Days for up to 14 months in the past, are amalgamated and the net amount is paid to/collected from Parties. For some Parties this amount of money may be small. However, the same processes must be completed regardless of the size of the transaction. P214 proposes to introduce a threshold below which an Advice Note would not be produced. This would take the form of a monetary threshold and a time threshold. These thresholds would reduce the number of small value Advice Notes that are issued.

P214 proposes an additional solution to reduce the number of transactions. The Trading Charges, Reconciliation Charges and each Default Charge could be combined onto one Daily Advice Note. This would further reduce the number of invoices.

Finally P214 proposes to update the Code to reflect the current banking practices of the FAA and Parties. BSC Section N 'Clearing, Invoicing and Payment' and Balancing and Settlement Code Procedure (BSCP) 301 were largely created from their equivalent predecessors under the Pooling and Settlement Agreement. As a

---

<sup>2</sup> [BSC Review 2006/7 'Funds Administration'](#)

consequence of this, they reflect banking practices that are no longer relevant. The FAA has developed working practices to benefit Parties and these should be reflected in the Code.

## **2 DETAIL OF PROPOSED MODIFICATION SOLUTION REQUIREMENTS**

### **2.1 Introducing electronic delivery of Advice Notes/Confirmation Notices**

#### **2.1.1 Format of electronic Advice Notes and Confirmation Notices**

Electronic Advice Notes and Confirmation Notices would be issued by the FAA in Portable Document Format (PDF). The electronic PDF Advice Notes and Confirmation Notices would be accessed by using PDF reader software, of which Adobe Reader, which is freely available, is the most common. PDF is an accepted format for documents within the industry, with the majority of documents published on the BSCCo Website being in PDF format. The FAA Systems would be required to produce Advice Notes and Confirmation Notices in PDF file format.

As part of the Impact Assessment the FAA is requested to provide details of the file size of an average PDF Advice Note and Confirmation Notice under the current process and under the different new options proposed in the Requirements Specification.

#### **2.1.2 Format of electronic Backing Sheets for Advice Notes and Confirmation Notices**

Backing Sheets for Trading Charges, Reconciliation Charges and Default Charges are currently posted to Parties, along with the associated Advice Note/Confirmation Notice. Parties may also request Backing Sheets for Trading Charges be emailed to them in electronic format. The format for these Backing Sheets is Comma Separated Value (CSV). CSV is a delimited text file that stores tabular data using commas to separate values. CSV files can be viewed in their original text file format, or viewed in a spreadsheet format by using software such as Microsoft Excel, or uploaded directly into an Party's Funds Administration system. The format is widely used in the industry with a number of flows, such as the Energy Contract Volume Aggregation Agent (ECVAA) IO14, issued by BSCCo in CSV format.

It is proposed that all electronically issued Backing Sheets would be in CSV file format. This would require the FAA develop electronic versions of the Reconciliation and Default Backing Sheets. For further details on the proposed options for Backing Sheets see section 2.2.2. As part of the Impact Assessment the FAA is requested to provide details of the implementation and operation costs of developing electronic Backing Sheets for Reconciliation and Default Charges.

As part of their Impact Assessment Parties are requested to state whether or not they currently request electronic Backing Sheets, and why they do or do not request electronic Backing Sheets. Parties are also requested to provide details of how they use electronic Backing Sheets, for example, do they use Excel to view them or have they developed bespoke automated systems for handling the files. If Parties have developed automated systems it is requested that they provide details of how these systems work.

The FAA would be required to update the Backing Sheet for Reconciliation Charges and Default Charges in order that it be sent electronically. See section 2.2.2 for the proposed Backing Sheets options.

As part of the Impact Assessment the FAA is requested to provide details of the file size of an average CSV Backing Sheet under the current process and under the different new options proposed in the Requirements Specification.

### 2.1.3 Mechanism for electronic delivery of Advice Notes/Confirmation Notices

Electronic Advice Notes, Confirmation Notices and Backing Sheets would be delivered via email. Parties would provide a single email address in order to receive all electronically delivered files. Two options are available for the delivery:

- Option ET1 – Advice Notes/Confirmation Notices would be emailed together with their associated Backing Sheets.
- Option ET2 – Advice Notes/Confirmation Notices would be email separately from their associated Backing Sheets.

Appendix 1 demonstrates the interactions between Option ET1, Option ET2 and the other options detailed in the Requirement Specification.

As part of the Impact Assessment Parties are requested to assess the costs to their systems and processes of the above two options.

The electronic files would be easily identifiable by file name (i.e. it is clear which files are Advice Notes and which are Backing Sheets or Confirmation Notices from their file names). The emails' subject would also clearly identify the files contained within. As part of the Impact Assessment the FAA are requested to consider the requirement for clear file names and email names. The FAA is also requested to check how the current electronic file names for Trading Charge Backing Sheets are generated (i.e. is it done to a set convention, or is it generated by the encryption software).

### 2.1.4 Encryption of electronic Advice Notes/Confirmation Notices

Currently Trading Charges Backing Sheets that are sent by electronic format are encrypted using Gnu Privacy Guard (GPG). This system requires encryption software at the source (FAA), and decryption software at each Party. It is proposed that a similar system would be used for the encryption of electronic Advice Notes/Confirmation Notices. Two options are available:

- Option EN1 – Advice Notes, Confirmation Notices (in PDF file format) and Backing Sheets (in CSV file format) are all encrypted when sent electronically.
- Option EN2 – Only Backing Sheets are encrypted (as currently happens). Advice Notes and Confirmation Notices would not be encrypted.

Appendix 1 demonstrates the interactions between Option EN1, Option EN2 and the other options detailed in the Requirement Specification.

As part of the Impact Assessment Parties are requested to assess the costs to their systems and processes of the above two options.

The FAA is requested to provide details of the implementation and operation costs of the two options, including confirmation of whether there would be any charge to Parties in obtaining the decryption software.

### 2.1.5 Parties' communication preference

Under P214 the emailing of Advice Notes, Confirmation Notices and Backing Sheet would be mandatory. Parties would also have the ability to choose whether or not they receive posted copies of Advice Notes, Confirmation Notices and Backing Sheets. From the Implementation Date all Parties would receive their Advice Notes, Confirmation Notices and Backing Sheets by email and post. If they so choose Parties would be able to opt out of receiving Advice Notes, Confirmation Notices and Backing Sheet by post. A form would be included in BSCP301, and also published on the BSCCo Website, that would allow Parties to opt out or opt in of receiving postal

Advice Notes, Confirmation Notices and Backing Sheets. Parties would be able to opt in or out of receiving items by post at any time, and opting out of receiving items by post does not mean a Party would not be able to opt back in to receiving items by post. Parties would also be obliged to provide the FAA with an email address for receiving FAA communications.

Current communication methods of fax and/or post would continue up to the Implementation Date, after which automated fax would be discontinued and replaced by automated email. The implementation period would be used to obtain an email address for each Party.

### **2.1.6 Back up systems**

If the failure of an electronic delivery of an Advice Note/Confirmation Notice/Backing Sheet occurs there would be a back up procedure that Parties could use. The FAA would initially contact the affected Party by telephone and request either: (a) a temporary email address to deliver the file electronically, (b) a fax number in order to fax the document to the Party, or (c) agree to post the document in question to the Party. If the FAA was unable to contact the Party then the Advice Note/Confirmation Notice/Backing Sheet would be posted to the Party until such time as the FAA is able to contact the Party and confirm the situation or resolve the email non-delivery problem.

## **2.2 Combining the amounts from Trading Charges, Reconciliation Charges and Default Charges onto a daily Advice Note**

### **2.2.1 Combined Advice Note and Confirmation Notice**

The FAA would combine all Trading Charges, Reconciliation Charges and Default Charges onto two daily Advice Notes/Confirmation Notices. Separate daily Advice Notes and Confirmation Notices would be produced for payable Charges and receivable Charges. In this way the maximum number of Advice Notes/Confirmation Notices a Party would expect to receive each day is two.

The combined Advice Note/Confirmation Notice would clearly split out the Trading Charges, Reconciliation Charges and Default Charges so that Parties are able to determine the invoice amounts for each separate Charge class. A total of the Charges would also be shown on the combined Advice Note/Confirmation Notice.

### **2.2.2 Combined Backing Sheets**

Currently the Backing Sheets for Trading Charges, Reconciliation Charges and Default Charges all take different formats. Only the Backing Sheets for Trading Charges are issued electronically. The Backing Sheets for Trading Charges, Reconciliation Charges and Default Charges would be redesigned so that all would be issued electronically in CSV file format. The Backing Sheet for Trading Charges, Reconciliation Charges and Default Charges would also need to be produced in PDF format so they can be posted if a Party has chosen to also receive documents by post. The Backing Sheets for the various Charges that appear on a combined Advice Note/Confirmation Notice would also need to be combined. There are four options for combining the Backing Sheets:

- Option BS1 – Combine all Trading Charges, Reconciliation Charges and Default Charges onto one single Backing Sheet. As with Advice Notes and Confirmation Notices, there would be separate Backing Sheets for payable and receivable amounts.
- Option BS2 – Separate Backing Sheets for Trading Charges, Reconciliation Charges and Default Charges. This option would combine create six Backing Sheets containing:

- All payable Trading Charges onto a single Backing Sheet file
- All receivable Trading Charges onto a single Backing Sheet file
- All payable Reconciliation Charges onto a single Backing Sheet file
- All receivable Reconciliation Charges onto a single Backing Sheet file
- All payable Default Charges onto a single Backing Sheet file
- All receivable Default Charges onto a single Backing Sheet file
- Option BS3 – Individual Backing Sheets for each individual Trading Charge, Reconciliation Charge and Default Charge. This would be continuing the current situation.

Appendix 1 demonstrates the interactions between Option BS1, Option BS2, Option BS3 and the other options detailed in the Requirement Specification.

As part of the Impact Assessment Parties are requested to assess the costs to their systems and processes of the above three options.

The FAA is requested to provide an Impact Assessment in respect of the implementation costs of each option. The FAA is also requested to provide indicative Backing Sheet file sizes for each option.

## **2.3 Introducing thresholds below which an Advice Note would not be produced**

### **2.3.1 Introduction of Thresholds**

In order to reduce the instances of Parties receiving Advice Notes and Confirmation Notices for small value amounts a threshold would be introduced for small value transactions. This threshold would take the form of a monetary threshold and a time threshold. Separate thresholds would exist for payable and receivable transactions. There would be no netting of payable and receivable thresholds. The thresholds would apply equally to amounts owed to the Party, as well as amounts owed by the Party. A Party would be issued an Advice Note when their payable or receivable thresholds were breached for either the monetary threshold or the time threshold or both. All thresholds would apply at the Party ID level and there would be no netting or combining of different Party ID thresholds held by the same organisation.

Two options exist regarding the make up of the thresholds:

- Option T1 - In conjunction with the combined Advice Note/Confirmation Notice, all payable Charges (Trading, Reconciliation and Default) would be summed together when viewing the payable threshold and all receivable Charges (Trading, Reconciliation and Default) would be summed together when viewing the receivable threshold.
- Option T2 – Individual thresholds would exist for payable Trading Charges, receivable Trading Charges, payable Reconciliation Charges, receivable Reconciliation Charges, payable Default Charges and receivable Default Charges. This would constitute the basis for an Alternative Modification and would also require section 2.2.2 Option 2, or Option 3, as Combined Advice Notes, Confirmation Notices and Backing Sheets would not form part of this solution.

Appendix 1 demonstrates the interactions between Option T1, Option T2 and the other options detailed in the Requirement Specification.

As part of the Impact Assessment Parties are requested to assess the costs to their systems and processes of the above two options.

### **2.3.2 Monetary Threshold**

The Modification Group undertook data analysis in order assist in proposing an initial monetary threshold. The data analysis can be found as Attachment A. From the data analysis the Modification Group provisionally took the view that the monetary threshold should be no less than £100, and no greater than £1000.

The data analysis also indicated little difference between small value payable and receivable transactions, hence the same threshold would apply for the payable and receivable threshold. To allow for future changes to this ethos the payable monetary threshold and the receivable monetary threshold should be separate parameters within the FAA System. The FAA system should automatically issue an Advice Note when the receivable or payable monetary threshold is breached.

In order to assist the Group in proposing an initial monetary threshold Parties are requested to provide the cost they incur when making a payment as part of their Impact Assessment.

### **2.3.3 Time Threshold**

The time threshold would be aligned to the tax year and be quarterly (i.e. every 3 months from 1<sup>st</sup> April). If a Party did not breach its payable or receivable monetary threshold then an Advice Note would be issued each quarter in order that amounts do not accrue for more than 3 months. The FAA system would be required to automatically issue an Advice Note on reaching the time threshold.

### **2.3.4 Threshold Administration**

The introduction of Thresholds would lead to a daily shortfall or excess of funds. This would be a change to the current Funds Administration methodology, whereby all Payments balance to zero each Payment Day. It is anticipated that new bank accounts would need to be set up and administered by the FAA in order to accommodate the new arrangements. As part of the Impact Assessment the FAA is requested to provide details of how the new bank accounts would operate. It should be noted that no change is envisaged to the bank accounts of Parties.

### **2.3.5 Threshold Governance**

Any alterations to the Thresholds would be governed by the Panel. The process would involve an ELEXON review of the thresholds not more than once per year. ELEXON would present the findings of the review to the Panel. The Panel would make a recommendation of the proposed threshold level and issue that recommendation for Industry Consultation. The Panel would then be charged with making the final decision on whether to change the monetary threshold. The Panel may wish to delegate responsibility for recommending the proposed monetary threshold to the Imbalance Settlement Group (ISG).

The Group proposes the following indicative wording for the Code regarding the monetary threshold:

Value is [Exxx] or such other value as may be determined by the Panel from time to time, providing that the value determined by the Panel is not less than £100 and no greater than £1000.

The initial value of the monetary threshold would be set in the Code for the 1<sup>st</sup> year of implementation, but this could be changed thereafter by the Panel. The Modification Group will agree the initial value of the monetary threshold as part of the Assessment Procedure.

The time threshold would be written into the Code and a modification would be required to change it.

**2.3.6 Requesting of ad-hoc Advice Notes**

Under certain circumstances Parties would be able to request ad-hoc Advice Notes without breaching their thresholds. These circumstances include administration, insolvency and withdrawal. A Party in administration/insolvency may want to request ad-hoc Advice Notes for the purpose of their creditors. A Party withdrawing from the Code would be able to do after 14 months provided they request an ad-hoc Advice Note and had paid the remaining charges.

Parties would be required to request an ad-hoc Advice Note from ELEXON who would assess the request and contact the FAA once the request had been approved. The FAA System would have the facility to produce ad-hoc invoices on the request of ELEXON following a request from a Party.

The FAA is requested to provide an Impact Assessment in respect of the implementation costs of ad-hoc Advice Notes.

**2.4 Amending the BSC to bring it in line with current banking practices**

**2.4.1 Current banking practice Code amendments outlined in the IWA**

The BSC requires amending in order to bring it in line with the current banking practice that has been developed between the FAA, BSCCo and Parties. The following proposed changes would have no impact on Parties as they are updating the Code to reflect current practice. In order to assist Parties in Impact Assessing the changes indicative drafting of the changes has been provided as Attachment B. It should be noted Attachment B does not constitute the legal text for P214 and only includes amendments to reflect current banking practice.

The changes are as follows:

	<b>Issue/Modification Proposal</b>	<b>Code Amendment</b>	<b>Description of Amendment</b>
1	The Code states that there is a 3pm cut off for bank payments each day, allowing the FAA to monitor which payments have been received. However, Parties can make payments by electronic transfer well beyond 3pm each day and the FAA is not in a position to identify Parties who have not paid until the following morning. The BSC Review concluded that this has a bearing on the timing of the Default process as set out in the Code, and thus needs to be reflected in the Code.	Clauses 8.1, 8.3.1 & 8.4.1.	All clauses referencing a 3pm cut-off time have been amended to state 5pm. In practice, this has a knock-on effect on certain FAA obligations – see comment below.
	In addition to point 1 (above) where payments are made later in the day, the FAA is not always in a position to identify Parties who have not paid until the following	Clauses 8.2.2, 8.3.2 & 9.6.6.	As payments are made later in the day, the FAA's obligation to confirm receipt transfer funds between accounts is extended until the following morning (by 11am).

	Issue/Modification Proposal	Code Amendment	Description of Amendment
	morning.		
2	Sweeping system is in place whereby amounts are automatically swept between various BSC accounts at the end of each day.	No changes to the Code as these are specific procedures which have been drafted into the FAA Service Description.	The FAA is required to agree a process of daily sweeps with the BSC Banker whereby the Collection Account is swept into the Clearing Account at the end of each working day. If there remains a debit balance on the Clearing Account, an appropriate amount is swept from the Borrowing Account into the Clearing Account to close the balance at nil.
3	Section N of the Code does not currently have provision for a situation where a payment has originally been made by Direct Debit but is subsequently withdrawn. At first, it may appear that the payment has been made, but a bank can easily reject a Direct Debit as it only has to inform the recipient's bank by post.	See new clause 4.7.2 and note – recognises the different ways in which payments may be made, including DD.	Changes made to BSCP 301 to reflect this. Also the details have been drafted into the FAA Service Description. The FAA must set itself up as the Direct Debit 'Originator' (for the purposes of the Banking Code), undertake the necessary processes to set up such payments mechanism including, without limitation, obtaining an exemption from the mandatory 14 day notice period so that payments may be affected within 2 days. In addition, the Service Description deals with when a DD payment is recalled so that the FAA can investigate the reason for non-payment (e.g. administrative error) before the relevant party is considered to be in default.
4	Section X Annex X-1 of the Code specifies a Letter of Credit 'shall be available for payment at a London branch of the issuing bank'. The aim of this was so that Letters of Credit (LCs) could be called on in person by the FAA who is also based in Central London. However, there is at least one major bank who no longer honour LCs at their branches, insisting that all payments are made through their centralised LC headquarters. The chances of an immediate "in person" redemption of a LC is further reduced by international rules that allow banks up to seven days to process or reject a LC claim.		means 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) in sterling in favour of the BSC Clearer by any United Kingdom clearing bank or banks or any other bank or banks which has (have) a long term debt rating of not less than single A by Standard & Poor's Corporation or by Moody's Investors Service, Inc. or such other bank or banks as the Panel may approve, and which shall be available for payment at any England branch of the issuing bank;
5	Section N sets out the bank accounts and facilities required for settlement of payments. In practice there is also a "daylight exposure" facility with the BSC Banker to reflect the possibility of intra-day	Minor change to definition of 'Reserve Account' under 4.1.1 (c). However, details are drafted into	Under the Service Description, the FAA is obliged to ensure that payments to BSC Creditors are made by way of overdraft from the daylight exposure facility prior to receipt of funds.

	Issue/Modification Proposal	Code Amendment	Description of Amendment
	overdrafts when payments have been made to Parties prior to all amounts being received. The BSC Review concluded that Section N of the Code needs to be amended to reflect this.	the FAA Service Description and Funds Transfer Agreement.	
6	Clause 7.1.3 (a) and BSCP 301 require the FAA to notify banks of amounts to be collected	Deleted.	All section in the Code which refer to Collection Banks and separate collection accounts have been amended/deleted as appropriate.
7	Section N8.4.1 covers the situation when banks inform the FAA of excess amounts received, however, the FAA can now look at account entries independently of the bank. This renders the Bank Advice reports redundant and the Code (and BSCP301 section 5.12) needs to be changed to reflect this	The FAA are now required to have a facility in place which enables them to monitor payments made in and out of BSC Accounts on a real time basis.	This is dealt with in the Service Description and Funds Transfer Agreement.
8	Section N9.1.1 (b) covers Banking Charges. In the instance when these charges are very small, the Code requirements are difficult to implement and follow and should be relaxed	Did not change definition of 'Drawings', however, dealt with problem by relaxing obligations to determine these under clause 9.4.3 (b) to 'where appropriate'. This gives the FAA discretion as to when to perform the obligation.	
9	Section N4.1.1 (b) covers Collection Accounts. The Code has been written on the assumption that there will be one or more Collection Accounts, although in practice there is only one Collection Account with Barclays	Changes made throughout document.	
10	BSCP301 refers to the FAA setting up and testing banking communication links for new or amended banking details. Modern electronic payment methods are reliable and in practice testing is no longer required	See new Clause 4.7.1	Details will be drafted into BSCP 301.

### 2.4.2 Other Changes

Some other amendments are included in the redline text of the document, which came to light during preparation for Project Isis. These mainly clarify processes and are housekeeping in nature. They include:

- Clarification around Section N3.1.1 (a) Payment Calendar;
- Clarification as to whether certain payments are exclusive of VAT;
- Capitalised use of word 'Drawing' throughout document as it's a defined term. Also capitalised reference to each of the BSC Accounts as these are also defined; and
- In the Consultation Responses and minutes Issue Report of 12 July, it was noted that parties were not confirming acceptability of quarterly/ad-hoc VAT statements from the FAA within 10 working days. It was agreed that the obligation of the FAA to request such confirmation be removed. In the circumstances, Section N5.4.1 (and BSCP 301) has been amended to reflect this agreement.

## 2.5 Implementation Options

Depending on the options chosen, to implement P214 changes would be required to the FAA Systems in order to: allow electronic Advice Notes/Confirmation Notices/Backing Sheets to be issued, allow the combining of several Charges onto one Advice Note and Backing Sheet and allow the introduction of thresholds below which an Advice Note would not be issued.

## 3 ESTIMATED IMPACT OF MODIFICATION ON SYSTEMS, PROCESSES AND DOCUMENTATION

### a) Impact on BSC Systems and Processes

System / Process	Impact of Proposed Modification
FAA Systems	Changes would be required to the FAA system to allow the following: <ul style="list-style-type: none"> <li>• The issuing of electronic Advice Notes, Confirmation Notices and Backing Sheets;</li> <li>• The combining of Trading Charges, Reconciliation Charges and Default Charges onto one daily Advice Note for all payable and all receivable charges; and</li> <li>• Introducing thresholds below which an Advice Note would not be produced.</li> </ul>

### b) Impact on BSC Agent Contractual Arrangements

BSC Agent Contract	Impact of Proposed Modification
LogicaCMG (FAA)	The FAA Contract may need revision in a number of areas. These include: <ul style="list-style-type: none"> <li>• Service Levels;</li> <li>• Service Provider Obligations;</li> </ul>

BSC Agent Contract	Impact of Proposed Modification
	<ul style="list-style-type: none"> <li>• Extra Definitions, where applicable;</li> <li>• Any changes to FAA operating processes; and</li> <li>• Charges for performing these processes.</li> </ul>

**c) Impact on BSC Parties and Party Agents**

The changes as proposed would impact all Parties that currently receive Advice Notes from the FAA. Parties would no longer receive Advice Notes and Confirmation Notices by fax, and instead receive Advice Note and Confirmation Notices by email. Parties would no longer receive Advice Notes for small value transactions. This would occur for amounts payable and receivable.

Parties would receive Advice Notes, Confirmation Notices and Backing Sheets by email and post. Parties would be able to opt out of receiving Advice Notes, Confirmation Notices and Backing Sheets, but receiving emailed Advice Notes, Confirmation Notices and Backing Sheets would be mandatory.

Party Agents would not be impacted.

**d) Impact on Transmission Company**

As a Payment Party the Transmission Company would be impacted by this Modification Proposal in the same way as other Parties.

**e) Impact on BSCCo**

Area of Business	Impact of Proposed Modification
Implementation	ELEXON would be required to implement changes to the Code, CSDs and BSC Systems to support this Modification Proposal.
Payment Default LWI	Changes would be required to the LWI so that it includes the new FAA activities.
Obligations Register	Changes would need to be made the Obligations Register to include the new obligations.
BSCCo Website	Changes would be required to the FAA Helpdesk page on the BSCCo Website.

**f) Impact on Code**

Code Section	Impact of Proposed Modification
Section N	Changes would be needed to Section N in order to facilitate the introduction of electronic delivery of Advice Notes and Confirmation Notices. Changes would be required to allow a combined Advice Notes, Confirmation Notices and Backing Sheet and a threshold, below which Advice Notes would not be issued. Changes are also required the update the Code to reflect current banking practices.
Section X Annex X-1	The definition of Letter of Credit would need to be amended in order to current banking practices.

**g) Impact on Code Subsidiary Documents**

Document	Impact of Proposed Modification
BSCP301	BSCP301 will need to be updated to reflect the updated processes
Communications Requirement Document	The Communication Requirement Document will need to be updated to allow the electronic delivery of Advice Notes and Confirmation Notices.
CVA Data Catalogue	The CVA Data Catalogue will need to be updated to allow the electronic delivery of Advice Notes and Confirmation Notices.
FAA Service Description	Changes would be required to the FAA Service Description to allow the following: <ul style="list-style-type: none"> <li>• The issuing of electronic Advice Notes, Confirmation Notices and Backing Sheets;</li> <li>• The combining of Trading Charges, Reconciliation Charges and Default Charges onto one daily Advice Note for all payable and all receivable charges;</li> <li>• Introducing thresholds below which an Advice Note would not be produced; and</li> <li>• Updating the FAA Service Description to reflect current banking practice.</li> </ul>
EPFAL IDD Part 1 (for FAA)	The EPFAL IDD Part 1 (for FAA) will need to be updated to allow the electronic delivery of Advice Notes and Confirmation Notices.

**h) Impact on Core Industry Documents/System Operator-Transmission Owner Code**

No impact.

**i) Impact on Other Configurable Items**

Document	Impact of Proposed Modification
FAA User Requirement Specification (URS)	Changes would be required to the FAA URS to allow the following: <ul style="list-style-type: none"> <li>• The issuing of electronic Advice Notes, Confirmation Notices and Backing Sheets;</li> <li>• The combining of Trading Charges, Reconciliation Charges and Default Charges onto one daily Advice Note for all payable and all receivable charges;</li> <li>• Introducing thresholds below which an Advice Note would not be produced; and</li> <li>• Updating the FAA URS to reflect current banking practice.</li> </ul>

**j) Impact on BSCCo Memorandum and Articles of Association**

No impact.

## k) Impact on Governance and Regulatory Framework

This change would require Her Majesty's Revenue and Customs (HMRC) approval, which will be sought during the Assessment Procedure. BSCCo proposes to use its external financial advisors to assist in gaining approval of the P214 solution from HMRC.

## 4 DEVELOPMENT PROCESS

For the purposes of the impact assessment, respondents should assume that P214 would be implemented as a stand-alone development project managed by BSCCo.

Changes to the FAA system and testing requirements would be managed by ELEXON in conjunction with the appropriate software provider.

Changes to Party systems and testing requirements would be managed by the respective Party.

As part of the implementation period testing of the sending of electronic Advice Notes/Confirmation Notices/Backing Sheets would be carried out on a sample of participants.

## 5 TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

Acronym/Term	Definition
CSV	Comma Separated Value
GPG	Gnu Privacy Guard
HMRC	Her Majesty's Revenue and Customs
PDF	Portable Document Format

## 6 DOCUMENT CONTROL

### 6.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	24/08/07	Andrew Wright	Kathryn Coffin	For technical review
0.2	28/08/07	Andrew Wright	Modification Group	For Modification Group review
1.0	03/09/07	P214 Modification Group		For impact assessment

### 6.2 References

Ref.	Document Title	Owner	Issue Date	Version
1	<a href="#">Initial Written Assessment for P214</a>	BSCCo	09/08/07	1.0

### 6.3 Attachments

Attachment A – Data analysis for P214

Attachment B – Section N indicative legal text regarding current banking practice

## Appendix 1 P214 Options Tables

### Electronic delivery of Backing Sheets

Aspect of solution	ET1, EN1	ET1, EN2	ET2, EN1	ET2, EN2
<b>Mechanism for delivery (ET)</b>	Advice Notes/Confirmation Notices would be emailed together with Backing Sheets	Advice Notes/Confirmation Notices would be emailed together with Backing Sheets	Advice Notes/Confirmation Notices would be emailed separately to Backing Sheets	Advice Notes/Confirmation Notices would be emailed separately to Backing Sheets
<b>Encryption of ANs/CNs (EN)</b>	Advice Notes/Confirmation Notices would be encrypted  Backing Sheets would be encrypted	Advice Notes/Confirmation Notices would not be encrypted  Backing Sheets would be encrypted	Advice Notes/Confirmation Notices would be encrypted  Backing Sheets would be encrypted	Advice Notes/Confirmation Notices would not be encrypted  Backing Sheets would be encrypted

### Combining Trading Charges, Reconciliation Charges and Default Charges and Thresholds

Aspect of solution	BS1, T1	BS1, T2	BS2, T1	BS2, T2	BS3, T1	BS3, T2
<b>Backing Sheets (BS)</b>	Super combined	N/A	Separate combined	Separate combined	Individual	Individual
<b>Threshold (T)</b>	Combined	N/A	Combined	Individual	Combined	Individual

**P214 Options Tables Key:**

ET1 - Advice Notes/Confirmation Notices would be emailed together with their associated Backing Sheets.

ET2 - Advice Notes/Confirmation Notices would be email separately from their associated Backing Sheets.

EN1 - Advice Notes, Confirmation Notices (in PDF file format) and Backing Sheets (in CSV file format) are all encrypted when sent electronically.

EN2 - Only Backing Sheets are encrypted (as currently happens). Advice Notes and Confirmation Notices would not be encrypted.

BS1 - Combine all Trading Charges, Reconciliation Charges and Default Charges onto one single Backing Sheet. As with Advice Notes and Confirmation Notices, there would be separate Backing Sheets for payable and receivable amounts.

BS2 - Separate Backing Sheets for Trading Charges, Reconciliation Charges and Default Charges. This option would combine create six Backing Sheets containing:

- All payable Trading Charges onto a single Backing Sheet file
- All receivable Trading Charges onto a single Backing Sheet file
- All payable Reconciliation Charges onto a single Backing Sheet file
- All receivable Reconciliation Charges onto a single Backing Sheet file
- All payable Default Charges onto a single Backing Sheet file
- All receivable Default Charges onto a single Backing Sheet file

BS3 - Individual Backing Sheets for each individual Trading Charge, Reconciliation Charge and Default Charge. This would be continuing the current situation.

T1 - In conjunction with the combined Advice Note/Confirmation Notice, all payable Charges (Trading, Reconciliation and Default) would be summed together when viewing the payable threshold and all receivable Charges (Trading, Reconciliation and Default) would be summed together when viewing the receivable threshold.

T2 - Individual thresholds would exist for payable Trading Charges, receivable Trading Charges, payable Reconciliation Charges, receivable Reconciliation Charges, payable Default Charges and receivable Default Charges. This would constitute the basis for an Alternative Modification and would also require section 2.2.2 Option 2, or Option 3, as Combined Advice Notes, Confirmation Notices and Backing Sheets would not form part of this solution.