

March 2002

**MODIFICATION REPORT**  
**MODIFICATION PROPOSAL P53-**  
**Changes to DC, GC and CALF and**  
**the Effect on Indebtedness**

Prepared by ELEXON on behalf of the Balancing  
and Settlement Code Panel

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## I DOCUMENT CONTROL

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0.1	15/02/02	Mandi Francis		
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0.3	05/03/02	Trading Development		
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### 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 Related Documentation

Reference	Document
Reference 1	Assessment Report Modification Proposal P53 'Changes to DC, GC and CALF and the Effect on Energy Indebtedness' (MAR053 V1.0 14 February 2002)

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## 1 -SUMMARY AND RECOMMENDATIONS

### 1.1 Recommendation

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal during the Assessment Phase, and the resultant findings of this report, the BSC Panel recommends that:

**The Proposed Modification, as set out in Section 6 of this Modification Report should be made, with an implementation date of thirty business days from any Authority decision to direct that Modification Proposal P53 should be made.**

### 1.2 Background

Modification Proposal P53 'Changes to DC, GC and CALF and the Effect on Energy Indebtedness' was raised on 16 November 2001 by the Panel on the recommendation of BSCCo.

The Modification Proposal seeks to remove the obligation placed on the Energy Contract Volume Aggregation Agent (ECVAA) by the Code, Section M 1.2.4, to *"Upon any change in the value of BM Unit Credit Assessment Export Capability or BM Unit Credit Assessment Import Capability for a BM Unit, values of Energy Indebtedness (for relevant Trading Parties) shall be determined (in relation to Settlement Periods in and from the day on which, in accordance with paragraph 1.6, the change becomes effective) as though such change were effective with effect from the first of the 29 days referred to in paragraph 1.2.1."*

The Panel considered the Initial Written Assessment for Modification Proposal P53 at the meeting of 13 December 2001 and agreed to submit Modification Proposal P53 to a two month Assessment procedure to be undertaken by the Credit Modification Group (CMG), such that the Assessment Report for Modification Proposal P53 be submitted for consideration at the Panel meeting of 14 February 2002.

The CMG met on 7 January 2002 to assess Modification Proposal P53 and to determine the content and context for an industry consultation. The resulting consultation was issued to industry on 25 January 2002. Responses from the consultation were received on 4 February 2002 and were circulated to the CMG for consideration and comment. The CMG, on consideration of the consultation responses (all of which supported Modification Proposal P53), did not believe that an additional Modification Group meeting was required and therefore the Assessment Report and the associated recommendations of the CMG were agreed by e-mail.

The Assessment Report for Modification Proposal P53 (Reference 1) was submitted for consideration at the Panel meeting of 14 February 2002. The Panel agreed with the recommendations of the CMG and agreed to submit Modification Proposal P53 to the Report Phase, with a recommendation that the Proposed Modification should be made with an implementation date of thirty business days from any Authority decision to direct that Modification Proposal P53 should be made.

The majority of responses received in response to the consultation on the draft Modification Report support the recommendations made by the Panel (see section 8 and ANNEX 1) with regards to the Proposed Modification, namely that it should be made, with an Implementation Date of thirty Business Days from any Authority decision to direct that the Proposed Modification P53 should be made.

The draft Modification Report, containing the consultation responses, was provided to the Panel for consideration at their meeting of 14 March 2002. At that meeting, the Panel noted that there were no

new, substantive arguments contained within the consultation responses, and reconfirmed their provisional recommendations to the Authority.

### **1.3 Rationale for Recommendations**

The Panel noted that the CMG, in addition to all (but one) of the assessment consultation responses, supported the Modification Proposal, and the CMG, supported by all of the assessment consultation responses, believe that Modification Proposal P53 better facilitates achievement of the Applicable BSC Objectives.

The Panel agreed with the CMG determination that the implementation of Modification proposal P53 would have a negligible effect on the quality of Credit Cover. Furthermore, the Panel agreed with the CMG's assertion that Modification Proposal P53 makes the credit cover arrangements more robust and increases efficiency in ELEXON's administration of these arrangements.

The Panel agreed with the CMG's belief that implementing Modification Proposal P53 enables more reliance on the reporting of Energy Indebtedness figures from the ECVA (on the basis that the calculations would be in line with the Code requirements after the implementation of this Modification).

On this basis, the Panel supports the CMG assertion that Modification Proposal P53 better facilitates achievement of the Applicable BSC Objectives 3(c) and 3(d), as follows:

- (c) Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity;
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

## **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 ('BSC'). The BSC 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 BSC.

This Modification Report is addressed and furnished to the Gas and Electricity Markets Authority ('the Authority') and none of the facts, opinions or statements contained herein may be relied upon by any other person.

An electronic copy of this document can be found on the BSC website, at [www.elexon.co.uk](http://www.elexon.co.uk)

## **3 PURPOSE AND SCOPE OF THE REPORT**

BSC Section F sets out the procedures for progressing proposals to amend the BSC (known as 'Modification Proposals'). These include procedures for proposing, consulting on, developing, evaluating and reporting to the Authority on potential modifications. This report has been drafted in accordance with the obligations set out in Section F of the Code.

## **4 HISTORY OF PROPOSED MODIFICATION**

Modification Proposal P53 'Changes to DC, GC and CALF and the Effect on Energy Indebtedness' was raised on 16 November 2001 under the provisions of the Balancing and Settlement Code (the Code),

Section F 2.1.1 (d) () which allows a Modification Proposal to be raised by the Panel *"on the recommendation of BSCCo in accordance with Section C 3.8.8"* if the Panel believe that such Modification better facilitates achievement of the Applicable BSC Objectives, as set out in the Transmission Licence, Condition C3 paragraph 3.

The Modification Proposal seeks to remove the obligation placed on the Energy Contract Volume Aggregation Agent (ECVAA) by the Code, Section M 1.2.4, to *"Upon any change in the value of BM Unit Credit Assessment Export Capability or BM Unit Credit Assessment Import Capability for a BM Unit, values of Energy Indebtedness (for relevant Trading Parties) shall be determined (in relation to Settlement Periods in and from the day on which, in accordance with paragraph 1.6, the change becomes effective) as though such change were effective with effect from the first of the 29 days referred to in paragraph 1.2.1."*

This section of the Code refers to the treatment of agreed changes within a BSC Season, and a modification is sought to bring the Code in line with the Central Services. The proposed modification does not impact the obligations relating to amendments to the value of these variables (Demand Capacity, Generation Capacity and Credit Assessment Load Factor) on BSC Season changes (specified under Section M 1.5 (CALF) and K 3.4 (DC / GC)).

The Panel considered the Initial Written Assessment for Modification Proposal P53 at the meeting of 13 December 2001 and agreed to submit Modification Proposal P53 to a two month Assessment procedure to be undertaken by the Credit Modification Group (CMG), such that the Assessment Report for Modification Proposal P53 be submitted for consideration at the Panel meeting of 14 February 2002.

The CMG met on 7 January 2002 to assess Modification Proposal P53 and to determine the content and context for an industry consultation. The resulting consultation was issued to industry on 25 January 2002. Responses from the consultation were received on 4 February 2002 and were circulated to the CMG for consideration and comment. The CMG, on consideration of the consultation responses (all of which supported Modification Proposal P53), did not believe that an additional Modification Group meeting was required and therefore the Assessment Report and the associated recommendations of the CMG were agreed by e-mail / telephone.

The Assessment Report for Modification Proposal P53 (Reference 1) was submitted for consideration at the Panel meeting of 14 February 2002. The Panel agreed with the recommendations of the CMG and agreed to submit Modification Proposal P53 to the Report Phase, with a recommendation that the Proposed Modification should be made with an implementation date of thirty business days from any Authority decision to direct that Modification Proposal P53 should be made.

The majority of responses received in response to the consultation on the draft Modification Report support the recommendations made by the Panel (see section 8 and ANNEX 1) with regards to the Proposed Modification, namely that it should be made, with an Implementation Date of thirty Business Days from any Authority decision to direct that the Proposed Modification P53 should be made.

## **5 DESCRIPTION OF PROPOSED MODIFICATION**

The proposed Modification is the removal of the obligation placed on the Energy Contract Volume Aggregation Agent (ECVAA) by the Code, Section M 1.2.4, to *"Upon any change in the value of BM Unit Credit Assessment Export Capability or BM Unit Credit Assessment Import Capability for a BM Unit, values of Energy Indebtedness (for relevant Trading Parties) shall be determined (in relation to Settlement Periods in and from the day on which, in accordance with paragraph 1.6, the change*

*becomes effective) as though such change were effective with effect from the first of the 29 days referred to in paragraph 1.2.1."*

## 6 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

### 6.1 Conformed Version

#### Section M

1.2.4 ~~Upon any~~ change in the value of BM Unit Credit Assessment Export Capability or BM Unit Credit Assessment Import Capability for a BM Unit shall apply for the purposes of the determination of values of Credit Assessment Credited Energy Volume, values of Energy Indebtedness (for relevant Trading Parties) ~~shall be determined (in relation to respect of Settlement Periods in and from~~ and including the first Settlement Period of the day on which, in accordance with paragraph 1.6, the change becomes effective) ~~as though such change was effective with effect from the first of the 29 days referred to in paragraph 1.2.1.~~

### 6.2 Clean Version

#### Section M

1.2.4 A change in the value of BM Unit Credit Assessment Export Capability or BM Unit Credit Assessment Import Capability for a BM Unit shall apply for the purposes of the determination of values of Credit Assessment Credited Energy Volume (for relevant Trading Parties) in respect of Settlement Periods from and including the first Settlement Period of the day on which, in accordance with paragraph 1.6, the change becomes effective.

## 7 ASSESSMENT

The implementation of Modification Proposal P53 has the following impacts:

- The Balancing and Settlement Code, Section M 1.2.4; and
- Party systems and processes.

## 8 SUMMARY OF REPRESENTATIONS

Nine responses (on behalf of twenty-eight parties) were received in response to the consultation on the draft Modification Report.

In summary:

- Eight responses supported the proposed Modification; and
- One response was 'no comment'.

One response indicated that the Proposed Modification was supported as:

- Modification Proposal P53 enables more reliance to be placed on the reporting of Energy Indebtedness figures; and

- The costs of amending the BSC Systems outweighs the benefits that would be gained, especially after the implementation of Modification P2.

The responses received contained no new, substantive arguments.



## ANNEX 1 – REPRESENTATIONS

Responses from P53 Draft Modification Report Consultation

Consultation issued 21 February 2002

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	Innogy Group	P53_MR_001	9
2.	TXU	P53_MR_002	1
3.	SEEBOARD	P53_MR_003	2
4.	GPU Power UK	P53_MR_004	1
5.	ScottishPower UK plc	P53_MR_005	5
6.	Scottish & Southern Energy plc	P53_MR_006	4
7.	British Energy	P53_MR_007	3
8.	British Gas Trading	P53_MR_008	1
9.	EdF Energy Merchants Ltd	P53_MR_009	2

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### P53\_MR\_001 – Innogy Group

This is the response on behalf of Innogy, Innogy Cogen Ltd, NP Cogen Trading Ltd, Npower Ltd, Npower Direct Ltd, Npower Yorkshire Ltd, Npower Yorkshire Supply Ltd, Npower Northern Ltd, and Npower Northern Supply Ltd.

The Innogy Group agree with the P53 Modification Report as drafted, and have no further comments to make.

Ben Willis

Senior Commercial Analyst

Npower Ltd.

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### P53\_MR\_002 – TXU

We support the conclusions and recommendations as drafted.

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### P53\_MR\_003 – SEEBOARD

With respect of the above mentioned proposal we agree with recommendations within section 1.1 of draft modification report dated 21st February.

Dave Morton

SEEBOARD Energy Limited

SEEBOARD Power Networks plc

**P53\_MR\_004 – GPU Power UK**

Please find that GPU Power UK response to P53 - Changes to DC, GC and CALF and the Effect on Energy Indebtedness is 'No Comment'.

Rachael Gardener

Deregulation Control Group &

Disribution Support Office

GPU POWER.NETWORKS (UK) plc

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**P53\_MR\_005 – ScottishPower UK plc**

With reference to the above, I would refer you to our previous comments on the proposal.

In this consultation response, we wish to reiterate the view, which we have previously provided in support of Mod P53: Changes to DC, GC and CALF and the Effect on Energy Indebtedness.

The legal drafting appears to be satisfactory.

I trust that you will find these comments helpful. Nonetheless, should you require further clarification of any of the above, please do not hesitate to contact me.

Yours Sincerely,

Man Kwong Liu

Calanais Ltd.

For and on behalf of: - Scottish Power UK Plc.; ScottishPower Energy Trading Ltd.; Scottish Power Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.

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**P53\_MR\_006 – Scottish & Southern Energy plc**

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd.

In relation to the Modification Report for Proposed Modification P53 contained in your note of 21st February 2002; we agree with the suggested BSC Panel recommendation to the Authority that this Modification proposal P53 be approved, and implemented 30 business days after the Authority's approval.

Regards

Garth Graham

Scottish & Southern Energy plc

**P53\_MR\_007 – British Energy**

British Energy supports the above modification and we refer you to the comments made on 4th February.

Rachel Ace

on behalf of

British Energy Generation

British Energy Power and Energy Trading

Eggborough Power Ltd

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**P53\_MR\_008 – British Gas Trading**

Thank you for the opportunity of responding to this modification proposal. This response is on behalf of British Gas Trading Ltd (BGT).

BGT agree that P53 enables more reliance on the reporting of Energy Indebtedness figures from the ECVAA. We believe that in this case the cost of amending the BSC systems outweighs the benefits that would be gained particularly after the implementation of P2. As such we support this modification as better facilitating the applicable BSC Objectives, particularly c and d.

Yours faithfully

Danielle Lane

Transportation Analyst

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**P53\_MR\_009 – EdF Energy Merchants Ltd**

EdF Trading Ltd and EdF (Generation) agree with the findings as expressed in the consultative Modification Proposal Report.

The report gives appropriate and understandable justifications for the recommendations to which EdFT and EdF concur.

Steve Drummond

EdF Energy Merchants Ltd