

## 7 SUMMARY OF REPRESENTATIONS

Seven responses, on behalf of thirty parties, were received to the consultation on this Modification Report. At a high level:

- Three responses, on behalf of ten parties, supported the Modification; and
- Four responses, on behalf of twenty parties, did not support the Modification.

Reasons given for supporting the Modification are:

- A change to the Code should be made in order to correct such minor inconsistencies, as changing the ECVAA system to make such terminations effective on the day of notification is not cost effective and does not seem to provide any benefits.
- One response indicated that they were prepared to support the recommendations of the Modification Report, however, concerns were raised as to the apparent requirement to amend the Code to support system functionality, rather than the other way round. Accepting the Modification may set a precedent that might undermine the Code.

Reasons given for not supporting the Modification are:

- Recent events have indicated that parties need to make notification agent Authorisation Terminations as quickly as possible, and that the cost of not doing so would outweigh, and is therefore worth, the development and implementation costs associated with the ECVAA change to align it with the Code;
- The current provisions of the Code, with regards to the termination of notification agent Authorisations should remain (i.e. the 60 minute timescale for processing). To increase this to a day increases risk to parties that they may be exposed to a contract position for longer than is necessary, and adds to the uncertainty regarding contract positions;
- This Modification would not be required if the BSC systems were developed in accordance with the standards specified in the Code;
- It is not believed that there would be an increase in the number of trading disputes, and therefore no associated change to ELEXON costs, as a result of making the change to ECVAA to align it with the Code, and in fact the potential for the number of trading disputes will be reduced; and
- It is believed that the failure of the Code to address the need for a participant to effect a swift notification agent authorisation termination is not consistent with the Applicable BSC Objective (3) (c) "promoting effective competition in the generation and supply of electricity ...".

## ANNEX 1 – REPRESENTATIONS

### Responses from P47 Draft Modification Report Consultation

Consultation issued 26 November 2001

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	TXU	P47_MR_001	14
2.	British Gas Trading	P47_MR_002	4
3.	SEEBOARD	P47_MR_003	1
4.	The European Power Source Company (U.K.) Limited	P47_MR_004	1
5.	Scottish Power UK Plc	P47_MR_005	5
6.	Powergen	P47_MR_006	1
7.	London Electricity	P47_MR_007	4

## **P47\_MR\_001 – TXU**

### **P47 - Termination Process for ECVNA and MVRNA Authorisations**

Thank you for the opportunity to respond to the above modification proposal. TXU Europe Energy Trading Ltd would like to make the following comments on behalf of all TXU Europe companies<sup>1</sup>.

Whilst we understand the need to align the Balancing and Settlement Code with the existing functionality of the ECVAA systems we do not believe that this modification proposal should be implemented. Given recent events whereby parties may have found it necessary to make ECVNA and MVRNA Authorisation Terminations as quickly as possible, TXU believes that it is worth the development and implementation costs of £40,000 to £60,000 to align the ECVAA Systems with the current drafting of the Balancing and Settlement Code.

The recent events surrounding Enron have shown that there are occasions on which it will be vital for terminations to be made instantly and the costs of not being in a position to make such terminations could far outweigh the development costs that have been quoted in the draft modification report. Therefore we are unable to support implementation of this modification proposal. We believe that Elexon should instruct Logica to ensure that the ECVAA system is in compliance with the BSC as currently drafted.

We hope you have found our comments useful and should you wish to discuss any aspect of this response further do not hesitate to contact me on the above number.

Yours sincerely  
Nicola Lea  
Market Development Analyst

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<sup>1</sup> Anglian Power Generators Ltd; Citigen; Eastern Energy Ltd; Norweb Energi Ltd; TXU Europe Drakelow Ltd; TXU Europe Energy Trading BV; TXU Europe Energy Trading Ltd; TXU Europe High Marnham Ltd; TXU Europe Merchant Generation Ltd; TXU Europe West Burton Ltd; TXU UK Ltd; Peterborough Power Ltd; Shotton Combined Heat and Power Ltd.

## **P47\_MR\_002 – British Gas Trading**

Modification Proposal 47: Termination Process for ECVNA and MVRNA Authorisations

Thank you for the opportunity of responding to this modification. This response is on behalf of British Gas Trading, Accord, Centrica Peterborough and Centrica King's Lynn.

We do not support this modification proposal. We do not believe it will better facilitate the Applicable Objectives.

The draft modification report suggests the BSC Objectives will be better facilitated by changing the Code in order to avoid costs associated with system development and a potential increase in Elexon costs from administering trading disputes.

The current provisions for termination of ECVNA and MVRNA authorisations under the Code should remain and the timescale of 60 minutes should be met in the Procedures. To change this to a day is to increase the risk for Parties that they may be exposed to a contract position for longer than is necessary. It will also add to the uncertainty faced by Parties with regard to their contract position.

We do not consider the costs quoted to make the changes to central systems to be excessive. We are concerned that avoidance of cost is used as the main argument for making a change to the Code and do not believe this better facilitates the BSC Objectives.

We also query the intent of the modification to change the code over the associated procedure. We are surprised that changing the Code to a less rigorous standard is considered to better achieve the applicable BSC objectives. If the systems can be changed, and the implication in the modification report is that this is the case, then the necessary changes should be made. We also query why the BSC Systems were not originally developed to the standards specified in the Code. If they had been then this modification would not be required.

There is insufficient evidence presented in the draft modification report to fully assess the potential increase in trading disputes should the current drafting in the Code remain. However, we do not believe there would be an increase in the number of trading disputes and hence no increase in costs for Elexon should the BSC Procedures be changed in preference to the Code. We believe that changing the procedures instead of the Code would reduce the potential for disputes.

Yours faithfully

Danielle Lane

Transportation Analyst

**P47\_MR\_003 – SEEBOARD**

We agree with this report and that a change should be made to BSC to correct these minor inconsistencies. Changing ECVAAs system to make such terminations effective on the day of notification is not cost effective and would not seem to provide any benefits. We have no issues with the implementation date suggested within this report.

Dave Morton

SEEBOARD

## **P47\_MR\_004 – The European Power Source Company (U.K.) Limited**

### **P47 Report Comments**

Thank you for the opportunity to comment on the Modification Proposal P47 Report – Termination Process for ECVNA and MVRNA authorisations. The European Power Source Company (U.K.) Limited (EPSCO) does not support this proposal in its current form.

Once grounds for ECVNA and MVRNA Authorisation termination in relation to a Party become evident (as detailed in BSC Section P), other Parties should have the ability to terminate such Authorisations, effective at the earliest possible opportunity. This Modification Proposal will enforce a delay into the Authorisation termination process until the start of the following Settlement Day. EPSCO believes that the failure of the Code to ensure that a participant can achieve a swift termination may act against BSC objective (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.”

EPSCO also believes that the modification proposal is of sufficient material interest to have benefited from an assessment phase. This could have gauged the level of market participants’ perceived risks arising from the modification, examined the cost benefits of the software change to align current practice with the existing Code, and explored possible alternatives.

Nick Fee

On Behalf of Anthony J. Gordon

Managing Director

**P47\_MR\_005 – ScottishPower UK Plc**

**Modification Proposal P47 – Termination Process for ECVNA and MVRNA Authorisations**

I would like to thank you for this opportunity to comment on the Modification Report for P47.

While we are prepared to support the recommendations in the Modification Report, we are concerned that we appear to be changing the BSC to suit system functionality rather than the other way around. We fully understand and accept the need to consider the cost implications of alternatives to amending the code, but it is important that in accepting P47 we are not setting a precedent that might, in some way, undermine the BSC.

I trust you will find these comments helpful.

Yours Sincerely,

**James Nixon**

Calanais Ltd.

For and on behalf of: -

***ScottishPower UK Plc.***

***SP Energy Trading Ltd.***

***SP Generation Ltd.***

***Scottish Power Energy Retail Ltd.***

***Emerald Power Generation Ltd.***

## **P47\_MR\_006 – Powergen**

### **Termination Process for ECVAA and MVRNA Authorisations**

Powergen do not support this proposal in its current form.

Powergen exercised the ECVNAA termination process in the recent Enron default and found that there were uncertainties about timings, and that there was the potential for a party to be left exposed to a failing counterparty.

We would suggest that the Panel reject this modification to allow another more general modification to be brought forward. This would enable a wider review of how the BSC deals with defaulting parties to take place. Any such review should take into account the contractual relationship between parties e.g. the GTMA and similar agreements.

**P47\_MR\_007 – London Electricity**

London Electricity supports this modification on the grounds of aligning the BSC with its subsidiary documents and the operational practice of Logica – we therefore agree that it facilitates objective (d) of the BSC, the efficient administration of the BSC.

Liz Anderson

London Electricity Plc, SWEB Ltd, Jade Power Generation Ltd and Sutton Bridge Power Ltd.