

# 1 REPRESENTATIONS MADE BY PARTIES

## Responses from P39 Definition Report Consultation

Representations were received from the following parties:

No	Company	File Number
1.	Dynegy	P39_DEF_001
2.	Utility Link	P39_DEF_002
3.	Scottish & Southern on behalf of: SSE Generation Ltd SSE Energy Supply Ltd Keadby Generation Ltd Keadby Developments Ltd	P39_DEF_003
4.	Powergen on behalf of: Powergen Energy plc Diamond Power Generation Ltd Cottam Development Centre Ltd	P39_DEF_004
5.	London Electricity	P39_DEF_005
6.	British Energy Group on behalf of: British Energy Generation British Energy Power & Energy Trading Eggborough Power Ltd	P39_DEF_006
7.	Seeboard	P39_DEF_007
8.	BGT	P39_DEF_008
9.	Scottish Power on behalf of: Scottish Power UK plc Manweb plc Emerald Power Generation Ltd	P39_DEF_009
10.	Innogy Group	P39_DEF_010

**P39\_DEF\_001 - Dynegy**

**Modification Proposal P39: Improvements to the Administration of the Payment Default Process**

**Industry Consultation– Pro Forma for Responses**

The following table summarises the issues raised in the P39 Modification Proposal. You are invited to provide a response with your views on the issues raised:

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>A</b>	The proposal identifies inconsistencies between the payment timescales documented in the Code and the operating procedures. The Modification Group believes it is not possible to enforce compliance with these timescales. Do you agree with this?	Yes	The code should reflect the banking reality.
<b>B</b>	P39 proposes that specific timescales relating to payment should be removed from the Code and replaced by a statement indicating that payments should be made on the Payment Date with the FAA checking that payments have been made at Close of Banking Business. Do you believe that this change is required?	Yes	
<b>C</b>	P39 suggests that the concept of default thresholds should be introduced. This would allow small defaults to be treated differently to large defaults. Do you agree that default thresholds should be introduced?	Yes	Reduces administrative costs.
<b>D</b>	The Modification Group felt that the detailed procedures relating to each of the different thresholds should be documented within a new BSCP and ELEXON/FAA working procedures. Do you agree with this suggestion?	Yes	More flexible as a BSCP then hardwired into the code.
<b>E</b>	It was noted that the new procedures should take into account the time it takes to call on a Letter of Credit. It was suggested that the exact process would be discussed as part of the Assessment Procedure. Do you have any views on this exact process that you would like to be noted.	N/A	Just make it realistic and make sure it allocates the costs to those causing them.

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>F</b>	The proposal suggests that an explicit statement should be added to the Code stating that the BSCCo will not pay any bank charges for payment transfers. Do you agree with this?	Yes	I assume this is the point about having a bank with UK branches.
<b>G</b>	It is proposed that this Modification would be implemented after the Authority's decision (i.e. not retrospectively). Do you agree with this?	Yes	The costs of retrospective changes would outweigh any benefits.

Please send your responses by close of business on Wednesday 10<sup>th</sup> October 2001 to the following e-mail address:

[Modifications@elexon.co.uk](mailto:Modifications@elexon.co.uk)

Please entitle your e-mail 'P39 Consultation/Definition'

Thank you.

**Modification Proposal P39: Improvements to the Administration of the Payment Default Process**

**Industry Consultation– Pro Forma for Responses**

The following table summarises the issues raised in the P39 Modification Proposal. You are invited to provide a response with your views on the issues raised:

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>A</b>	The proposal identifies inconsistencies between the payment timescales documented in the Code and the operating procedures. The Modification Group believes it is not possible to enforce compliance with these timescales. Do you agree with this?	Yes	
<b>B</b>	P39 proposes that specific timescales relating to payment should be removed from the Code and replaced by a statement indicating that payments should be made on the Payment Date with the FAA checking that payments have been made at Close of Banking Business. Do you believe that this change is required?	Yes	
<b>C</b>	P39 suggests that the concept of default thresholds should be introduced. This would allow small defaults to be treated differently to large defaults. Do you agree that default thresholds should be introduced?	Yes	This will allow parties with an incremental default situation to resolve the default in a more cost effective manner
<b>D</b>	The Modification Group felt that the detailed procedures relating to each of the different thresholds should be documented within a new BSCP and ELEXON/FAA working procedures. Do you agree with this suggestion?	Yes	Clear understanding of the rules is important to the process
<b>E</b>	It was noted that the new procedures should take into account the time it takes to call on a Letter of Credit. It was suggested that the exact process would be discussed as part of the Assessment Procedure. Do you have any views on this exact process that you would like to be noted.	N/A	Care should be taken not to give undue advantage to Parties providing LoCs over those depositing cash.

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>F</b>	The proposal suggests that an explicit statement should be added to the Code stating that the BSCCo will not pay any bank charges for payment transfers. Do you agree with this?	Yes	
<b>G</b>	It is proposed that this Modification would be implemented after the Authority's decision (i.e. not retrospectively). Do you agree with this?	Yes	

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Thank you.

**P39\_DEF\_003 – Scottish & Southern**

From: Beverley Grubb[SMTP:Beverley.Grubb@scottish-southern.co.uk]  
Sent: 09 October 2001 11:59  
To: modifications@elexon.co.uk  
Subject: P39 Consultation/Definition

Please find below a copy of our response to the above consultation. Our response is on behalf of SSE Generation Ltd, SSE Energy Supply Ltd, Keadby Generation Ltd and Keadby Developments Ltd.

Modification Proposal P38: Improvements to the Administration of the Payment Default Process

Questions:

A Yes

We agree that it is not possible to enforce compliance with the timescales documented in the Code. In most cases banks can only guarantee payment on a specified day and not time.

B Yes

For the reasons given above. We believe close of business would be more appropriate.

C No

If timescales are relaxed as above we believe there should be less instances of default. Where default does occur we believe it would be genuine and that all such cases should be investigated.

D Yes

Detailed procedures should be documented via BSCP and Elexon / FAA working procedures.

E No Comment at this stage. We will reserve judgement for the Assessment Procedure Report.

F Yes

We do not believe it is appropriate for BSCCo to pay bank charges. They should be incurred either by the FAA or BSC signatory.

G Yes

We agree the Modification should be prospective and not retrospective.

Beverley Grubb  
Market Development  
SSE Energy Supply Ltd

## P39\_DEF\_004 - Powergen

### Modification Proposal P39: Improvements to the Administration of the Payment Default Process

#### Industry Consultation– Pro Forma for Responses

The following table summarises the issues raised in the P39 Modification Proposal. You are invited to provide a response with your views on the issues raised:

	Question	Yes/No	Rationale
<b>A</b>	The proposal identifies inconsistencies between the payment timescales documented in the Code and the operating procedures. The Modification Group believes it is not possible to enforce compliance with these timescales. Do you agree with this?	Yes	Powergen recognises that the banking system does not enable the FAA to confirm all due fundings have been received on the day in question. Enforcement of these timescales would require BSC Parties to pay amounts due on the previous working day, which is neither practicable nor desirable.
<b>B</b>	P39 proposes that specific timescales relating to payment should be removed from the Code and replaced by a statement indicating that payments should be made on the Payment Date with the FAA checking that payments have been made at Close of Banking Business. Do you believe that this change is required?	Yes	As detailed in our answer to A. above, Powergen acknowledges that the current operational processes are not in accordance with the code, and that enforcement is not a preferred option. Therefore a change to the Code as proposed is supported.
<b>C</b>	P39 suggests that the concept of default thresholds should be introduced. This would allow small defaults to be treated differently to large defaults. Do you agree that default thresholds should be introduced?	Yes	Powergen supports the introduction of default thresholds where they minimise administrative effort without diminishing financial control.
<b>D</b>	The Modification Group felt that the detailed procedures relating to each of the different thresholds should be documented within a new BSCP and ELEXON/FAA working procedures. Do you agree with this suggestion?	Yes	The documentation of this process in a new BSCP rather than in the Code has a number of advantages. Powergen therefore supports this recommendation.

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>E</b>	It was noted that the new procedures should take into account the time it takes to call on a Letter of Credit. It was suggested that the exact process would be discussed as part of the Assessment Procedure. Do you have any views on this exact process that you would like to be noted.	N/A	There appears to be some uncertainty at present surrounding this issue, particularly should the borrowing facility exceed its current maximum of £4m. Powergen agrees that a more detailed BSCP should assist in this understanding, and would request that the entire default process be reviewed to ensure all areas of concern and uncertainty in this area are addressed.
<b>F</b>	The proposal suggests that an explicit statement should be added to the Code stating that the BSCCo will not pay any bank charges for payment transfers. Do you agree with this?	Yes	The current arrangements provide a large degree of flexibility that should suit the majority if not all Parties. Should a Party wish to carry out its banking transactions outside of these arrangements, Powergen considers that it is that Party's responsibility to pick up any associated charges, including the cost of funds transfers to and from the FAA. A specific paragraph in the Code will assist in clarifying this position.
<b>G</b>	It is proposed that this Modification would be implemented after the Authority's decision (i.e. not retrospectively). Do you agree with this?	Yes	Nothing within this Modification Proposal would require or benefit from retrospective implementation, other than the agreement of the starting date for monitoring cumulative outstanding debts.

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Thank you.



Mr Gareth Forrester  
Modifications Manager  
ELEXON Ltd,  
3<sup>rd</sup> Floor,  
1 Triton Square,  
London,  
NW1 3DX

9 October 2001

Dear Gareth

***MODIFICATION PROPOSAL P39 – IMPROVEMENTS TO THE PAYMENT DEFAULT PROCESS; INDUSTRY CONSULTATION DOCUMENT.***

Powergen UK plc welcomes the opportunity to make initial comments on the modification proposal and provides this response on behalf of itself and the following BSC Parties: Powergen Energy plc, Diamond Power Generation Limited, and Cottam Development Centre Limited. As requested, please find attached the pro-forma duly completed. I have also summarised below our general position on each of the options.

**Modification to the timescales relating to transfer of funds.** Powergen acknowledges that, due to the timings of transfers between banks, the FAA is presently unable to confirm full receipt of all amounts due by 13:00. Powergen therefore supports the proposed amendment to the Code.

**Introduction of default thresholds.** Powergen supports the introduction of default thresholds where they minimise administrative effort without diminishing financial control.

**Calling of Letters of Credit on the Payment Date.** Powergen is generally sympathetic to the aims of the proposal, and supports the concept of minimising the possibility of the Collection and Payments Accounts being out of balance through non-payment of amounts due by a BSC Party. However it does have reservations about the proposal to call upon any Letters of Credit immediately, without further recourse to the appropriate Party. Specifically, Powergen is concerned that, through a no-fault error in the system or processes which would normally result in the calling in of a Letter of Credit, if no check with the specific Party was undertaken beforehand, then this could result in significant costs to the affected Party, together with potentially damaging incorrect credit-status data being released to the market. Powergen would instead request the BSCCo, in conjunction with the FAA, to consider ways in which, before any deposited Letter of Credit is called, including

within the proposed procedure a requirement that the 'default' BSC Party be given advance notice by telephone of the FAA's intentions and consequently the opportunity to either remedy the position, identify and effect correction of any error, or implement alternative acceptable arrangements.

**Additional charges incurred through the use of non-UK banker.** Powergen supports the proposal that any additional charges incurred by BSCCo or its Agents through the use or implementation of non-standard processes, including the transfer of funds to a non-UK based bank, should be fully recovered from the applicable BSC Party.

Should you want any further information, or wish to discuss any of the issues raised further, please do not hesitate to contact me.

Yours sincerely,

**Geoff Allen**  
**Head of Balancing Mechanism Settlement**  
**Powergen UK plc.**

Tel: 024 7642 4708

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## P39\_DEF\_005 – London Electricity

### Modification Proposal P39: Improvements to the Administration of the Payment Default Process

#### Industry Consultation– Pro Forma for Responses

The following table summarises the issues raised in the P39 Modification Proposal. You are invited to provide a response with your views on the issues raised:

	Question	Yes/No	Rationale
<b>A</b>	The proposal identifies inconsistencies between the payment timescales documented in the Code and the operating procedures. The Modification Group believes it is not possible to enforce compliance with these timescales. Do you agree with this?	Yes	If banks are unable to guarantee payment by a given time it is impossible for Parties to do so.
<b>B</b>	P39 proposes that specific timescales relating to payment should be removed from the Code and replaced by a statement indicating that payments should be made on the Payment Date with the FAA checking that payments have been made at Close of Banking Business. Do you believe that this change is required?	Yes	This is a sensible solution.
<b>C</b>	P39 suggests that the concept of default thresholds should be introduced. This would allow small defaults to be treated differently to large defaults. Do you agree that default thresholds should be introduced?	Yes	It pointless to chase very small amount of money immediately they become due if this is costly to perform.
<b>D</b>	The Modification Group felt that the detailed procedures relating to each of the different thresholds should be documented within a new BSCP and ELEXON/FAA working procedures. Do you agree with this suggestion?	Yes	It will be a better solution to contain the thresholds in a BSCP than in the code itself.
<b>E</b>	It was noted that the new procedures should take into account the time it takes to call on a Letter of Credit. It was suggested that the exact process would be discussed as part of the Assessment Procedure. Do you have any views on this exact process that you would like to be noted.	N/A	It is right that the amount of time it takes to call a letter of credit should be considered in the Assessment Procedure.

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>F</b>	The proposal suggests that an explicit statement should be added to the Code stating that the BSCCo will not pay any bank charges for payment transfers. Do you agree with this?	Yes	It should not be for all participants to pay banking fees for other parties.
<b>G</b>	It is proposed that this Modification would be implemented after the Authority's decision (i.e. not retrospectively). Do you agree with this?	Yes	Although any money outstanding at implementation should be subject to the new thresholds/ timescales.

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Thank you.

## P39\_DEF\_006 – British Energy Group

### Modification Proposal P39: Improvements to the Administration of the Payment Default Process

#### Industry Consultation– Pro Forma for Responses

The following table summarises the issues raised in the P39 Modification Proposal. You are invited to provide a response with your views on the issues raised:

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>A</b>	The proposal identifies inconsistencies between the payment timescales documented in the Code and the operating procedures. The Modification Group believes it is not possible to enforce compliance with these timescales. Do you agree with this?	Yes	Banks cannot guarantee transfers by a certain time on a day, simply on that day
<b>B</b>	P39 proposes that specific timescales relating to payment should be removed from the Code and replaced by a statement indicating that payments should be made on the Payment Date with the FAA checking that payments have been made at Close of Banking Business. Do you believe that this change is required?	Yes	See above
<b>C</b>	P39 suggests that the concept of default thresholds should be introduced. This would allow small defaults to be treated differently to large defaults. Do you agree that default thresholds should be introduced?	Yes	
<b>D</b>	The Modification Group felt that the detailed procedures relating to each of the different thresholds should be documented within a new BSCP and ELEXON/FAA working procedures. Do you agree with this suggestion?	Yes	
<b>E</b>	It was noted that the new procedures should take into account the time it takes to call on a Letter of Credit. It was suggested that the exact process would be discussed as part of the Assessment Procedure. Do you have any views on this exact process that you would like to be noted.	Not at this stage	

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>F</b>	The proposal suggests that an explicit statement should be added to the Code stating that the BSCCo will not pay any bank charges for payment transfers. Do you agree with this?	Yes	BSCCo should not have to pay bank charges relevant to having a foreign bank
<b>G</b>	It is proposed that this Modification would be implemented after the Authority's decision (i.e. not retrospectively). Do you agree with this?	Yes	

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Thank you.

(British Energy Group, representing British Energy Generation, British Energy Power and Energy Trading and Eggborough Power Ltd)

**P39\_DEF\_007 - Seeboard**

**Modification Proposal P39: Improvements to the Administration of the Payment Default Process**

**Industry Consultation– Pro Forma for Responses**

The following table summarises the issues raised in the P39 Modification Proposal. You are invited to provide a response with your views on the issues raised:

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>A</b>	The proposal identifies inconsistencies between the payment timescales documented in the Code and the operating procedures. The Modification Group believes it is not possible to enforce compliance with these timescales. Do you agree with this?	Yes	
<b>B</b>	P39 proposes that specific timescales relating to payment should be removed from the Code and replaced by a statement indicating that payments should be made on the Payment Date with the FAA checking that payments have been made at Close of Banking Business. Do you believe that this change is required?	Yes	We believe this is a sensible move and should have been in the Procedures from the start.
<b>C</b>	P39 suggests that the concept of default thresholds should be introduced. This would allow small defaults to be treated differently to large defaults. Do you agree that default thresholds should be introduced?	Yes	Suggest it should be :- D+2 D+7 D+30 Values to remain as documented.
<b>D</b>	The Modification Group felt that the detailed procedures relating to each of the different thresholds should be documented within a new BSCP and ELEXON/FAA working procedures. Do you agree with this suggestion?	Yes	

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>E</b>	It was noted that the new procedures should take into account the time it takes to call on a Letter of Credit. It was suggested that the exact process would be discussed as part of the Assessment Procedure. Do you have any views on this exact process that you would like to be noted.	Yes	The process should take into account typical times to call on a letter of credit. However if it is found there are a wide range of times linked to the terms of the letter of credit proposals should be modified so as to avoid additional costs for participants.
<b>F</b>	The proposal suggests that an explicit statement should be added to the Code stating that the BSCCo will not pay any bank charges for payment transfers. Do you agree with this?	Yes	
<b>G</b>	It is proposed that this Modification would be implemented after the Authority's decision (i.e. not retrospectively). Do you agree with this?	Yes	

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Thank you.

**Modification Proposal P39: Improvements to the Administration of the Payment Default Process**

**Industry Consultation– Pro Forma for Responses**

The following table summarises the issues raised in the P39 Modification Proposal. You are invited to provide a response with your views on the issues raised:

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>A</b>	The proposal identifies inconsistencies between the payment timescales documented in the Code and the operating procedures. The Modification Group believes it is not possible to enforce compliance with these timescales. Do you agree with this?	Yes	
<b>B</b>	P39 proposes that specific timescales relating to payment should be removed from the Code and replaced by a statement indicating that payments should be made on the Payment Date with the FAA checking that payments have been made at Close of Banking Business. Do you believe that this change is required?	Yes	
<b>C</b>	P39 suggests that the concept of default thresholds should be introduced. This would allow small defaults to be treated differently to large defaults. Do you agree that default thresholds should be introduced?	No	Rather than default thresholds set a de minimus level below which defaults are not escalated, cumulative default level = £[50]. Over that level progress through current procedure after giving defaulting party one business day to pay.
<b>D</b>	The Modification Group felt that the detailed procedures relating to each of the different thresholds should be documented within a new BSCP and ELEXON/FAA working procedures. Do you agree with this suggestion?	Yes	

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>E</b>	It was noted that the new procedures should take into account the time it takes to call on a Letter of Credit. It was suggested that the exact process would be discussed as part of the Assessment Procedure. Do you have any views on this exact process that you would like to be noted.	N/A	
<b>F</b>	The proposal suggests that an explicit statement should be added to the Code stating that the BSCCo will not pay any bank charges for payment transfers. Do you agree with this?	Yes	
<b>G</b>	It is proposed that this Modification would be implemented after the Authority's decision (i.e. not retrospectively). Do you agree with this?	Yes	

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Please entitle your e-mail 'P39 Consultation/Definition'

Thank you.



**Elexon  
3<sup>rd</sup> Floor  
1 Triton Square  
London  
NW1 3DX**

**50 Windsor Road  
Slough  
Berkshire  
SL1 2HA**

Tel. (01753) 758156  
Fax (01753) 758170  
Our Ref.  
Your Ref.  
12 October 2001

Dear Sir

**Definition Consultation for Modification Proposal 39: Improvements to the Administration of the Payment Default Process**

Thank you for the opportunity of responding to the Definition consultation for Modification Proposal 39. As requested we have completed the attached pro-forma covering the issues raised by the Modification Group. British Gas Trading (BGT) do not support the modification proposal as it is currently drafted.

We believe the changes outlined in part a) of the consultation document are appropriate. We recognise the issue of non-compliance needs to be addressed and agree that the proposed changes represent a practical change to the BSC.

We also support the proposed change d) as a sensible change to the Code. Both a) and d) would further the applicable BSC objective of promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

However, BGT do not support the second proposed change relating to introduction of payment default thresholds. The changes would undermine the current credit default process by giving defaulting counter-parties significantly longer to pay. The proposal suggests D+30, however one business day to pay prior to issue of a default notice should be sufficient. A longer period allows the opportunity for further default to be accrued. Furthermore we consider the threshold level of £50 000 to be excessive.

We trust that these points will be taken into account when this modification is considered further. Should you wish to discuss these issues further please contact Catherine Robinson on 01753 758180.

Yours faithfully

Danielle Lane  
Transportation Analyst

**Modification Proposal P39: Improvements to the Administration of the Payment Default Process**

**Industry Consultation– Pro Forma for Responses**

The following table summarises the issues raised in the P39 Modification Proposal. You are invited to provide a response with your views on the issues raised:

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>A</b>	The proposal identifies inconsistencies between the payment timescales documented in the Code and the operating procedures. The Modification Group believes it is not possible to enforce compliance with these timescales. Do you agree with this?	YES	There are currently difficulties in complying with these rigid timescales, as highlighted by Elexon.
<b>B</b>	P39 proposes that specific timescales relating to payment should be removed from the Code and replaced by a statement indicating that payments should be made on the Payment Date with the FAA checking that payments have been made at Close of Banking Business. Do you believe that this change is required?	YES	It seems to be sensible, in view of the current issues with payment procedures, to allow a more flexible approach to be adopted.
<b>C</b>	P39 suggests that the concept of default thresholds should be introduced. This would allow small defaults to be treated differently to large defaults. Do you agree that default thresholds should be introduced?	YES	The administrative effort to deal with both small and large defaults is currently the same. This suggests that disproportionate effort would be expended for small defaults. Differentiation of small and large defaults will bring a sense of proportionality in this respect.
<b>D</b>	The Modification Group felt that the detailed procedures relating to each of the different thresholds should be documented within a new BSCP and ELEXON/FAA working procedures. Do you agree with this suggestion?	YES	Rather than have excessive detail relating to default issues on the face of the BSC, it makes sense to limit that coverage. Having detailed rules in a BSCP will also provide for greater flexibility when changes to default limits are proposed.

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>E</b>	It was noted that the new procedures should take into account the time it takes to call on a Letter of Credit. It was suggested that the exact process would be discussed as part of the Assessment Procedure. Do you have any views on this exact process that you would like to be noted.	N/A	
<b>F</b>	The proposal suggests that an explicit statement should be added to the Code stating that the BSCCo will not pay any bank charges for payment transfers. Do you agree with this?	YES	It would be unfair to Parties using UK banks to share in the cost of bank charges incurred by Elexon because certain Parties use foreign-based banks for their BSC transactions.
<b>G</b>	It is proposed that this Modification would be implemented after the Authority's decision (i.e. not retrospectively). Do you agree with this?	YES	There appears to be no apparent reason why this proposal should operate retrospectively.

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[Modifications@elexon.co.uk](mailto:Modifications@elexon.co.uk)

Please entitle your e-mail 'P39 Consultation/Definition'

Thank you.



**ScottishPower**

**A.1.1**

Cathcart Business Park, Spean Street  
Cathcart, Glasgow, G44 4BE  
Telephone (0141) 568 2314/6  
FAX (0141) 568 2366

10 October, 2001  
Gareth Forrester  
Modifications Manager  
ELEXON Ltd  
3<sup>rd</sup> Floor  
1 Triton Square  
London  
NW1 3DX

**Modification Proposal P39:** Improvements to the Administration of the Payment Default Process

Dear Mr Forrester,

With reference to the above proposal and the Definition Consultation Document, we believe the proposal will improve the process and therefore give it our full support. I have also completed the attached pro forma as requested for your consideration.

I trust you find these comments helpful, and please do not hesitate to contact me should you wish to discuss any points further.

Yours sincerely,

**Man Kwong Liu**

Scottish Power UK Plc, Manweb Plc and Emerald Power Generation Ltd

## P39\_DEF\_010 – Innogy Group

### Modification Proposal P39: Improvements to the Administration of the Payment Default Process

#### Industry Consultation– Pro Forma for Responses

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	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>A</b>	The proposal identifies inconsistencies between the payment timescales documented in the Code and the operating procedures. The Modification Group believes it is not possible to enforce compliance with these timescales. Do you agree with this?	Yes	No banking processes are available to assist the enforcement of the Code.
<b>B</b>	P39 proposes that specific timescales relating to payment should be removed from the Code and replaced by a statement indicating that payments should be made on the Payment Date with the FAA checking that payments have been made at Close of Banking Business. Do you believe that this change is required?	Yes	The specific timescales relating to payments should not be removed, simply adjusted to comply with banking practice, i.e. payments not guaranteed within a banking day, only during that banking day.
<b>C</b>	P39 suggests that the concept of default thresholds should be introduced. This would allow small defaults to be treated differently to large defaults. Do you agree that default thresholds should be introduced?	Yes	This would allow some leeway in the treatment of small defaults. However, once these thresholds have been breached, there must be enforcement of the defaulting rules. We would ask that consideration is given to the set off rules in paragraph N2.6.1. These can be utilised in conjunction with the default thresholds and credit support to mitigate default levels.

	<b>Question</b>	<b>Yes/No</b>	<b>Rationale</b>
<b>D</b>	The Modification Group felt that the detailed procedures relating to each of the different thresholds should be documented within a new BSCP and ELEXON/FAA working procedures. Do you agree with this suggestion?	Yes	This will give some future flexibility in the control of the thresholds and timetables for procedures. Incorporation of these into a new BSCP would allow Elexon / ISG to review these parameters without necessitating a Code Modification.
<b>E</b>	It was noted that the new procedures should take into account the time it takes to call on a Letter of Credit. It was suggested that the exact process would be discussed as part of the Assessment Procedure. Do you have any views on this exact process that you would like to be noted.	N/A	
<b>F</b>	The proposal suggests that an explicit statement should be added to the Code stating that the BSCCo will not pay any bank charges for payment transfers. Do you agree with this?	Yes	This should be the responsibility of the BSC Party.
<b>G</b>	It is proposed that this Modification would be implemented after the Authorities decision (i.e. not retrospectively). Do you agree with this?	Yes	

Please send your responses by close of business on Wednesday 10<sup>th</sup> October 2001 to the following e-mail address:

[Modifications@elexon.co.uk](mailto:Modifications@elexon.co.uk)

Please entitle your e-mail 'P39 Consultation/Definition'

Thank you.