

ANNEX 2 – BSC PARTY CONSULTATION RESPONSES

a First Consultation Responses

Consultation issued 26 September 2002

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	Entergy-Koch Trading Ltd	P98_ASS_001	1
2.	RWE Trading Direct Limited	P98_ASS_002	1
3.	LE Group	P98_ASS_003	7
4.	SEEBOARD Energy	P98_ASS_004	1
5.	TXU Europe	P98_ASS_005	21
6.	NGC	P98_ASS_006	1
7.	British Gas Trading	P98_ASS_007	1
8.	Aquila Networks	P98_ASS_008	1
9.	Immingham CHP LLP	P98_ASS_009	1
10.	Scottish and Southern	P98_ASS_010	4
11.	Innogy	P98_ASS_011	7
12.	Edison Mission Energy	P98_ASS_012	2
13.	J. Aron & Company	P98_ASS_013	2
14.	British Energy	P98_ASS_014	3
15.	Scottish Power	P98_ASS_015	5
16.	Powergen	P98_ASS_016	3
17.	Barclays Capital	P98_ASS_017	1
18.	EdF Trading	P98_ASS_018	2
19.	Magnox Electric plc	P98_ASS_019	1
20.	BP Gas Marketing Limited	P98_ASS_020	1
21.	TotalFinaElf Gas and Power	P98_ASS_021	1
22.	Dynegy	P98_ASS_022	1

P98_ASS_001 – Entergy-Koch Trading

BSC Parties responding on behalf of (please list all Parties): Entergy-Koch Trading Ltd

Question	Response
<p>Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?</p>	<p>YES</p> <p>Rationale: Single notification puts too much liability on one party in the notification process. The role of third party notifiers has not developed as expected due to cost and a lack of willingness by third parties to take full liability. Parties still continue to make errors which would not happen if notifications were dual and as such it can be said this modification would improve the efficiency of the BSC.</p>
<p>Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?</p>	<p>YES</p> <p>Rationale: EKT believes that its administrative procedures could be streamlined and it would reduce its exposure to erroneous notifications, reducing costs.</p>
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?</p>	<p>YES</p> <p>Rationale: See above. It would help promote within day trading, where currently liability for notification errors lies solely with the notifier.</p>
<p>Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?</p>	<p>YES</p> <p>Rationale: We would not want to restrict our counterparties choice</p>
<p>Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?</p>	<p>YES</p> <p>Rationale: Same arguments apply for MVRNA as ECVNA</p>
<p>Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?</p>	<p>NO</p> <p>Rationale: As parties can make their own decision which to use. The ECVAA will still be receiving the same information. If Dual Notification is seen to be markedly superior to single notification it is likely that single notification will be used less and less, although small parties may well want to continue having others notify on their behalf.</p>

Question	Response
Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?	NO Rationale: They are expensive, administratively burdensome and do not take full liability
Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?	Rationale:
Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?	Rationale:
Q10. How much, approximately, has this cost?	Rationale:
Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?	Rationale: Yes – as notifications could not be made by one party without the prior consent of the other party
Q12. Would the implementation of enhanced ECVAAs reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?	Rationale: No – They will aid transparency for parties' notified positions and will be useful stop-gap while a dual notification system is implemented but will not provide all the benefits outlined in the modification proposal.

P98_ASS_002 – RWE Trading Direct

RWE Trading Direct Limited response to Assessment Consultation for P98 Dual Notification of Contract Positions

Question	Response
Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?	NO
Q2. P98 proposes that the dual notification system is voluntary, and parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?	NO
Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks	Yes, but this is heavily dependent upon the level of participation.

associated with trading?	
Q5. Is the dual notification mechanism relevant MVRNs? If so, why? If not, why not?	Yes. Same principles apply to ECVNs as MVRNs
Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, ie both single and dual notification?	Yes. Additional complexity caused by differing arrangements between participants
Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?	Yes. Very useful for near Gate Closure trades
Q8. Q9. Q10.	New entrant to the market – N/A
Q11. Do you think that dual notification will mitigate, or assist in mitigating, the effects of failure of a BSC Party?	NO
Q12. Would the implementation of enhanced ECVAAs reporting have changed your response to any of the above questions?	NO
<p>Any further comments? As a new entrant to the market we would be concerned at additional costs of new voluntary processes and system enhancement when commercially available systems achieve the desired functionality. Any process or system not covered by the BSC adds additional risks.</p> <p>This proposal is similar to the 'Nomination Procedure' originally Schedule 3B of GTMAs which failed due to technical difficulties.</p>	

P98_ASS_003 – LE Group

EPN Distribution Ltd, London Electricity plc, London Electricity Group plc, Jade Power Generation Ltd, London Power Networks plc, Sutton Bridge Power, West Burton Ltd

Question	Response
Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?	NO Rationale: See answers to questions 3 and 6.
Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?	NO Rationale: See answers to questions 3 and 6.
Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with	NO Rationale: We do not believe that P98 would actually provide any

Question	Response
trading?	<p>further protection against erroneous notifications of trades being submitted into central settlement systems, when compared to the enhanced reporting soon to be provided by alternative P4/CP755. Under P98 if gate closure happens to pass before the mistake is realised neither notification will stand and under CP755 one notification will stand, i.e. both arrangements can potentially still lead to counterparties being subject to imbalance charges due to erroneous contract notifications.</p> <p>Additionally, under P98, a party switching to a dual notification system, which has not got a 24 hour trading desk, will have the risk of having an incorrect position notified against them 'out of hours' replaced by the risk of the trading desk not noticing when a counterparty's notification did not match their own.</p> <p>Indeed we believe that P98 will actually increase the risks associated with trading. Firstly two notification systems running in parallel would lead to more complex demands being placed on central systems and thus increased risks of contract notification errors.</p> <p>Trading risks would also increase due to potential confusion caused by market participants using two systems of contract notification. Furthermore allowing both single and dual notification may well lead to market fragmentation, the market mainly splitting up into two groups trading with counterparties who use the same method of contract notification. Thus P98 would reduce market liquidity.</p> <p>Finally, in light of the reasoning above, P98 would also be counter to the applicable BSC Objective 3(d) "Promoting efficiency in the implementation and administration of the balancing and settlement arrangements". This is because of the significant costs of participants implementing dual contract notification systems and, potentially, maintaining their single contract notification systems. This is in addition to the considerable costs of changes to central systems.</p>
<p>Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?</p>	<p>N/A</p> <p>Rationale:</p>
<p>Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If</p>	<p>NO</p> <p>Rationale:</p>

Question	Response
so, why? If not, why not?	Most MVRNs are within a company or are fixed static 100% reallocations.
Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?	YES Rationale: As stated in our answer to question 3 there is definite scope for confusion in the marketplace with two systems in place to achieve the same end result, in addition to risks caused by central system complexity. Finally there is a highly significant risk of market fragmentation and thus market illiquidity.
Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?	NO Rationale: Our existing contract notification process is reliable and we do not wish to incur the extra cost and risk of a dual notification system.

P98_ASS_004 – SEEBOARD Energy

BSC Parties responding on behalf of (please list all Parties): SEEBOARD Energy Limited

Question	Response
Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?	NO Rationale: From our viewpoint current arrangements are working well. We do not believe our ability or confidence to trade is undermined by uncertainties that existed before P4/CP755. We can see only additional expense to implement and operate dual notification.
Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?	NO Rationale: Problem with voluntary dual notification is that it could create barriers between those who "do" and those who "don't". We would have to ensure we could trade with sufficient counterparties in order to operate efficiently. This suggests there is a scenario where we would have to implement dual notification even though P98 proposes a voluntary scheme.

Question	Response
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?</p>	<p>NO</p> <p>Rationale:</p> <p>Once P4/CP755 is fully implemented, it will be possible to detect all notification errors as they happen. On occasion gate closure will pass before an error is corrected and the notification will stand. If P98 is implemented it will be possible to have non-matching notifications, one right and one wrong. On occasion gate closure will pass before such a difference is corrected and neither notification will stand. The risks under these situations are very similar. P98 is, therefore, no better than CP755.</p>
<p>Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?</p>	<p>N/A</p> <p>Rationale:</p>
<p>Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?</p>	<p>YES</p> <p>Rationale:</p> <p>Identical arguments can be put forward for both notification types. Arguably, more spectacular errors are likely in MVRN process than in ECVN process. However, it is entirely possible to monitor the situation using Forward Contract Reports and soon from Acceptance Feedback Reports.</p>
<p>Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?</p>	<p>YES</p> <p>Rationale:</p> <p>As soon as two different processes exist for similar ends then there is a risk that problems will arise. If information in a system is entered incorrectly this could cause a significant problem if a Party is only using single notification but central systems think they are using dual notification. Although such incidents should be spotted quickly it could be post Gate Closure and they will require action to address imbalances.</p>
<p>Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?</p>	<p>NO</p> <p>Rationale:</p>

Question	Response
	Single notification has worked well for us. Dual notification services incur extra cost and process complications.
Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?	Rationale: We have had no spurious erroneous notifications, that is notifications made when there was no trade. Counterparties have made a few errors, these were detected by Forward Contract Reports and corrective action taken.
Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?	Rationale: We have had one error that arose in unusual circumstances and is very unlikely to occur again.
Q10. How much, approximately, has this cost?	Rationale: Cost was not significant and far less than any costs that would occur if we needed to implement dual notification.
Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?	Rationale: Our position is that P98 does not improve upon P4/CP755, therefore, there can be no mitigating effect.
Q12. Would the implementation of enhanced ECVAAs reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?	Rationale: Taking go-live position as a baseline the alternatives of CP755 and P98 achieve a similar reduction in risk. Had CP755 been impossible or expensive to implement compared with P98 we might have viewed P98 more favourably.

P98_ASS_005 – TXU Europe

Thank you for the opportunity to comment on the above modification proposal. TXU Europe Energy Trading Ltd would like to make the following comments on behalf of all TXU Europe companies (21 BSC Parties).

TXU believes that in the main single notification has worked reasonably satisfactorily from our perspective. However, we can see the advantages of introducing dual notification for all the reasons stated by the proposer, and in principle are supportive of a move to dual notification. Dual notification has worked extremely effectively for NBP trades in the gas market. It is also true that dual notification would have eliminated the vast majority of bi-party claims, which have been made under Section P6 of the BSC. We also believe that as Ofgem have rejected

P44 which would have allowed for rectification of notification errors other than for the period covered by Section P6, it is important that the risk of such errors is minimised for participants and dual contract notification would present a vast improvement over the current baseline in achieving this.

Were dual notification to be introduced, we are not convinced that there would be much benefit in having a voluntary system. It would be inconvenient for parties to have different notification systems for different counterparties, and it is unrealistic for a trading organisation to cease trading with parties who are using either single or dual notification only.

In assessing this proposal we believe that the modification group should learn from the experiences of the P4 modification group where one of the objections from BSC Parties to the introduction of dual notification was the cost for changes to both central systems and participants' systems, although it should be noted that the majority of respondents to the assessment consultations of P4 were in favour of dual contract notification. TXU believes that any dual notification system should not involve a change to the current ECVAAs systems. A new BSC Agent should be created specifically for dual notification, and there should be a tender process for provision of the service, as we continue to believe that it could be provided more cheaply in this way than by changing the current ECVAAs systems.

The modification group should seek to ensure that the impact on participants is minimal by retaining the current file formats. Parties would then send notifications to the dual notification agent instead of the ECVAAs. The new agent would then perform the matching process before sending a single notification to the ECVAAs.

If dual notification were introduced in this way, there would be very little change to participants' systems, and no change to the current central systems.

Yours sincerely
Nicola Roberts
Market Development Analyst

P98_ASS_006 – NGC
See Section 13 of the Assessment Report

P98_ASS_007 – British Gas Trading

BSC Parties responding on behalf of (please list all Parties): British Gas Trading

Question	Response
<p>Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?</p>	<p>YES</p> <p>Rationale: We agree this option should be available to those participants who want it.</p>
<p>Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?</p>	<p>Rationale: This depends on the impact of CP755.</p>
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?</p>	<p>Rationale: Again, this depends on the impact of CP755.</p>
<p>Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?</p>	<p>YES</p> <p>Rationale: We would wish to ensure we have the ability to trade with maximum number of parties, which also will maintain market liquidity. Also this is a 'no cost' option as our systems are already set up to trade with Parties preferring single notification.</p>
<p>Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?</p>	<p>NO</p>
<p>Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?</p>	<p>YES</p> <p>Rationale: Traders and operations staff would need to know which was which and systems would be more complex. This will increase the risk faced by Parties.</p>
<p>Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?</p>	<p>NO</p> <p>Rationale: We have the ability to, but have only used them once when all systems failed. In this case it was irrelevant whether it was dual or single notification.</p>
<p>Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?</p>	<p>Rationale:</p> <p>A lot lower than perceived at the start of NETA as we are confident in our systems.</p>

Question	Response
Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?	Rationale: None that haven't been corrected under GTMA.
Q10. How much, approximately, has this cost?	Rationale: N/A
Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?	Rationale: Yes, dual notification could have helped in the Enron case – however, if cancellation of ECVNAAs were processed more quickly the ECVAA then this would also resolve the issue.
Q12. Would the implementation of enhanced ECVAA reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?	Rationale: Definitely, depending on how the market implements this – this would be true for any change though to the system where its optional.
Any further comments: Would prefer to wait until CP755 is implemented before progressing further on this. CP755 was after all the result of much deliberation both within and outside the P4 mod group.	

P98_ASS_008 – Aquila Networks

Please find that Aquila Networks Plc Response to P98 Assessment Consultation is 'No Comment'.

regards

Rachael Gardener

Deregulation Control Group & Distribution Support Office

AQUILA NETWORKS

P98_ASS_009 – Immingham CHP LLP

BSC Parties responding on behalf of (please list all Parties): Immingham CHP LLP

Question	Response
Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?	YES The introduction of dual contract notification should help mitigate the risk associated with notification errors. P98 should also eliminate the likelihood of Parties having notifications made against them that they are unaware of.

Question	Response
<p>Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?</p>	<p>YES</p> <p>Our reasoning is set out above.</p>
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?</p>	<p>YES</p> <p>Dual contract notification should provide the necessary assurance to parties, notably those without 24/7 operations, to participate in the short term markets. This facility in turn should allow parties to be closer to balance by gate closure thereby reducing NGCs cost of balancing the system.</p>
<p>Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?</p>	<p>YES</p> <p>While we would wish to see the option of dual notification, there is no guarantee that counter parties would always utilise it. If parties were to insist on any particular approach, there are risks that the market could become artificially segregated.</p>
<p>Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?</p>	<p>YES</p> <p>The problem of erroneous notifications can be applied to MVRNs though probably to a lesser extent, as there is usually time to check that the notification is correct. Dual notification could be of value in some circumstances provided the costs were negligible.</p>
<p>Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?</p>	<p>NO</p> <p>Any potential risks could be managed by participants and a robust dual notification system.</p>
<p>Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?</p>	<p>NO</p> <p>We are not trading yet, but current services available are expensive and deter utilisation.</p>
<p>Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?</p>	<p>We think the risks are significant especially for a new entrant.</p>

Question	Response
Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?	Not applicable at the moment.
Q10. How much, approximately, has this cost?	Not applicable at the moment.
Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?	Yes The collapse of ENRON seems to have been managed more effectively in the gas market where dual notification is in operation.
Q12. Would the implementation of enhanced ECVAA reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?	No Although we support the implementation of the CP755, the changes merely allow errors to be identified more easily rather than reducing their likelihood of occurring in the first place.
Any further comments: Immingham CHP LLP considers that the option of dual notification if implemented at reasonable cost can significantly mitigate risk of notification errors for new entrants.	

P98_ASS_010 – Scottish and Southern

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 Assessment Consultation on Modification Proposal P98 contained in your note of 26th September 2002, our comments and answers to the 12 questions listed are as follows:-

Q1 Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?

No. We believe that Modification Proposal P98 would make trading more complicated, and would fail to meet the applicable BSC objective.

Q2 P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?

No. We believe it would mean a second set of procedures and significant changes to software and processes.

Q3 With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?

No. We believe it introduce greater risks rather than reducing them.

Q4 If you answered yes to Question 2, would you still deal with Parties preferring single notification?

This would depend on the commercial terms.

Q5 Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?

No. We believe, in general, that MVRNs are much more stable than ECVNs and don't warrant the extra cost

Q6 In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?

Yes. We believe it would introduce two sets of procedure and would also split the liquidity in the market.

Q7 Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?

No. We want to operate to one set of procedures not two (which opens up the possibility of increasing risk for errors and confusion).

Q8 - Q12

In addition to the above answers we have some more general comments to make. In relation to the costs associated with implementing this Modification Proposal, we disagree with the reference, on page 5 of the Initial Written Assessment Report, that Parties continuing with Single Notification will notice no impact.

Unless the costs associated with the implementation of this Modification Proposal are targeted only at those Parties that make use of Duel Notification, then Single Notification Parties will be impacted.

Furthermore, we believe that this consultation has not addressed, in any significant way, the resolution of the concerns expressed by the Authority in relation to Modification Proposal P4. Unless there has been a considerable increase in demand for this service by participants it is difficult to envisage that this P98 Modification Proposal will be any more successful. In addition we note the comments in the Authority's One Year Review of NETA, in regard to reducing Gate Closure to 1 hour, which suggested that trading closer to real time would reduce risk for Parties, particularly smaller players, and go some way to alleviate the 'requirement' for P4 and P98.

We have no further comments to make on this Modification Proposal at this time.

Regards

Garth Graham

Scottish & Southern Energy plc

P98_ASS_011 – Innogy

BSC Parties responding on behalf of (please list all Parties): Innogy plc, npower Limited, Innogy Cogen Trading Limited, Innogy Cogen Limited, npower Direct Limited, npower Northern Limited, npower Yorkshire Limited

Question	Response
<p>Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?</p>	<p>YES NO Rationale:</p>
<p>Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?</p>	<p>YES NO Rationale: Subject to cost, volume of notifications, system performance. Also need to address SLA's and GTMA's.</p>
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?</p>	<p>YES / NO Rationale: Some parties only notify once a day. Some parties do not notify more than 7 days out. Question raised over the notification of evergreen contracts. How will system handle these? P98 will increase the workload of BSC Parties who act as both notification agent and have counter party in same group of companies.</p>
<p>Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?</p>	<p>YES NO Rationale:</p>
<p>Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?</p>	<p>YES / NO Rationale: Maybe but unlikely</p>
<p>Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?</p>	<p>YES NO Rationale: Risk due to the central support and maintenance of two notifications systems. Examples of changes made centrally that have impacted BSC Parties. Risk due to the way difference BSC parties operate eg notification once a day, not checking reports. Impact on internal systems.</p>
<p>Q7. Dual notification is available commercially in the market. Do you use these services? If so,</p>	<p>YES / NO</p>

Question	Response
why? If not, why not?	Rationale: Cost
Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?	Rationale:
Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?	Rationale:
Q10. How much, approximately, has this cost?	Rationale:
Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?	Rationale:
Q12. Would the implementation of enhanced ECVAAs reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?	Rationale: Too early to tell.

Any further comments:

Questions raised:

- How close would the system match notifications prior to gate closure. Gas market once an hour?
- How quickly would the system inform of a contract notification mismatch?
- By what mechanism would the system notify of a notification mismatch?
- What happens in the situation where either internal / external or both systems are down?
- With the increased volume of notifications the sequencing error problem may occur more often.
- What happens were a notification does not match, one party has a 24 hr operation and is able to renotify but the counter party does have a 24 hour operation so does not renotify, one party may end up out of balance through no fault of their own.

P98_ASS_012 – Edison Mission Energy

BSC Parties responding on behalf of (please list all Parties):

First Hydro Company, Edison First Power

Question	Response
<p>Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?</p>	<p>NO</p> <p>Rationale: We would not expect to use it (given the starting point of 2 years of NETA operation with single notification), and it could provide a barrier to trading between Parties using different notification standards.</p>
<p>Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?</p>	<p>NO</p> <p>Rationale: It is unlikely that we would use dual notification in the short term, as this would require significant, and therefore expensive, changes to both the GTMA contracts and our internal systems. The cost of these changes is likely to be significantly higher than the costs associated with erroneous notifications.</p>
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?</p>	<p>NO</p> <p>Rationale: Trading close to gate closure will not become less risky, as a successful notification will depend on both Parties' systems functioning correctly and may be influenced by the choice of overwrite/additive notification and the requirement to match the ECVN reference code. P98 would not change the present incentives on Parties trading close to gate closure to act on the assumption that all trades have been notified, even in the absence of a matched notification.</p> <p>Dual notification would introduce the risk that the Parties do not match the ECVN reference code or do not have exactly matching volumes, resulting in large error when single notification may have resulted in a small error.</p>
<p>Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?</p>	<p>YES / NO</p> <p>Rationale:</p>
<p>Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?</p>	<p>YES</p> <p>Rationale: ECVNs and MVRNs are very similar in nature, and either may be required as a</p>

Question	Response
	result of a commercial agreement. They should therefore be treated in exactly the same way.
<p>Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?</p>	<p>YES</p> <p>Rationale: It may be necessary for Parties to a trade to agree on which method is being used (if they are set up for both methods), and they could unwittingly use the wrong method, with the potential outcome of missing or double notifications.</p>
<p>Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?</p>	<p>NO</p> <p>Rationale: There is both an additional cost associated with using these services and additional tasks to perform - this would mean that trading close to gate closure could be more difficult.</p>
<p>Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?</p>	<p><i>Confidential Response</i></p>
<p>Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?</p>	<p><i>Confidential Response</i></p>
<p>Q10. How much, approximately, has this cost?</p>	<p><i>Confidential Response</i></p>
<p>Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?</p>	<p>Rationale: It would assist in mitigating these effects by meaning that a Party could be sure that its trades were cancelled. (This would only be the case if the failing Party could not submit single notifications - i.e. different ECVNA IDs would be required for single and dual notifications between the two Parties.) However, there would be easier ways to achieve this - e.g. by allowing all forward trades to be cancelled when an ECVNA authorisation was terminated.</p>
<p>Q12. Would the implementation of enhanced ECVAA reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?</p>	<p>Rationale: It would reduce (but not eliminate) the risks referred to in Q8.</p> <p>It is likely that the answers to Q9 and Q10 would have been reduced to around 50% of the given values.</p>

P98_ASS_013 – J. Aron & Company

BSC Parties responding on behalf of (please list all Parties):

J. Aron & Company

The European Power Source Company (U.K.) Ltd

Question	Response
<p>Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?</p>	<p>YES / NO - NO</p> <p>Rationale: Dual notification does not reduce the risk of incorrect notification when trading very close to real time, as the risk of unmatched trades due to delays in the matching process may be greater than the risk of incorrect notification. We believe that since the original P4 Modification Proposal was made, steps have been taken to significantly improve the single counterparty notification process eliminating the need for a dual notification system.</p>
<p>Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?</p>	<p>YES / NO - NO</p> <p>Rationale: We would consider that the benefits of a dual notification system are outweighed by the costs of BSC and internal IT systems upgrades, combined with the operational and legal resources required to renegotiate and modify GTMAs.</p>
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?</p>	<p>YES / NO - NO</p> <p>Rationale: Market efficiency is unlikely to be improved close to real time, and may be reduced due to risk of delays in the matching process, which could result in no notification being submitted to central systems.</p>
<p>Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?</p>	<p>YES / NO</p> <p>Rationale:</p>
<p>Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?</p>	<p>YES / NO</p> <p>Rationale:</p>
<p>Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?</p>	<p>YES / NO - YES</p> <p>Rationale: Introducing dual notification, even if it delivered efficiencies and reduced risk, would be ineffective if undertaken as an alternative to (as opposed to in place of) single party notification. This is because parties are unlikely</p>

Question	Response
	to separate their risks, and would trade with all counterparties within timescales that covered their higher risk notification method.
Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?	YES / NO - NO Rationale: No perceived benefit. We have confidence in our internal systems and procedures to mitigate risks associated with single party notifications
Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?	Rationale
Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?	Rationale:
Q10. How much, approximately, has this cost?	Rationale:
Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?	Rationale: We believe the current processes for managing notifications when there is a 'BSC Party failure' are inadequate; however do not believe that the proposed process of matching will necessarily be any more effective.
Q12. Would the implementation of enhanced ECVAA reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?	Rationale: Acceptance feedback reports should reduce the risk of short-term single party volume notifications, as errors would be detected at an earlier stage.

P98_ASS_014 – British Energy

Dual notification has merits and British Energy support the concept in principle, but only as a very long term objective. Central system and participant system development costs would be high; dual notification has commercial and technical complexities; not all participants would benefit from the change and there appears to be no pressing need for such a change.

Despite some participants initial problems, the existing single notification system appears to be working with relatively few problems apart from central systems reliability. If a dual notification system were to be introduced it should be optional rather than compulsory to avoid disturbance to existing working single notification systems, processes and practices. Furthermore, development costs should be funded by, and operating costs charged to, users of the service.

British Energy believe that development of a centrally administered dual notification system should be part of a long term plan, perhaps co-ordinated with renewal of the existing ECVAA contract in 2005 or beyond.

Rachel Ace

On Behalf of

British Energy Generation

British Energy Power and Energy Trading

Eggborough Power Ltd

P98_ASS_015 – Scottish Power

Responding on Behalf of (please list all BSC Parties): *ScottishPower UK Plc.; ScottishPower Energy Trading Ltd.; Scottish Power Generation Ltd.; ScottishPower Energy Retail Ltd.; SP Transmission Ltd.*

Question	Response
<p>Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?</p>	<p><u>NO</u></p> <p>Rationale: Although a voluntary dual notification system could arguably bring some benefits to the NETA market, particularly for parties who do not have a seven-day support arrangement, the costs and effort required to implement the changes seem disproportionately large. Also, the Enhanced ECVAA Reporting arrangements will need time to bed in before their benefit can be quantified, so it seems too early to be considering another change to the contract notification processes.</p>
<p>Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?</p>	<p><u>NO</u></p> <p>Rationale: Scottish Power believes that the current arrangements are sufficient to deal with most notification problems and that the scale of problems currently being experienced would not justify the expense and time implementing P98 at the moment. The P4 Final Report stated that the Alternative P4 would address about 90% of the functionality of P4 Original, hence the extra 10% would come at a significant premium.</p>
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks</p>	<p><u>YES</u></p> <p>But not big issue – Rationale:</p>

Question	Response
associated with trading?	<ol style="list-style-type: none"> 1. It won't remove all errors. 2. Under current arrangements it is possible to remove most errors – Acceptance Feedback Reports. 3. May have some benefits to confidence in the market. 4. High cost of making the changes.
Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?	YES / NO Rationale: N/A given the answer to Q2, but for information, SP would continue to deal with Parties preferring single notification.
Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?	NO Rationale: Most MVRNs are between parties owned by the lead party and it is not often that a party will be dealing on behalf of a competitor, therefore the reallocated volume can be dealt with without dual notification.
Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?	YES Rationale: There is a potential for confusion and mistakes creeping in because there are still manual checking processes required for both single and dual notification. If a party had GTMAs with counter parties favouring both types of notification, it would complicate the working practices in Middle Office which could lead to an increased incidence of errors, e.g. failing to check a rejection, or assuming that a deal was OK for a counterparty using single notification when in fact there is a problem.
Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?	NO Rationale: Not aware of any commercially available dual notification systems and under the impression that any changes to BSC Systems would be handled by the Logica Central Systems contract for five years from NETA go-live.
Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?	Rationale: With suitable checking we do not believe there is a high risk of error.

Question	Response
Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?	Rationale: No numbers readily available, but believed to be few.
Q10. How much, approximately, has this cost?	Rationale: Relatively small cost
Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?	We are uncertain as to exactly how the modification would operate under imminent failure of a BSC party. Unclear as to how Elexon would reject previously agreed contracts when a party breached credit security levels.
Q12. Would the implementation of enhanced ECVAAs reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?	Rationale: CP755 is due to come into effect on 8 th October when the ECVAAs patch release is in place. This should be given a chance to bed in before other changes in the contract notification systems are contemplated.

P98_ASS_016 – Powergen

Powergen responding on behalf of (Powergen Energy, Cottam Development Centre and Diamond Power Generation):

Question	Response
Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?	NO Rationale: Whilst Dual Notification may have been the best solution to Notification submission before Go-Live, there is now a working process based on Single Notification that is understood across the industry. Making changes to this process will introduce risk to participants associated with new activities. It is unlikely that large players will be able to avoid introducing the proposed process, despite it being voluntary, and will therefore incur costs with little associated benefit. Any new entrants will probably have to support both approaches. Dual notification does nothing to assist parties in the notification of Intra-company balancing trades (which the P37 claims process suggests is where most problems have occurred) and will restrict participants' flexibility when dealing with a defaulting counterparty. In the case of a failure of one participant's notification system, which is currently handled by the other party to a trade notifying using the gross method, there would either have to be the retention of existing agreements for single notification (in which case it will still be

Question	Response
	possible for parties to have erroneous notifications made against them while they are not looking) or some sort of rapid ECVNA update process will have to be introduced.
<p>Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?</p>	<p>NO</p> <p>Rationale: We believe that the investment that we are currently making to implement CP755 will deliver all of the benefits of Dual Notification, with none of the reductions in flexibility described above.</p> <p>We would not initially intend to use Dual Notification, but might be forced to implement the capability if other participants were unable to or refused to trade under Single Notification terms</p>
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?</p>	<p>NO</p> <p>Rationale: Dual Notification removes some risks for non 24x7 participants, but we believe that this is outweighed by the loss of flexibility at times of 'crisis' and the inevitable risks from the introduction and operation of an alternative process</p>
<p>Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?</p>	<p>N/A</p> <p>Rationale:</p>
<p>Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?</p>	<p>NO</p> <p>Rationale: All the MVRNs submitted by Powergen as MVRNA, and we believe the majority across the industry, are 100% evergreens and involve a BSC party that has no notification capability of its own. Single Notification is the appropriate approach.</p>
<p>Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?</p>	<p>YES</p> <p>Rationale: Having to choose between two notification approaches will make counterparty set-up more complex and error-prone. Making notification systems more complicated will increase the chance that an operator will make a mistake at times of stress (e.g. counterparty system failure)</p>
<p>Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?</p>	<p>NO</p> <p>Rationale: Having to send notifications to several agents is much riskier than using a single process for all counterparties. No counterparty has ever requested that we use such services, probably because of the cost and the complexity.</p>
<p>Q8. What is your perception of the risk levels associated with</p>	<p><i>See confidential submission</i></p>

Question	Response
erroneous notification, and the potential for erroneous notifications to be made against you?	
Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?	<i>See confidential submission</i>
Q10. How much, approximately, has this cost?	<i>See confidential submission</i>
Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?	<p>NO</p> <p>Rationale: During a BSC Party failure event (that could last for several days before termination under section H of the BSC) it is important to have the unrestricted capability to make your own notifications to bring the net notified position between the two parties to your desired value. This is especially true if you have decided to terminate their trading agreement with you. Dual notification would leave you dependent on the defaulting party's co-operation, which they may not wish to or be capable of providing.</p>
Q12. Would the implementation of enhanced ECVAA reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?	<p>No</p> <p>Rationale: CP755 has been discussed where appropriate above.</p>
<p>Any further comments: Powergen would prefer to see the industry invest its time and money in an electronic confirmation process to validate volume, period, and price at the time a trade is done. The proposed Dual Notification system would only validate parties' net positions in the seven days before delivery.</p>	

P98_ASS_017 – Barclays Capital

BSC Parties responding on behalf of (please list all Parties):

Barclays Bank plc

Question	Response
<p>Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?</p>	<p>YES - Dual notification would significantly reduce the operational risks faced by BSC parties in notifying their contracts.</p>
<p>Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?</p>	<p>YES - We believe dual notification is less risky and hence would use this where possible. However, the voluntary nature of the proposal would also allow us to use single notification if required with some counterparties.</p>
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?</p>	<p>YES - Notification risk is a major and unnecessary element of trading. By allowing this risk to be managed more efficiently, P98 would reduce risk and promote liquidity (particularly for short-term trading). This will improve liquidity, improve efficiency and promote competition in the generation, supply, purchase and sale of electricity.</p> <p>Dual notification would also increase the efficiency of the market by removing the current discrimination against non-physical players through the operation of the Residual Cash-Flow Reallocation Charge (RCRC). RCRC recycles the cost of notification errors to participants with physical deliveries to and from the system. This distorts competition since a trader with the same rate of notification errors would effectively pay more for those errors than another player with physical plant or customers (who would receive some of their payments back via RCRC). Even if all market participants had similarly robust systems, with the same error rates, non-physical traders would therefore pay more for their errors than physical players (ie, focusing on the cost of notification errors rather than wider errors associated with physical imbalance).</p> <p>Dual notification would also protect participants from the credit risk exposure resulting from deemed imbalances becoming payable under the GTMA (eg, if notification errors occur or imbalances are precipitated by unilateral zero notifications). This reduction in credit exposure should allow trading to continue with counterparties with poor credit, eg, it would allow a power station to</p>

Question	Response
	<p>continue selling its output – which has no other credit exposure to the purchaser - without counterparties being concerned that if imbalances occurred under the GTMA they would be left unpaid). In relatively distressed market conditions – such as those which obtain currently – this should reduce credit risk and promote liquidity and efficiency in the market.</p>
<p>Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?</p>	<p>YES - While we would expect parties to want to use dual notification, this would not prevent us dealing with parties who wanted to retain single notification.</p>
<p>Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?</p>	<p>YES - MVRNs are essentially similar to contract notifications and should therefore also be subject to dual notification</p>
<p>Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?</p>	<p>NO – The risk of using an incorrect notification protocol is essentially the same as any other reason for mis-notification and we would expect to monitor and detect these errors in parallel to other forms of error. This should not impose any additional risk over and above that present for mis-notifications in general. Even if there is any additional risk, this is heavily outweighed by the reduced risk overall associated with having dual notification.</p>
<p>Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?</p>	<p>NO - The commercial services are prohibitively expensive and do not solve the problem of unlimited liability for notification errors. The contracts for third-party notification services limit the liability of the notifier. Moreover, because third-party notification services would not cover all potential deals, the risk that another participant mis-notifies against you still exists.</p> <p>The limits on liability in the contracts for third-party notification services are linked to the levels of insurance cover provided to the providers and is an understandable result of the provider not being willing to bear unlimited liability. By contrast, dual notification would in effect provide collective “insurance” to the central service provider underwritten by the market as a whole. This would be a more efficient means of bearing the risk of notification failure.</p>
<p>Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for</p>	<p>While the risks of mis-notification can be mitigated (primarily by vigilance and reconciliation against the 7-day report), this risk cannot be completely avoided. The</p>

Question	Response
<p>erroneous notifications to be made against you?</p>	<p>risk is particularly high for within day transactions (which has unduly limited liquidity in short-term markets).</p> <p>The potential exposure to notification errors is unlimited, ie, if an error does get through the net there is unlimited liability for that error which is not – and cannot be – fully mitigated under the GTMA. There is therefore the chance that a participant bears unlimited liability for an error that is not completely within their control. Notwithstanding the actual errors that may or may not arise, the very possibility that a very large imbalance could result from mis-notification is the largest risk facing any market participant. While this risk can be reduced by continuous monitoring, this imposes a requirement on participants to have unnecessarily complex and expensive notification and reconciliation systems. These costs represent a major entry barrier in the market.</p> <p>While it might seem unlikely that large and persistent erroneous notifications are made and not corrected, there are several factors to believe that this risk is nevertheless significant. For example, participants could face unlimited liability in the following circumstances:</p> <ul style="list-style-type: none"> • Major changes to notifications following a participant's entry into administration etc. Eg, if the administrators decide to set notifications to zero (to avoid post-administration liabilities), the counterparty may have little control over when this occurs and how closely it follows the resolution of the associated contracts (eg, if notifications are set to zero before or after the relevant contract defaults). This could result in massive imbalance exposure with little or no contractual recourse. This could create catastrophic consequences to the wider market. • Deliberate mis-notification as an act of sabotage could result in a participant facing unlimited liability with similarly catastrophic knock on consequences. <p>While perhaps infrequent or unlikely, these circumstances can and do arise and the cost of failure is potentially so large as to result in the knock on collapse of other market participants.</p>

Question	Response
<p>Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?</p>	<p>Barclays Capital has only recently started trading, so it is difficult to give any meaningful figures.</p>
<p>Q10. How much, approximately, has this cost?</p>	<p>Barclays Capital has only recently started trading, so it is difficult to give any meaningful figures.</p> <p>However, a single error of 100 MW for a single half-hour could alone result in an avoidable imbalance charge in the region of £5,000. This is easily scalable to very large sums of money being circulated around the industry for no reason. It should be remembered that these charges are paid (and not recovered) even though zero cost is imposed on the system as a whole. This breaches any desire for the BSC to impose cost-reflective charges.</p>
<p>Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?</p>	<p>As discussed in the answer to Q8 above, dual notification would ensure that market participants knew their positions with certainty in the event that a counterparty fails. Dual notification would eliminate the risk of notifications being made against market participants who have no knowledge of the timing of major changes to those notifications.</p>
<p>Q12. Would the implementation of enhanced ECVAAs reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?</p>	<p>No. While enhanced ECVAAs reporting helps to mitigate risks, it does not completely rule them out. The risk of unlimited liability for an event outside of a participant's direct control therefore remains. Moreover, the costs of mitigating (if not avoiding) mis-notification risk is itself prohibitive requiring 24-7 scrutiny of notifications. This is unnecessarily costly for many participants and effectively requires, for example, a trader with activity limited to trading daily to have 24-hour cover. This cost, together with the unlimited liability against residual risks, is a hugely significant barrier to the entry of further traders into the market. This has a hugely detrimental effect on the development of market liquidity and with it wider competition in the generation, supply and purchase and sale of electricity.</p>

Question	Response
	<p>Any further comments:</p> <p>The arguments for dual notification are compelling:</p> <ul style="list-style-type: none"> • Participants can avoid large, penal cash-out penalties for notification errors which have zero net effect on total system costs; • Commercial solutions to solve the defects of single notification are insufficient to be an effective solution; • Participants can bear notification under the GTMA even if they are not at fault • Mitigating the risks of single notification raises a massive barrier to entry into the traded market: all participants, large or small, must invest in 24-hour cover to ensure that errors are picked up and resolved (regardless of actual traded volumes or scope of products traded); • Notification risk results in unlimited liability for errors which is in itself a barrier to the participation of new entrant traders • The operation of RCRC currently discriminates against non-physical players in the reallocation of the proceeds from notification errors • Unlimited liability for notification errors could result in the catastrophic collapse of the entire market under plausible (albeit unlikely scenarios) <p>Dual notification would mitigate and potentially eliminate all of these concerns. The alleged downsides of dual notification also don't stand much scrutiny:</p> <ul style="list-style-type: none"> • The cost of implementing dual notification is trivial compared to the benefits in terms of the avoided risk to individual participants and the sector as a whole. • Introducing the option of dual notification will not increase – and <i>can only decrease</i> - the likelihood of notification errors • Participants will still need to invest in robust error free systems to ensure that their position is known and to avoid undue imbalances. There would still be a strong imperative to have robust systems since an ongoing failure to confirm dual notifications accurately would discourage other participants from trading with participants with poor systems. Arguably systems would need to be more robust since free-riding on the accuracy of other market participants' systems would no longer be an option. • While less may be spent on reconciliation, monitoring and 24-hour cover, this should be seen as an efficiency gain (the whole problem with single notification is that it imposes large and unnecessary costs unrelated to any physical costs imposed on the system).

P98_ASS_018 – EdF Trading

BSC Parties responding on behalf of (please list all Parties):

EdF Trading Ltd

EdF (Generation)

Question	Response
<p>Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?</p>	<p>NO.</p> <p>To have a voluntary system would imply the need to have the two notification systems in place, which would incur undue and significant costs and yet with no discernable benefit.</p>
<p>Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?</p>	<p>Possibly.</p> <p>It would depend on the contractual arrangements agreed with the other party.</p>
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?</p>	<p>NO.</p> <p>It is our view that the implementation of P98 will introduce additional trading risks, rather than making it more efficient. The system cost of implementing dual notifications within EdFT's systems would also be very significant.</p> <p>The change would cause significant changes to our current Scheduling processes. Running two notification systems in parallel is a recipe for adding confusion and for making potentially more mistakes than at present. In addition, it will undoubtedly bring increased operational risk during any system changeover.</p> <p>The implementation of Dual notifications will inevitably result in significant amendments to the current GTMA's signed and a new 'market standard' will need to be agreed for new GTMA's, thus adding another cost, as will those of Elexon/Logica for implementing the system.</p> <p>We have seen from recent GTMA's signed with banks that most have employed the most simplistic of nomination systems 'Formfill' which we use as a back-up nomination system and hence they have usually opted to be the non-notifying party.</p> <p>It would also double volume notifications to Logica Central Systems and following from the major system issues raised during the August BSC systems release 2, we are not confident of</p>

Question	Response
	Logica handling such large volumes of data.
Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?	YES. We may still prefer to do so.
Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?	NO MVRNs are within company and fixed.
Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?	YES. Most definitely. Data handling will be large and mistakes could be made as to which system is to be used. Parties who prefer the single system may only contract with each other and therefore lead to market splitting and illiquidity.
Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?	NO We have invested heavily in our current system, which is working well, and so there is no need to use the dual notification system.
Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?	Whilst it has been high, EdFT now has its systems and processes in place to manage the risks. The arrival of P4/CP755 can only enhance this position
Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?	Only 2.
Q10. How much, approximately, has this cost?	£50k
Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?	This is considered unlikely in these particular cases.
Q12. Would the implementation of enhanced ECVAAs reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?	The errors mentioned under Q9 may not have occurred, because of the increased ability to check. The arrival of this report will in itself increase efficiency, by allowing participants to check to reduce imbalances, and hence reduces the requirement for dual notifications.
Any further comments:	

P98_ASS_019 – Magnox Electric plc

BSC Parties responding on behalf of (please list all Parties):

Magnox Electric plc

Question	Response
<p>Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?</p>	<p>YES / NO</p> <p>Whilst the Modification Proposal allows for Parties to maintain single notification, the costs of developing, maintaining and operating dual notification systems would be borne by all market participants. Accordingly, the proposal does not introduce systems that can be construed as voluntary. On the basis of the minimal take-up of commercial third party ECVNA services, we believe that market participants have already made their judgements on the relative costs and benefits of dual notification systems.</p> <p>We do not believe that the specific concern raised in the Modification Proposal of “spurious” notifications by an ECVNA where no trade has been done is a significant risk; certainly we have had no experience of this under NETA.</p>
<p>Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?</p>	<p>YES / NO</p> <p>Rationale:</p> <p>Magnox would not be a “first mover” to dual notification and would expect to continue with single notification until dual notification was agreed within the industry as a standard method of operating</p>
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?</p>	<p>YES / NO</p> <p>Rationale:</p> <p>We do not believe that dual notification would, in itself, prove more robust or reliable than single notification. However, both P4 and P98 envisage a screen based viewing system which would enable trading Parties to view and query the ECVAA contracts database in real time. We believe that such a system would confer real benefits to trading Parties in reducing the risks associated trading by eliminating ambiguity over their notified contract position and enable</p>

Question	Response
	streamlining of their business processes.
Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?	YES / NO Rationale: N/A
Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?	YES / NO Rationale: The volume of MVRNs which Magnox makes is very small. Notification of MVRNs does not, for Magnox at least, constitute a significant trading risk.
Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?	YES / NO Rationale: Having two differing mechanisms for notifying contract volumes will inevitably create potential confusion about the notification method being employed with a particular counterparty. This will increase the potential for errors and hence the risks associated with contract notification.
Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?	YES / NO Rationale: Having already invested in systems for single notification, we see no benefit in using third party services for dual notification which would justify the additional costs that would be incurred.
Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?	Rationale: See confidential response
Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?	Rationale: See confidential response
Q10. How much, approximately, has this cost?	Rationale: See confidential response
Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?	NO Rationale: In the event of BSC Party failure, the key requirement is to remove ambiguity over the notified contract position. The most important

Question	Response
	element in achieving this would be to implement real time screen based viewing of the ECVAA contracts database, rather than dual notification per se.
<p>Q12. Would the implementation of enhanced ECVAA reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?</p>	<p>NO</p> <p>Rationale:</p> <p>Whilst enhanced ECVAA reporting is welcome, we do not believe that it affects any of the reservations about dual notification expressed above. Equally, we do not believe that it undermines our view that real time screen based viewing of the ECVAA contracts database should be implemented.</p>
<p>Any further comments:</p> <p>We would encourage the Modification Group to consider an Alternative Modification which would implement screen based viewing of the ECVAA contracts database in the context of single notification, which we consider would pass the test of better meeting the Applicable BSC Objectives.</p>	

P98_ASS_020 – BP Gas Marketing Limited

BSC Parties responding on behalf of (please list all Parties):

BP Gas, Power & Renewables

BP Gas Marketing Limited support this modification.

Best regards,

Ian M. Mullins

Regulatory Advisor

BP Gas, Power & Renewables

P98_ASS_021 – TotalFinaElf Gas and Power

TotalFinaElf Gas and Power Response to P98

1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?

Yes, the ease and simplicity of dual contract notification is well known, particularly amongst those who trade in other energy markets, for e.g. the UK gas market.

2. Should P98 be introduced, would you use the dual notification system?

Yes.

3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?

Yes

4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?

Yes, however, the counterparty would be informed of our preference for the dual notification option

5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?

We see no compelling reason for it to be excluded, although, it may be useful to consider the materiality of including MVRNs, i.e. how often are MVRNS notified and how does this compare with ECVNs.

6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?

Although a small risk may exist, this is only likely to exist for those parties who choose to notify contracts through both the single and dual method. Those choosing to continue notifying through the single notification method will observe no appreciable change in their risk level. During instances of incorrect notification the remedy available through the GTMA should compensate for this small increase in risk.

7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?

No, these services are relatively expensive.

8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?

We consider had dual notification been in place many of the P37 claims submitted may not have arisen.

9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?

Another issue for consideration is the additional administration that BSC parties are required to perform for single notification. TFE consider this burden would reduce and lead to significant efficiency improvements within BSC parties administration of BSC systems.

12. Would the implementation of enhanced ECVAAs reporting (CP755 – the Acceptance Feedback Report) have changed your response to any of the above questions?

No, we consider the additional visibility afforded by the provision of a standard industry screen based system would alert participants to potential errors before they arose and hence provide a useful tool for operational purposes.

P98_ASS_022 – Dynegy

BSC Parties responding on behalf of (please list all Parties):

Question	Response
<p>Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?</p>	<p>YES</p> <p>Rationale: It would significantly reduce trading risk, lowering costs and adding to the efficiency of the trading arrangements. Adoption of the modification would better meet the relevant objectives.</p>
<p>Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?</p>	<p>YES</p> <p>Rationale: It would reduce our trading risk and our costs. It would allow us to trade close to real time and add to liquidity in the market. It would also reduce the scope for human error, which again would help us to trade more efficiently.</p>
<p>Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?</p>	<p>YES</p> <p>Rationale: Absolutely! The current information does not help to cut down on the notification errors and is not timely enough to facilitate trading close to real time. Ultimately this will improve the efficiency of the whole market to the benefit of customers</p>
<p>Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?</p>	<p>YES</p> <p>Rationale: If they took all the risk associated with that system.</p>
<p>Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?</p>	<p>Not sure</p> <p>Rationale:</p>
<p>Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?</p>	<p>NO</p> <p>Rationale: It is a question of choice. However, we believe everyone would rapidly move to a dual notification system due to the reduced risks and costs. It may become uneconomic to support a single notification system, but if those using it wish to pay for it then that should not be a problem.</p>
<p>Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?</p>	<p>YES / NO</p> <p>Rationale:</p>

Question	Response
<p>Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?</p>	<p>Rationale: There are huge costs already, as outlined in the modification proposal. The potential for these costs to increase is there and will no doubt ultimately be born by customers unless we come up with a solution to the notification problem. I would not like to be a party who does not have operational cover to check that erroneous notifications are not being made against them. Erroneous notifications could also push someone into unknowing credit default which will further add to their costs.</p>
<p>Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?</p>	<p>Rationale:</p>
<p>Q10. How much, approximately, has this cost?</p>	<p>Rationale: £150,000 moved between ourselves and counter parties. The direct cost is the staff cost in chasing these monies. We estimate at least half a persons time is involved.</p> <p>In the case of disputed notifications we are waiting for response from parties and those disputes have already incurred legal costs, internally and externally. Ultimately we assume some contract errors may go to court.</p>
<p>Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?</p>	<p>Rationale: Yes – you know exactly what your notification positions are so can cover any missing contracts from a defaulting party. We picked up significant costs from Enron’s default in the power market that we did not pick up in the gas market where we have dual notification.</p>
<p>Q12. Would the implementation of enhanced ECVAAs reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?</p>	<p>Rationale: No – more reports do not stop erroneous notifications.</p>