

DRAFT MODIFICATION REPORT FOR MODIFICATION PROPOSALS:

P233 - 'Housekeeping Modification – Correction of SSL references, Letters of Credit, Definitions in Section X and manifest errors in P215 Legal Text'; and

P234 - 'Housekeeping Modification – Correction of manifest errors in P217 Legal Text'.

Date of Issue: 09 April 2009
Reason for Issue: For Panel Decision

Document Reference: P233/P234RR
Version Number: 0.3

OVERVIEW

Modification P233 seeks to:

- replace references to the SVAA Service Lines with BSC Service Description;
- update the current form of Letter of Credit
- amend the code to include the two additional forms of Letter of Credit;
- include the definition for two previously defined terms in Annex X-2 Table 6; and
- correct manifest errors in the P215 legal text.

Modification P234 seeks to:

- Correct manifest errors in the P217 legal text.

RECOMMENDATIONS

The BSC Panel Recommends for P233:

- that the Proposed Modification should be made;
- an Implementation Date of 25 June 2009 if an Authority decision is received on or before 23 June 2009, or 2 Working Days after an Authority decision if the decision is received after 23 June 2009; and
- the proposed text for modifying the Code, as contained in Appendix 1.

The BSC Panel Recommends for P234:

- that the Proposed Modification should be made;
- an Implementation Date of 05 November 2009 if an Authority decision is received on or before 03 November 2009, or 2 Working Days after an Authority decision if the decision is received after 03 November 2009; and
- the proposed text for modifying the Code, as contained in Appendix 2.

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1 SUMMARY

On 12 March 2009 the Panel agreed ELEXON's recommendation to raise two 'housekeeping' Modifications

- P233 'Housekeeping Modification - Correction of SVAA Service Line references, Letters of Credit, Definitions in Section X and manifest errors in P215 Legal Text' ;and
- P234 'Housekeeping Modification - Correction of manifest errors in P217 Legal Text'.

Two Modifications Proposals are necessary as changes are required to both P215 and P217 legal text. P215 will be implemented as part of the June 2009 Release, whilst P217 will be implemented in the November 2009 Release. Since a Modification cannot have multiple implementation dates and Legal text cannot be amended until the associated Modification is implemented, the pragmatic approach is to raise two modifications reflecting the two different implementation dates.

In order to maximise efficiency both Modification Proposals have been progressed in a single set of Modification documents, although distinctly separate within these documents. The Authority and Panel have indicated that they are happy with this approach.

Changes included in both modifications are summarised below. Further details can be found in section 2 and 3 of this document, and draft legal text is provided in Appendix 1.

1.1 Modification P233

P233 'Housekeeping Modification - Correction of SVAA Service Line references, Letters of Credit, Definitions in Section X and manifest errors in P215 Legal Text' will:

- correctly reference the BSC Service Description for the SVAA;
- include Letters of Credit UPC600 and ISP98 in the code as Annex M-2 and Annex M-3 respectively, and will amend UPC500, in annex M-1, to make it consistent with UPC600;
- include the correct definitions of two Defined Terms in Annex X-2 Table 6;
- delete two terms from Annex X-1; and
- correct manifest errors in the approved P215 legal text.

1.2 Modification P234

P234 'Housekeeping Modification - Correction of manifest errors in P217 Legal Text' will:

- correct manifest errors in the approved P217 legal text.

1.3 Implementation Approach

As detailed above, the required changes to the P215 and P217 legal text cannot be made until the legal text is implemented in the June 2009 and November 2009 releases respectively. This is reflected in the recommended implementation dates of the two proposals.

P233

P233 will have a proposed implementation date of **25 June 2009** if the Authority make a decision on or before 23 June 2009. Or **2 Working Days** following an Authority decision if made after 23 June 2009.

P234

P234 will have a proposed implementation date of **05 November 2009** if the Authority make a decision on or before 03 November 2009. Or **2 Working Days** following an Authority decision if made after 03 November 2009.

1.4 Impacts and costs

1.4.1 Implementation Costs

Implementing proposed Modifications P233 and P234 will require ELEXON to:

- Update the Code; and
- remove references to the seven SVAA Service Lines on the Baseline Statement and ELEXON website.

These one-off activities will involve 2 man days of ELEXON effort equating to £440.

1.4.2 Impacts of the Modification Proposals

The following sections of the BSC will be impacted by these Modification Proposals:

| Code Section | Potential Impact of Proposed Modification |
|--------------|---|
| P233 | |
| S | <ul style="list-style-type: none"> • Amend to replace references to SVAA Service Lines (SSLs) with BSC Service Description |
| M | <ul style="list-style-type: none"> • Correction of manifest errors identified in P215 legal text • Amendment to Annex M-1 Letter of Credit UPC500 • Addition of two new Annexes (M-2 and M-3) to contain UPC600 and ISP98. |
| X | <ul style="list-style-type: none"> • Amend Annex X-1 to remove definition of Replica Settlement Day • Include terms Replica Settlement Day and Specimen Settlement Day in Annex X-2 Table 6. |
| P234 | |
| T | <ul style="list-style-type: none"> • Correction of manifest errors identified in P217 legal text |

1.5 Panel's Recommendation

The Panel believes that the above changes can be considered to represent the correction of minor inconsistencies and consequential changes, and therefore falls within the definition of a 'housekeeping' Modification Proposal.

The Panel also believe that addressing the identified issues will reduce the potential for confusion, promote transparency and efficiency and thereby better facilitates the achievement of Applicable BSC Objective (d).

The Panel therefore recommends that both P233 and P234 Proposed Modifications **should be made**.

2 P233 'HOUSEKEEPING MODIFICATION – CORRECTION OF SSL REFERENCES, LETTERS OF CREDIT, DEFINITIONS IN SECTION X AND MANIFEST ERRORS IN P215 LEGAL TEXT'

This section details the housekeeping changes contained within proposed Modification P233.

2.1 Replace references to SVAA Service Lines with SVAA BSC Service Description.

2.1.1 Background

BSC Service Descriptions set out the business requirements that BSC Agents, appointed by ELEXON, have to follow to meet their contractual obligations.

As Part of the Project ISIS Business Process Operations (BPO)/Host procurement ELEXON reviewed the documents detailing BSC Agent requirements. At this time it was determined that a new Supplier Volume Allocation Agent (SVAA) Service Description should be drafted to replace the existing seven SVAA Service Lines (SSLs).

The SVAA Service Description contains no new obligations or requirements. It is simply an amalgamation of the requirements in the existing seven SSLs.

The Panel approved the new SVAA Service Description for use in March (via Panel Paper 153/10) and placed the responsibility of agreeing any future changes to the document with the Supplier Volume Allocation Group (SVG)

2.1.2 Required Changes

The new BSC Service Description for the SVAA will replace the seven existing SVAA Service Lines. The references to the SVAA Service Lines in Section S of the BSC will need to be replaced with references to the BSC Service Description.

In addition the defined term 'SVAA Service Line' will require removal from Annex X-1 as it will not be in use in Section S as a result of the above, and is not used anywhere else within the BSC.

2.2 Letters of Credit

2.2.1 Background

To lodge Credit with the Funds Administration Agent (FAA), Parties have two options. They can either lodge cash or submit a Letter of Credit. The Panel is permitted by the Code to change the accepted form of Letter of Credit.

The existing Letter of Credit in Annex M-1 is subject to the Uniform Customs and Practice for Documentary Credits, 1993 Revision, ICC Publication No. 500 (UCP500). Although UCP500 is still accepted when presented to banks, it is now being superseded by new rules governing Letters of Credit. At the December 2008 Panel meeting ELEXON presented a paper (150/09) that proposed introducing two new forms of Letters of Credit:

- a Letter of Credit subject to the Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication No.600 (UCP600) and;
- an alternate Letter of Credit subject to International Standby Practices 1998 published by the International Chamber of Commerce (ISP98).

The Panel approved the use of UCP600 and approved the use of ISP98 as an alternative, and endorsed our intention to raise a housekeeping Modification to include the two new forms of Letter of Credit. The Panel also determined that the use of UCP500 would remain valid.

2.2.2 Required Changes

The Letters of Credit UCP600 and ISP98 will be included in the code as Annex M-2 and Annex M-3 respectively. This approach is recommended for consistency reasons and separating the annexes adds clarity when distinguishing between the three accepted forms.

In addition, UCP500 in Annex M-1 will be updated to provide consistency and clarity between it, and UCP600 and ISP98. A typographical error also requires correcting. This error was introduced during the implementation of P214 'Issues Relating to Funds Administration' when the date reference relating to UCP500 was inadvertently changed from 1993 to 1997.

2.3 Addition of two previously un-defined terms in Section X

2.3.1 Background

In Annex S-2, paragraphs 6.4 and 6.5 refer to two capitalised terms 'Specimen Settlement Day' and 'Replica Settlement Day'. The paragraphs were transferred directly from the Pooling and Settlement Agreement at NETA Go-Live, but the definitions were not included in Section X. As a result of this oversight, the two terms are not defined anywhere in the BSC.

It has been identified that the term 'Replica Settlement Day' is contained in Annex X-1. However this is only a reference to paragraph 6.4.7 of Annex S-2. The reference does include the term 'Replica Settlement Day' but rather than providing an explicit definition, explains how it is used. Therefore the term 'Replica Settlement Day' in Annex X-1 should be removed to avoid confusion with the actual definition which will be included in Annex X-2 Table X-6.

2.3.2 Required Changes

ELEXON will add the following definitions to Annex X-2, Table X-6:

- **Replica Settlement Day:** In relation to a Settlement Day, a Settlement Day having the same attributes as that Settlement Day including Clock Change.
- **Specimen Settlement Day:** In relation to any Settlement Day, a Settlement Day having the same attributes as that Settlement Day other than a Clock Change.

Table 6 in Annex X-2 provides definitions for Defined Terms specifically for Section S. The above definitions should be included in this table as the terms are only used in Section S and nowhere else in the BSC.

2.4 Manifest errors in the P215 Alternative Legal Text

2.4.1 Background

ELEXON identified two manifest errors in the Approved P215 legal text which is to be implemented as part of the June 2009 Release on 25 June 2009.

The manifest errors relate to a part of the P215 legal text that seeks to describe the new Metered Energy Indebtedness (MEI) calculation which will be used in the BSC credit arrangements.

The aim of the MEI calculation is to improve the accuracy of the Energy Indebtedness calculation by using Half Hourly metered volume data from the Central Data Collection Agent (CDCA) in relation to those Credit Qualifying BM Units for which, the data is routinely available. The resulting energy volume is referred to as Metered Credit Assessment Credited Energy Volume (MAQCE).

Where metered data is not available, less accurate data (based on Final Physical Notifications) may be used. The less accurate data is referred to as Credit Assessment Credited Energy Volume (CAQCE).

The manifest error in Section M Paragraph 1.2.4B(b), forces the BSC to mix the less accurate CAQCE data with the more accurate MAQCE data. The intention of P215 is to use the more accurate data whenever possible.

2.4.2 Required Changes

The formula in Section M1.2.B(b) concerns the allocation of the Metered Credit Assessment (MAQCE) of a BM Unit between the Lead Energy Account and the Subsidiary Energy Accounts. Therefore the reference should be to the quantity MAQCE. The manifest error in this formula forces the BSC to mix the less accurate CAQCE data with the more accurate MAQCE data and is inconsistent with P215's aim of using the more accurate data when it is available.

The formula in Section M 1.2.4B(c) is to be used only when the more accurate MAQCE data is unavailable. The corrected version of Paragraph 1.2.4B(c), says that when the better data is not available, then the potentially less accurate CAQCE should be substituted.

2.4.3 Why is it a Manifest Error?

The intent of P215 is clear in the P215 Modification Report, which explained that the Modification Proposal suggested the method of calculating Credit Cover, in respect of Credit Qualify BM Units, with the intent that the accuracy of the calculations would be increased. Consequently the amount of credit Parties are required to lodge would be based on more accurate date when available.

By making the changes proposed in Modification P233, the Code will reflect how P215 is intended to operate.

3 P234 'HOUSEKEEPING MODIFICATION – CORRECTION OF MANIFEST ERRORS IN P217 LEGAL TEXT'

As summarised in section 1, ELEXON proposes that P234 will correct the P217 Legal text and make the following changes:

3.1 Manifest errors in the P217 Alternative Legal Text

3.1.1 Background

ELEXON has identified a minor inconsistency in an algebraic term, some stylistic changes and two incorrect cross references in the approved P217 legal text. These are detailed below.

3.1.2 Cross referencing error

In the approved P217 legal text Annex T-1 paragraphs 15.3 and 15.5 define the meaning of the term 'Qualifying'. Currently Paragraphs 15.3 and 15.5 incorrectly reference Section T paragraphs 4.2 and 4.3 respectively. They should reference Section T-1 paragraphs 15.3 and 15.4 in order to make their meaning clear. The incorrect cross referencing can direct you to sections that do not need to be read.

The two incorrect cross-referencing errors in Annex T-1 paragraph 15.3 and 15.5 were inherited from a previous version of the draft legal text. They came about as the first draft of the legal text came in two separate parts and the references are to the paragraph numbers there. When the two parts of the legal text were amalgamated, the old references were not updated. Both of these cross referencing errors should be considered as a manifest error as there is no risk of there being any misunderstanding when the section is read as a whole. Each paragraph specifies the meaning of a term 'Qualifying' used in the paragraph above it, to which the reference is made.

3.1.3 Algebraic inconsistency

The inconsistency in an algebraic term in the approved P217 legal text concerns the superscript in Paragraph 15.5(b). The superscript has the letter 'm' which should be replaced with the letter 'w' to be consistent with the rest of the text. This inconsistency was inherited from an old version of the draft legal text.

3.1.4 Stylistic changes

There are a few stylistic changes involving the removal of brackets in some of the formulae. There is also an unnecessary use of an absolute value sign, which should be removed for clarity. These equations will work correctly as they are currently drafted. However by making these amendments will ensure that the equations are easier to use and understand.

4 WHAT DID THE INDUSTRY THINK?

Four Parties responded to ELEXON's consultation on the draft P233 and P234 Modification Report.

All four Parties agreed with the Panel's initial recommendations, as shown in the summary table. A summary of the key comments on P233 and P234 are provided below, with ELEXON responses as necessary. Each Party's full response is provided in Appendix 3.

| Q. | Consultation Question | Yes | No |
|-------------|--|-----|----|
| P233 | | | |
| 1. | Do you agree with the Panel's view that P233 should be approved? | 4 | 0 |
| 2. | Do you agree with the Panel's suggested Implementation Date? | 4 | 0 |
| 3. | Do you agree that the legal text delivers the intention of P233? | 4 | 0 |
| P234 | | | |
| 1. | Do you agree with the Panel's view that P234 should be approved? | 4 | 0 |
| 2. | Do you agree with the Panel's suggested Implementation Date? | 4 | 0 |
| 3. | Do you agree that the legal text delivers the intention of P234? | 4 | 0 |

4.1 P233 response comments

4.1.1 Should P233 be approved:

All of the responding Parties agreed with the Panel's view that P233 should be approved. Noting that correcting these housekeeping inconsistencies supports the achievement of Applicable BSC Objective (d).

4.1.2 Implementation Dates:

All four Parties agreed with the Panel's proposed implementation date, agreeing that it was a sensible and pragmatic approach.

4.1.3 Legal text:

All respondents agreed that the legal text delivers the intention of P233. However, one respondent did note that the proposed definition of "**Specimen Settlement Day**" - *a Settlement Day having the same attributes as that Settlement Day other than a Clock Change* - is ambiguous as you could interpret it in two different ways. It could either mean: the attributes must be the same but Clock Change need not be; or that they must be the same except the Specimen day must not have the Clock Change attribute.

ELEXON appreciates that Parties may see the definition of Specimen Settlement Day as ambiguous. However the intention of this element of P233 is to include the definition of Specimen Settlement Day that was not transferred from the Pooling Settlement Agreement at NETA Go-Live. Any changes to this definition would be outside of the scope of P233, as it could not be construed as a housekeeping change.

The same respondent also questioned: In the approved P215 legal text, should Section M paragraph 1.2.1(f) (ii) and (iv) both refer to data received **from** CDCA, rather than (iv) referring to data received **by** CDCA?

Again ELEXON appreciates the respondents point. Paragraph M1.2.1(f)(ii) relates to the receipt of data by ECVAAs from the CDCA and describes the process from the point of view of ECVAAs. Paragraph M1.2.1(f)(iv) describes the same process from the point of view of CDCA and mirrors the phrasing in Section R 5.7.1(d). In both cases, the underlying process is the same. ELEXON believes that there is no substantial issue, but the comment suggests that this paragraph could benefit from further clarification. As this query concerns changes to a section of the approved P215 legal that is not within the scope of P233, it is not addressing an issue or defect in P233 and cannot be addressed by this Modification. ELEXON has spoken to the respondent and agreed the wording could be clarified if there is an opportunity to include it in a future housekeeping change. The respondent is happy with ELEXON's response to their comment.

4.2 P234 response comments

4.2.1 Should P233 be approved:

All of the responding Parties agreed with the Panel's view that P234 should be approved. Noting that correcting these housekeeping inconsistencies supports the achievement of Applicable BSC Objective (d).

4.2.2 Implementation Dates:

All four Parties agreed with the Panel's proposed implementation date, agreeing that it was a sensible and pragmatic approach.

4.2.3 Legal text:

All respondents agreed that the legal text delivers the intention of P234. However, one respondent noted that in Annex T-1 paragraph 15.5(b), the addition of brackets around the negated quantity which is summated would be consistent with similar occurrences in BSC and avoid any possibility of misunderstanding.

The changes suggested by the respondent are stylistic changes and as the equations work as they are currently drafted in the approved P217 legal text, no change is required.

5 PANEL'S RECOMMENDATIONS

5.1 Panel's Initial Views

At its meeting on 12 March 2009, the Panel raised Modifications P233 and P234 and submitted both directly to the Report Phase on the recommendation of ELEXON (see Panel paper [153/07](#))

At this meeting the Panel agreed that:

- both P233 and P234 will better facilitate the achievement of applicable BSC Objective (d) by reducing the potential for confusion, thereby promoting transparency and efficiency;
- both Proposed Modifications P233 and P234 should be made;
- the **P233** implementation date should be **25 June 2009**, if the Authority make a decision on or before 23 June 2009. Or **2 Working Days** following an Authority decision if made after 23 June 2009;
- the **P234** implementation date should be **05 November 2009**, if the Authority make a decision on or before 03 November 2009. Or **2 Working Days** following an Authority decision if made after 03 November 2009; and
- the draft P233 and P234 Legal text delivers the intentions of both Modifications.

5.2 Panel's Recommendations to the Authority

This section will be completed following the Panel's considerations of the Report Phase Consultation.

APPENDIX 1: LEGAL TEXT

The draft P233 legal text is provided as Attachment A.

The draft P234 legal text is provided as Attachment B

APPENDIX 2: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the P233 and P234 pages of the BSC Website

| Date | Event |
|----------|---|
| 12/03/09 | Modification Proposals P233 and P234 raised by the Panel and submitted directly to the Report Phase |
| 13/03/09 | Draft P233 and P234 Modification Report issued for industry consultation |
| 27/03/09 | Report Phase consultation responses returned |
| 09/04/09 | Draft Modification Report presented to the Panel |
| | Final Modification Report issued to the Authority for decision |

APPENDIX 3: REPORT PHASE CONSULTATION RESPONSES

The full consultation responses to P233 are included as Attachment C.

The full consultation responses to P234 are included as Attachment D.

P233 - PROPOSED DRAFT LEGAL TEXT

SECTION M: CREDIT COVER AND CREDIT DEFAULT

Section M was amended by P215 – Alternative, which was approved by the Authority on 23 April 2008 with the implementation date of 25 June 2009. P233 proposes that Section M (as amended by P215 Alternative) be further amended as follows –

Amend paragraph 1.2.4B

1.2.4B The Metered Credit Assessment Energy Volume (MAQCE_{iaj} in MWh) shall be determined:

- (a) for each BM Unit which meets all the requirements in paragraph 1.2.4C, and for each Energy Account which is a Subsidiary Energy Account for such BM Unit, as follows:

$$\text{MAQCE}_{iaj} = \text{QM}_{ij} * (\text{QMFR}_{iaj}/100) + \text{QMFR}_{iaj}$$

- (b) for each BM Unit which meets all the requirements in paragraph 1.2.4C, and for the Energy Account which is the Lead Energy Account for such BM Unit, as follows:

$$\text{MAQCE}_{iaj} = \text{QM}_{ij} - \sum_a \text{MAQCE}_{iaj}$$

- (c) for each BM Unit which does not meet all of the requirements in paragraph 1.2.4C, and for each Energy Account, as follows:

$$\text{MAQCE}_{iaj} = \text{CAQCE}_{iaj}$$

where, for the purpose of paragraph 1.2.4B (b), \sum_a represents the sum over all Energy Accounts other than the Lead Energy Account.

SECTION M: CREDIT COVER AND CREDIT DEFAULT

(Version 20.0)

Amend paragraph 2.1.4 as follows:

2.1 Provision of Credit Cover

- 2.1.4 The forms of the Letter of Credit (subject as provided in the definition thereof) ~~is~~are set out in Annex M-1, Annex M-2 and Annex M-3.

SECTION M: CREDIT COVER AND CREDIT DEFAULT

(Version 20.0)

Amend the Form of Letter of Credit in Annex M-1 as follows –

ANNEX M-1

Form of Letter of Credit (UCP 500)

To: ELEXON Clear Limited (the "BSC Clearer")

At the request of [*name of Trading Party*] (the "applicant") we have opened in favour of the BSC Clearer our irrevocable Letter of Credit Number (_____) for £[_____] (amount in words).

This Letter of Credit is available against sight drafts issued by the BSC Clearer accompanied by a signed statement issued by the BSC Clearer stating either:

- (a) that the applicant has failed to pay to BSC Clearer the amount you are claiming under the terms of the Balancing and Settlement Code (as modified from time to time, the "Code"); or
- (b) that the amount of the Letter of Credit has become payable pursuant to the Code by reason of the Letter of Credit not being extended or replaced in accordance with the requirements of the Code or that we have ceased to have the credit rating required under the Code.

Payments under this Letter of Credit shall be effected immediately to [*insert relevant account details*].

Partial drawings are allowed hereunder.

Claims under this Letter of Credit shall be made at the counters of [*insert details of the branch of the issuing/advising/confirming bank*].

This Letter of Credit expires on [_____].

We waive any right to set off against any amount payable hereunder any claims we may have against you.

Any sight draft and statement to be issued by the BSC Clearer for the purposes of this Letter of Credit may be signed by [*insert name of FAA*] (the "FAA") on behalf of the BSC Clearer.

Any demand hereunder must comply with all the above requirements and signatures (on behalf of the BSC Clearer or the FAA) thereon must be confirmed by your Bankers.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (~~1993~~³⁷ Revision), ICC Publication No. 500 (UCP500) published by the International Chamber of Commerce.

We undertake that drafts and documents presented under the terms of this Letter of Credit which are a complying ~~presentation~~, will be honoured upon presentation.

This Letter of Credit shall be governed by and construed in accordance with English law.

For and on behalf of [_____] Bank [Plc].

After Annex M-1 insert a new Annex M-2 as follows:

ANNEX M-2

Form of Letter of Credit (UCP 600)

To: ELEXON Clear Limited (the "BSC Clearer")

At the request of [name of Trading Party] (the "applicant") we have opened in favour of the BSC Clearer our irrevocable Letter of Credit Number () for £[] (amount in words).

This Letter of Credit is available against sight drafts issued by the BSC Clearer accompanied by a signed statement issued by the BSC Clearer stating either:

- (a) that the applicant has failed to pay to BSC Clearer the amount you are claiming under the terms of the Balancing and Settlement Code (as modified from time to time, the "Code");
or
- (b) that the amount of the Letter of Credit has become payable pursuant to the Code by reason of the Letter of Credit not being extended or replaced in accordance with the requirements of the Code or that we have ceased to have the credit rating required under the Code.

Payments under this Letter of Credit shall be effected immediately to [insert relevant account details].

Partial drawings are allowed hereunder.

Claims under this Letter of Credit shall be made at the counters of [insert details of the branch of the issuing/advising/confirming bank].

This Letter of Credit expires on [].

We waive any right to set off against any amount payable hereunder any claims we may have against you.

Any sight draft and statement to be issued by the BSC Clearer for the purpose of this Letter of Credit may be signed by [insert name of FAA] (the "FAA") on behalf of the BSC Clearer.

Any demand hereunder must comply with all the above requirements and signatures (on behalf of the BSC Clearer or the FAA) thereon must be confirmed by your Bankers.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits 2007 Revision, ICC Publication No. 600 (UCP600) published by the International Chamber of Commerce.

We undertake that drafts and documents presented under the terms of this Letter of Credit which are a complying presentation will be honoured upon presentation.

This Letter of Credit shall be governed by and construed in accordance with English law.

For and on behalf of [] Bank [Plc].

After new Annex M-2 insert Annex M-3 as follows:

ANNEX M-3

Form of Letter of Credit (ISP98)

To: ELEXON Clear Limited (the "BSC Clearer")

At the request of [name of Trading Party] (the "applicant") we have opened in favour of the BSC Clearer our irrevocable Letter of Credit Number () for £[] (amount in words).

This Letter of Credit is available against sight drafts issued by the BSC Clearer accompanied by a signed statement issued by the BSC Clearer stating either:

- (a) that the applicant has failed to pay to BSC Clearer the amount you are claiming under the terms of the Balancing and Settlement Code (as modified from time to time, the "Code");
or
- (b) that the amount of the Letter of Credit has become payable pursuant to the Code by reason of the Letter of Credit not being extended or replaced in accordance with the requirements of the Code or that we have ceased to have the credit rating required under the Code.

Payments under this Letter of Credit shall be effected immediately to [insert relevant account details].

Partial drawings are allowed hereunder.

Claims under this Letter of Credit shall be made at the counters of [insert details of the branch of the issuing/advising/confirming bank] [insert exact location within the building] at [insert time] to [insert person to whom the Letter of Credit should be presented] by [insert medium of presentation i.e. delivery of paper documents].

This Letter of Credit expires on []

We waive any right to set off against any amount payable hereunder any claims we may have against you.

Any sight draft and statement to be issued by the BSC Clearer for the purpose of this Letter of Credit may be signed by [insert name of FAA] (the "FAA") on behalf of the BSC Clearer.

Any demand hereunder must comply with all the above requirements and signatures (on behalf of the BSC Clearer or the FAA) thereon must be confirmed by your Bankers.

This Letter of Credit is subject to International Standby Practices 1998 (ISP98) published by the International Chamber of Commerce.

We undertake that drafts and documents presented under the terms of this Letter of Credit which are a complying presentation will be honoured upon presentation.

This Letter of Credit shall be governed by and construed in accordance with English law.

For and on behalf of [] Bank [Plc].

SECTION S: SUPPLIER VOLUME ALLOCATIONS

(Version 16.0)

Amend paragraph 4.1 as follows:

4.1 Supplier Volume Allocation Agent

4.1.1 The principal functions of the SVAA are, in accordance with the Code and relevant Code Subsidiary Documents (including BSCP508):

- (a) to provide a supplier volume allocation service in accordance with the relevant BSC Service Description SVAA Service Line 300 and the Supplier Volume Allocation Rules and to comply with the other requirements of the relevant BSC Service Description SVAA Service Line 300;
- (b) to provide a daily profile production service in accordance with the relevant BSC Service Description SVAA Service Line 310 involving, inter alia, receiving, obtaining and maintaining data relating to GSP Groups, noon temperatures and times of sunset, the preparation of Daily Profile Coefficients and the provision of reports on profiles and Standard Settlement Configurations to Non Half Hourly Data Collectors and Suppliers;
- (c) to provide a Market Domain Data service to the electricity markets of England and Wales and Scotland in accordance with the relevant BSC Service Description SVAA Service Line 360;
- (d) to perform additional related services if and to the extent required by the Panel, including:
 - (i) the development and maintenance of a contingency plan in accordance with the relevant BSC Service Description SVAA Service Line 320 for approval from time to time by the Panel;
 - (ii) the provision of a disaster recovery service, and the development and maintenance of a disaster recovery plan, all in accordance with the relevant BSC Service Description SVAA Service Line 320;
 - (iii) the provision of a national helpdesk service, a problem management service, a change management service, a committee support service, a performance report service, an ad hoc reporting service, a dispute support service, a software acceptance testing service and an integration testing service, in each case in accordance with the relevant BSC Service Description SVAA Service Line 330;
 - (iv) the development and maintenance of a hand-over service, and the provision of an exit management plan, in accordance with the relevant BSC Service Description SVAA Service Line 350;
 - (v) the provision of a consultancy service, a technical architecture and design service and a software maintenance service, in each case in accordance with the relevant BSC Service Description SVAA Service Line 370; and
 - (vi) such other services as may from time to time be agreed by the Panel; and

- (e) to provide data to the Transmission Company and Distribution System Operators necessary for the purposes of calculating transmission and distribution use of system charges respectively in accordance with BSCP508.

SECTION X: ANNEX X-1: GENERAL GLOSSARY

(Version 39.0)

Amend the following definition in Annex X-1:

| | |
|-----------------------------------|---|
| <p>"Letter of Credit":</p> | <p>means an unconditional, irrevocable standby letter of credit substantially in the form set out in Annexes M-1, <u>M-2 or M-3</u> (or such other form as the Panel may approve) in sterling in favour of the BSC Clearer by any United Kingdom clearing bank or banks or any other bank or banks which has (have) a long term debt rating of not less than single A by Standard & Poor's Corporation or by Moody's Investors Service, Inc. or such other bank or banks as the Panel may approve, and which shall be available for payment at a United Kingdom branch of the issuing bank;</p> |
|-----------------------------------|---|

Delete the following definitions from Annex X-1:

| | |
|--|--|
| <p>"Replica Settlement Day":</p> | <p>has the meaning given to that term in paragraph 6.4.7 of Annex S-2;</p> |
| <p>"SVAA Service Line":</p> | <p>means a service line which forms part of the BSC Service Description for the SVAA;</p> |

SECTION X: ANNEX X-2: TECHNICAL GLOSSARY

(Version 26.0)

Insert the following definitions in alphabetical order into Annex X-2 Table 6:

| | | | |
|---------------------------------------|--|--|---|
| <p><u>Replica Settlement Day</u></p> | | | <p><u>In relation to a Settlement Day, a Settlement Day having the same attributes as that Settlement Day including any Clock Change.</u></p> |
| <p><u>Specimen Settlement Day</u></p> | | | <p><u>In relation to any Settlement Day, a Settlement Day having the same attributes as that</u></p> |

| | | | |
|--|--|--|--|
| | | | <u>Settlement Day other than a Clock Change.</u> |
|--|--|--|--|

P234 - PROPOSED DRAFT LEGAL TEXT

SECTION T: SETTLEMENT AND TRADING CHARGES

Annex T-1 was amended by P217 – Alternative which was approved by the Authority on 16 October 2008 with the implementation date of 5 November 2009. P234 proposes that Annex T-1 (as amended by P217 – Alternative) be further amended as follows –

Amend Annex T-1 as follows:

15. Replacement Price

Amend paragraph 15.3 and 15.5 as follows:

15.3 For the purposes of paragraphs ~~4.15.2:~~

- (a) if $\sum^w \text{QSB}_j^w \leq \text{RPAR}$, all Unflagged System Buy Actions in the NIV Tagged Ranked Set will be defined as Qualifying;
- (b) if $\sum^w \text{QSB}_j^w > \text{RPAR}$:
 - (i) the Unflagged System Buy Actions in the Classified Ranked Set shall be ranked in price order, lowest priced first;
 - (ii) as $\sum^w \text{QSB}_j^w > \text{RPAR}$ there must exist a number f and a number ϕ (which may be a fraction or zero) for which:

$$\text{RPAR} = (\sum^{w'v>f} \text{QSB}_j^{w'v} + \phi * ((\text{QSB}_j^{w'f}))$$

where

$\sum^{w'v>f}$ is the sum over those System Buy Actions for which v is greater than f .

- (iii) each of the System Buy Actions numbered $f+1$ or higher in the ranked set of Unflagged System Buy Actions for which this is true will be defined as Qualifying. If ϕ is a fraction rather than zero, then the fraction (ϕ) of the System Buy Action numbered f will be defined as Qualifying.

15.5 For the purposes of paragraphs ~~4.3~~ 15.4:

- (a) if $\sum^w -\text{QSS}_j^w \leq \text{RPAR}$, all Unflagged System Sell Actions in the NIV Tagged Ranked Set will be defined as Qualifying;
- (b) if ~~$\sum^{mw} -\text{QSS}_j^{mw} >$~~ RPAR :
 - (i) the Unflagged System Sell Actions in the Classified Ranked Set shall be ranked in price order, highest priced first;
 - (ii) as $\sum^w -\text{QSS}_j^w > \text{RPAR}$ there must exist a number f and a number ϕ (which may be a fraction or zero) for which:

$$\text{RPAR} = (\sum^{w'v>f} -\text{QSS}_j^{w'v} + \phi * ((-\text{QSS}_j^{w'f}))$$

where $\Sigma^{w' v>f}$ is the sum over those System Sell Actions for which v is greater than f;

- (iii) each of the System Sell Actions numbered f+1 or higher in the Replacement-Priced Ranked Set for which this is true will be defined as Qualifying. If ϕ is a fraction rather than zero, then the fraction (ϕ) of the System Sell Action numbered f will be defined as Qualifying.

Amend paragraph 16.1 as follows:

16. PAR Tagging

16.1 In respect of each Settlement Period, System Actions in the Replacement-Priced Ranked Set will be defined as PAR Tagged in the following way:

- (a) If:

$$\Sigma^{w'} QSB^{w'}_j \leq PAR$$

where $\Sigma^{w'}$ is the sum over the System Buy Actions in the Replacement-Priced Ranked Set

then none of the System Buy Actions (for all values of w') will be defined as PAR Tagged.

- (b) If $\Sigma^{w'} (QSB^{w'}_j) > PAR$ there must exist a number f and a number ϕ (which may be a fraction or zero) for which

$$PAR = \Sigma^{w' v>f} QSB^{w'v}_j + \phi * QSB^{w'f}_j$$

where $\Sigma^{w' v>f}$ is the sum over those System Buy Actions for which v is greater than f.

Subject to paragraph (f), each System Buy Action numbered 1 to f-1 in the Replacement-Priced Ranked Set for which this is true will be defined as PAR Tagged. If ϕ is a fraction rather than zero, then the fraction (1- ϕ) of the System Buy Action numbered f will be defined as PAR Tagged.

- (c) If:

$$\Sigma^{w'} (-QSS^{w'}_j) \leq PAR$$

where $\Sigma^{w'}$ is the sum over the System Sell Actions in the Replacement-Priced Ranked Set

then none of the System Sell Actions (for all values of w') will be defined as PAR Tagged.

- (d) If $\Sigma^{w'} (-QSS^{w'}_j) > PAR$ there must exist a number f and a number ϕ (which may be a fraction or zero) for which

$$PAR = (\Sigma^{w' v>f} (-QSS^{w'v}_j)) + \phi * ((-QSS^{w'f}_j))$$

where $\Sigma^{w' v>f}$ is the sum over those System Sell Actions for which v is greater than f.

Subject to paragraph (f), each of the System Sell Actions numbered 1 to f-1 in the Replacement-Priced Ranked Set for which this is true will be defined as PAR Tagged. If ϕ is a fraction rather than zero, then the fraction $(1-\phi)$ of the System Seller Action numbered f will be defined as PAR Tagged.

(e) However, for each of paragraphs (b) and (d) (each a "relevant provision") separately, if the application of the relevant provision (the "initial calculation") would result in there being any System Buy Action or System Sell Action which:

- (1) is not defined as PAR Tagged, but
- (2) has the same price (including a NULL price) (other than merely by virtue of being a fraction ϕ pursuant to the initial calculation) as a System Buy Action or (as the case may be) a System Sell Action which is PAR Tagged,

then:

- (i) all such System Buy Actions $QSB^{w'_r j}$ or System Sell Actions $QSS^{w'_r j}$ (whether or not PAR Tagged) which have the same price are "threshold" System Actions;
- (ii) no threshold System Action shall be defined PAR Tagged pursuant to the relevant provision, but instead the fraction δ of each threshold System Buy Action $QSB^{w'_r j}$ or threshold System Sell Action $QSS^{w'_r j}$ which satisfies the following shall be defined as PAR Tagged:

$$\delta * (\sum^{w'_r} QSB^{w'_r j} = \sum^{w'_r} QSS^{w'_r j})$$

or (as the case may be)

$$\delta * (\sum^{w'_r} QSS^{w'_r j} = \sum^{w'_r} QSB^{w'_r j})$$

where

$\sum^{w'_r}$ is the sum over all threshold System Buy Actions or (as the case may be) threshold System Sell Actions, and

$\sum^{w'_r}$ is the sum over all threshold System Buy Actions or (as the case may be) threshold System Sell Actions (including a fraction $1-\phi$ thereof) which, on the basis of the initial calculation would have been defined as PAR Tagged.

153/11 Attachment C - P233 Report Phase Consultation Responses

Consultation Issued on 13 March 2009

Representations were received from the following parties

| No | Company | File number | No BSC Parties Represented | No Non-Parties Represented |
|----|--|-------------|----------------------------|----------------------------|
| 1. | E.ON UK | P233_dMR_01 | 7 | 0 |
| 2. | Scottish and Southern Energy | P233_dMR_02 | 7 | 0 |
| 3. | British Energy part of EDF Energy | P233_dMR_03 | 13 | 0 |
| 4. | SAIC Ltd. (for and on behalf of ScottishPower) | P233_dMR_04 | 7 | 0 |

Question 1: Do you agree with the Panel's view that P233 should be approved?

Please state the reason(s) for your view

Summary

| Yes | No | Neutral/Other |
|-----|----|---------------|
| 4 | 0 | 0 |

Responses

| Respondent | Response | Rationale |
|-----------------------------------|----------|---|
| E.ON UK | Yes | As the Panel recognise, correcting these inconsistencies and updating to acknowledge the use of UCP600 or ISP98 Letters of Credit supports Applicable BSC objective d. |
| Scottish and Southern Energy | Yes | Self evident housekeeping. More efficient; therefore the Modification Proposal P233 will promote transparency and efficiency and thereby better facilitates the achievement of Applicable BSC Objective (d) |
| British Energy part of EDF Energy | Yes | Straightforward housekeeping clarifications, amendments and corrections. |

| Respondent | Response | Rationale |
|---|----------|--|
| SAIC Ltd. (for and on behalf of ScottishPower) | Yes | ScottishPower agrees with reducing the potential for confusion by addressing the issues in the Modification Proposal (P233), which will promote transparency and efficiency and thereby better facilitate the achievement of the Applicable BSC Objective. |

Question 2: Do you agree with the Panel's suggested Implementation Date?

Summary

| Yes | No | Neutral/Other |
|-----|----|---------------|
| 4 | 0 | 0 |

Responses

| Respondent | Response | Rationale |
|---|----------|--|
| E.ON UK | Yes | - |
| Scottish and Southern Energy | Yes | Sensible and pragmatic |
| British Energy part of EDF Energy | Yes | Practical to implement co-incident with P215. |
| SAIC Ltd. (for and on behalf of ScottishPower) | Yes | ScottishPower agrees with the proposed Implementation Date of 25 June 2009 if an Authority decision is received on or before 23 June 2009, or 2 Working Days after an Authority decision if the decision is received after 23 June 2009; |

Question 3: Do you agree that the legal text delivers the intention of P233?

Summary

| Yes | No | Neutral/Other |
|-----|----|---------------|
| 4 | 0 | 0 |

Responses

| Respondent | Response | Rationale |
|----------------|----------|-------------------------|
| E.ON UK | Yes | It appears appropriate. |

| Respondent | Response | Rationale |
|--|----------|--|
| Scottish and Southern Energy | Yes | It appears to. |
| British Energy part of EDF Energy | Yes | Note: At Section X the proposed definition " Specimen Settlement Day : In relation to any Settlement Day, a Settlement Day having the same attributes as that Settlement Day other than a Clock Change." is in isolation not absolutely unambiguous. Could mean the attributes must be the same but Clock Change need not be, or that they must be the same except the Specimen day must not have the Clock Change attribute. Should P215 M1.2.1(f)(ii)&(iv) both refer to data received from CDCA, rather than (iv) referring to data received by CDCA? |
| SAIC Ltd. (for and on behalf of ScottishPower) | Yes | - |

Question 4: Do you have any further comments on P233?

Responses

| Respondent | Response | Rationale |
|--|----------|-----------|
| E.ON UK | No | - |
| Scottish and Southern Energy | No | |
| British Energy part of EDF Energy | No | - |
| SAIC Ltd. (for and on behalf of ScottishPower) | No | - |

154/11 Attachment D - P234 Report Phase Consultation Responses

Consultation Issued on 13 March 2009

Representations were received from the following parties

| No | Company | File number | No BSC Parties Represented | No Non-Parties Represented |
|----|--|-------------|----------------------------|----------------------------|
| 1. | E.ON UK | P234_dMR_01 | 7 | 0 |
| 2. | Scottish and Southern Energy | P234_dMR_02 | 7 | 0 |
| 3. | British Energy part of EDF Energy | P234_dMR_03 | 13 | 0 |
| 4. | SAIC Ltd. (for and on behalf of ScottishPower) | P234_dMR_04 | 7 | 0 |

Question 1: Do you agree with the Panel's view that P234 should be approved?

Please state the reason(s) for your view

Summary

| Yes | No | Neutral/Other |
|-----|----|---------------|
| 4 | 0 | 0 |

Responses

| Respondent | Response | Rationale |
|--|----------|--|
| E.ON UK | Yes | Implementing these changes supports Applicable BSC objective d. |
| Scottish and Southern Energy | Yes | Self evident housekeeping. More efficient; therefore the Modification Proposal P234 will promote transparency and efficiency and thereby better facilitates the achievement of Applicable BSC Objective (d) |
| British Energy part of EDF Energy | Yes | Changes correct manifest errors in the legal text. |
| SAIC Ltd. (for and on behalf of ScottishPower) | Yes | ScottishPower agrees with reducing the potential for confusion by addressing the issues in the Modification Proposal (P234), which will promote transparency and efficiency and thereby better facilitate the achievement of the Applicable BSC Objective. |

Question 2: Do you agree with the Panel's suggested Implementation Date?

Summary

| Yes | No | Neutral/Other |
|-----|----|---------------|
| 4 | 0 | |

Responses

| Respondent | Response | Rationale |
|---|----------|--|
| E.ON UK | Yes | - |
| Scottish and Southern Energy | Yes | Sensible and pragmatic. |
| British Energy part of EDF Energy | Yes | Necessarily co-incident with P217 changes. |
| SAIC Ltd. (for and on behalf of ScottishPower) | Yes | ScottishPower agrees with the proposed Implementation Date of 05 November 2009 if an Authority decision is received on or before 03 November 2009, or 2 Working Days after an Authority decision if the decision is received after 03 November 2009; |

Question 3: Do you agree that the legal text delivers the intention of P234?

Summary

| Yes | No | Neutral/Other |
|-----|----|---------------|
| 4 | 0 | 0 |

Responses

| Respondent | Response | Rationale |
|-------------------------------------|----------|-------------------------|
| E.ON UK | Yes | It appears appropriate. |
| Scottish and Southern Energy | Yes | It appears to. |

| Respondent | Response | Rationale |
|---|----------|---|
| British Energy part of EDF Energy | Yes | Note: At Annex T-1 15.5(b), brackets around the negated quantity which is summated would be consistent with similar occurrences in BSC and avoid any possibility of misunderstanding. |
| SAIC Ltd. (for and on behalf of ScottishPower) | Yes | - |

Question 4: Do you have any further comments on P234?

Responses

| Respondent | Response | Rationale |
|---|----------|----------------|
| E.ON UK | No | - |
| Scottish and Southern Energy | No | It appears to. |
| British Energy part of EDF Energy | No | - |
| SAIC Ltd. (for and on behalf of ScottishPower) | No | - |