

## Responses from P186 Assessment Consultation

Consultation Issued 07 March 2005

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	British Gas Trading	P186_AR_001	1	0
2.	Total Gas and Power Ltd	P186_AR_001	1	0
3.	Scottish Power Ltd	P186_AR_001	6	0
4.	RWE Npower	P186_AR_001	10	0
5.	E.ON UK	P186_AR_001	15	0
6.	EDF Trading	P186_AR_001	2	0
7.	EDF Energy	P186_AR_001	9	0

## P186 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation, expressing their views or providing any further evidence on any of the matters contained within the consultation document. In particular, views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent:</b>	Mark Manley
<b>No. of Parties Represented</b>	
<b>Parties Represented</b>	British Gas Trading (BGT)
<b>No. of Non Parties Represented</b>	
<b>Non Parties represented</b>	
<b>Role of Respondent</b>	

<b>Q</b>	<b>Question</b>	<b>Response</b> Error! Bookmark not defined.	<b>Rationale</b>
1.	Do you believe that the Proposed Modification would better facilitate the achievement of the Applicable BSC Objectives? <sup>1</sup> Please give rationale and state objective(s)	Yes	<p>BGT believe this proposal will better facilitate the Applicable BSC Objective (d) as it will promote efficiency in the implementation and administration of the balancing and settlement code. The reduction in Demand Capacity (DC) and Generation Capacity (GC) breaches will be relatively small but it will reduce BSCCo effort in managing breaches of the parameter. However the cost of implementing P186 is believed to be minor and despite the perceived level of benefits being small this proposal should still deliver benefits against the current baseline.</p> <p>BGT believe that the impact upon Applicable BSC Objective (c) will be neutral. BGT do not believe there will be any noticeable impact on the credit cover calculations or the level of credit lodged by BSC Parties. BGT can confirm that we do not anticipate amending the level of credit cover we currently lodge if this modification is approved.</p>

<sup>1</sup> Please note that cost and efficiency savings for Parties should be recorded against Applicable BSC Objective (c), with any BSCCo administrative savings under Applicable BSC Objective (d).

Q	Question	Response Error! Bookmark not defined.	Rationale
2.	Do you believe that the Alternative Modification developed by the Modification Group would better facilitate the achievement of the Applicable BSC Objectives, compared with the Proposed Modification and the current Code baseline? <sup>2</sup> Please give rationale and state objective(s)	Yes	BGT also believe the alternative modification will better facilitate Applicable BSC Objective (d). BGT believe that the alternative is better than the original as it significantly reduces the number of breaches. Whilst the original reduces the number by approximately 5%, the alternative reduces the instances by approximately 65%. This should significantly reduce the time BSCCo spend on managing breaches of GC and DC values.  Similarly, BGT believe the effect on Applicable Objective (c) will be negligible for the reasons stated above.
3.	What do you believe the percentage redeclaration threshold should be under the Alternative Modification? (a threshold of 2% is suggested in the consultation document). Please give rationale.	2 %	BGT believe that the figure suggested in the consultations seems to be a reasonable compromise. On the basis that increasing the threshold to 2% significantly reduces the number of breaches as detailed in the consultation document.  Whilst noting the inherent error in the current indebtedness calculation, BGT do not believe that increasing the percentage redeclaration level to 2% will adversely impact BSC Parties by increasing the likelihood of a bad debt being smeared amongst the BSC community.
4.	What do you believe are the minimum/maximum BM Unit capacities that the percentage threshold should apply to under the Alternative Modification? (a minimum of 100MW and a maximum of 500MW are suggested in the consultation document, which would give lower and upper breach limits of 2MW and 10MW if a 2% threshold was adopted). Please give rationale.	Min 100 MW Max 500 MW	Based upon the analysis undertaken on the range of values (100MW to 500MW) this appears to provide a reasonable balance. BGT believe that the levels chosen to form part of the alternative modification need to significantly reduce the number of non-material breaches whilst not increasing the likelihood of exposing BSC signatories to a bad debt.  The proposed range appears to deliver that balance by considerably reducing the instances of non-material breaches by approximately 60%. Whilst capping the level of error at 10MW will provide protection for BSC parties in respect of being exposed to a bad debt.

Q	Question	Response Error! Bookmark not defined.	Rationale
5.	On average, how many man hours/days are currently spent by your organisation on a single GC/DC redeclaration (including any necessary analysis undertaken prior to the submission of the revised value)?		It is very difficult to quantify the man-hours spent by BGT on re-submitting GC or DC values. I would anticipate that the number would be relatively small. The main benefit BGT perceive would be the removal of the 'hassle' factor in making the re-submission. The breach will generally be non-material and despite this the form has to be completed which involves getting a signature from the appropriate authorised signatory. This is an unnecessary process that provides little additional benefit to the industry.
6.	Does your organisation currently overestimate its DC submissions and, if so, would this practice change under P186? (please indicate whether this would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.	No	BGT does not overestimate its DC submissions. The DC submission is based upon the highest settlement period value that has been calculated by the demand forecast.
7.	Do you believe that P186 would have an impact on the amount of Credit Cover lodged by your organisation? (if yes, please indicate what this impact would be, and whether it would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.	No	BGT chooses to lodge an amount of credit cover that is in excess of the minimum required to ensure that we do not enter credit default. Entering credit default could have significant ramifications for BGT from a PR and commercial perspective. The level of credit lodged is a considered judgement to mitigate the risk of being placed in credit default. BGT would not amend the level of credit lodged with the FAA if P186 were approved.
8.	Do you believe there are any other issues that the Modification Group has not identified and that should be considered as part of the Assessment Procedure for P186? Please give rationale	No	
9.	Are there any further comments on P186 that you wish to make?	No	

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Proposed and Alternative Modifications, in order to support the Modification Group's cost-benefit analysis of P186. Where requested, this information can be treated as confidential – although all

information will be provided to the Authority.

Please send your responses by **12:00 noon on Monday 21 March 2005** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P186 Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Kathryn Coffin on 020 7380 4030 or [kathryn.coffin@elexon.co.uk](mailto:kathryn.coffin@elexon.co.uk).

## P186 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation, expressing their views or providing any further evidence on any of the matters contained within the consultation document. In particular, views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent:</b>	<i>Gareth Evans</i>
<b>No. of Parties Represented</b>	<i>1</i>
<b>Parties Represented</b>	<i>Total Gas and Power Ltd (TGP)</i>
<b>No. of Non Parties Represented</b>	
<b>Non Parties represented</b>	
<b>Role of Respondent</b>	<i>(Supplier/ Trader / Party Agent )</i>

<b>Q</b>	<b>Question</b>	<b>Response</b> Error! Bookmark not defined.	<b>Rationale</b>
1.	Do you believe that the Proposed Modification would better facilitate the achievement of the Applicable BSC Objectives? <sup>1</sup> Please give rationale and state objective(s)	Yes	Reducing the amount of times that a Party has to redeclare its GC and DC values after trivial breaches will improve efficiency in the process and limit the amount of time wasted by Elexon and BSC Parties in adhering to an unnecessarily strict standard
2.	Do you believe that the Alternative Modification developed by the Modification Group would better facilitate the achievement of the Applicable BSC Objectives, compared with the Proposed Modification and the current Code baseline? <sup>2</sup> Please give rationale and state objective(s)	Yes	The proposal as it currently stands will only benefit only larger suppliers and will result in a minimal reduction in administrative costs. We support some of the proposals indicated in alternative mod P186. However we feel the current absolute and % thresholds to be appropriate and believe the modification should be limited to a re-interpretation of current thresholds.

<sup>1</sup> Please note that cost and efficiency savings for Parties should be recorded against Applicable BSC Objective (c), with any BSCCo administrative savings under Applicable BSC Objective (d).

Q	Question	Response Error! Bookmark not defined.	Rationale
3.	<p>What do you believe the percentage redeclaration threshold should be under the Alternative Modification? (a threshold of 2% is suggested in the consultation document). Please give rationale.</p>	1 %	<p>We see no reason why the percentage threshold should be changed. A 1% and 0.5 MW Threshold would limit the possible credit error (from this part of the calculation) to about £2,000 a BM Unit, which we feel is an appropriate level of risk, compared to the efficiency savings available in having a less stringent standard.</p> <p>We acknowledge that the current threshold values may have been derived to System Operator thresholds at the inception of NETA, but these values are no longer linked to System Operator activities and so any changes in thresholds should be concerned purely with the effects on the BSC.</p>
4.	<p>What do you believe are the minimum/maximum BM Unit capacities that the percentage threshold should apply to under the Alternative Modification? (a minimum of 100MW and a maximum of 500MW are suggested in the consultation document, which would give lower and upper breach limits of 2MW and 10MW if a 2% threshold was adopted). Please give rationale.</p>	Min 50 MW Max 500 MW	We agree with the threshold principle as it will reduce the exposure to the Industry.
5.	<p>On average, how many man hours/days are currently spent by your organisation on a single GC/DC redeclaration (including any necessary analysis undertaken prior to the submission of the revised value)?</p>	2 man hours	
6.	<p>Does your organisation currently overestimate its DC submissions and, if so, would this practice change under P186? (please indicate whether this would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.</p>	No	DC values are estimated in accordance with the "good faith" principle indicated in

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7.	Do you believe that P186 would have an impact on the amount of Credit Cover lodged by your organisation? (if yes, please indicate what this impact would be, and whether it would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.	No	The changes proposed by P186 will have a small effect on our credit position and so it is unlikely that we will revise our credit position in light of its implementation.
8.	Do you believe there are any other issues that the Modification Group has not identified and that should be considered as part of the Assessment Procedure for P186? Please give rationale	No	
9.	Are there any further comments on P186 that you wish to make?	Yes	Our preferred solution is to replace the "Or" in K 3.4.3. with an "and", which would provide a minimum limit, with a % error as well. This will provide the benefits sought after in P186 without increasing market exposure to bad debts and would be a "minimum change" option.

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Proposed and Alternative Modifications, in order to support the Modification Group's cost-benefit analysis of P186. Where requested, this information can be treated as confidential – although all information will be provided to the Authority.

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## P186 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation, expressing their views or providing any further evidence on any of the matters contained within the consultation document. In particular, views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent:</b>	Man Kwong Liu (SAIC Ltd)
<b>No. of Parties Represented</b>	6
<b>Parties Represented</b>	Please list all Parties responding on behalf of (including the respondent company if relevant). Scottish Power UK plc; ScottishPower Energy Management Ltd.; ScottishPower Generation Ltd; ScottishPower Energy Retail Ltd.; SP Transmission Ltd; SP Manweb plc.
<b>No. of Non Parties Represented</b>	0
<b>Non Parties represented</b>	Please list all non Parties responding on behalf of (including the respondent company if relevant).
<b>Role of Respondent</b>	(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state <sup>1</sup> ) Supplier / Generator / Trader / Consolidator / Exemptable Generator

Q	Question	Response <sup>1</sup>	Rationale
1.	Do you believe that the Proposed Modification would better facilitate the achievement of the Applicable BSC Objectives? <sup>2</sup> Please give rationale and state objective(s)	Yes	We believe that compared with current baseline, a change to Parties submission and redeclaration of Demand and Generation capacities as suggested under P186 would better facilitate the achievement of the Applicable BSC Objective (d) ‘- efficiency’ by delivering cost, administrative and efficiency savings through a reduction in the number of breaches requiring redeclaration, and – BSC Objective (c) ‘- promoting effective competition’ by potentially assisting parties through a reduction in the level of credit cover required.

<sup>1</sup> Delete as appropriate – please do not use strikethrough, this is to make it easier to analyse the responses.

<sup>2</sup> Please note that cost and efficiency savings for Parties should be recorded against Applicable BSC Objective (c), with any BSCCo administrative savings under Applicable BSC Objective (d).

Q	Question	Response <sup>1</sup>	Rationale
2.	<p>Do you believe that the Alternative Modification developed by the Modification Group would better facilitate the achievement of the Applicable BSC Objectives, compared with the Proposed Modification and the current Code baseline?<sup>2</sup></p> <p>Please give rationale and state objective(s)</p>	Yes	<p>For the same reasons as the Proposed Modification.</p> <p>However, we believe that the Alternative Modification developed by the Modification Group is preferable to the Proposed Modification as it delivers greater cost and efficiency savings to Parties than the Proposed Modification and current Code baseline, as well as potentially greater reduction in the level of credit cover required by Parties.</p> <p>Furthermore, we would suggest a better alternative to this where no maximum capacity/threshold is necessary applied (see answer to Qu 4).</p>
3.	<p>What do you believe the percentage redeclaration threshold should be under the Alternative Modification? (a threshold of 2% is suggested in the consultation document).</p> <p>Please give rationale.</p>	2 %	We agree with the Mod Group's proposal that 2% represents a reasonable tolerance for demand forecast.
4.	<p>What do you believe are the minimum/maximum BM Unit capacities that the percentage threshold should apply to under the Alternative Modification? (a minimum of 100MW and a maximum of 500MW are suggested in the consultation document, which would give lower and upper breach limits of 2MW and 10MW if a 2% threshold was adopted).</p> <p>Please give rationale.</p>	Min 100MW Max none	<p>We agree with the Mod Group's rationale and proposal that 100MW be the min capacity.</p> <p>However, we believe that the 500MW used as a basis for BM Unit Capacity in the Alternative Modification is not necessarily representative of current GC availability. We also do not see any reason for a max capacity, as from the analysis, there is no issue with credit cover (which already has 20% margin), and the inherent error for the estimated credit energy calculation could far exceed the 20MW threshold. We therefore suggest that an alternative with no max threshold be considered.</p>
5.	<p>On average, how many man hours/days are currently spent by your organisation on a single GC/DC redeclaration (including any necessary analysis undertaken prior to the submission of the revised value)?</p>	2 man hours	We estimate a period of 2 man hours required for each GC/DC redeclaration.

Q	Question	Response <sup>1</sup>	Rationale
6.	Does your organisation currently overestimate its DC submissions and, if so, would this practice change under P186? (please indicate whether this would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.	Yes	We may reduce the overestimation in our DC submissions in lieu of Mod P186.
7.	Do you believe that P186 would have an impact on the amount of Credit Cover lodged by your organisation? (if yes, please indicate what this impact would be, and whether it would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.	Yes	P186 would have an impact on the amount of Credit Cover lodged as we may be able to reduce credit cover in proportion to the level of DC reduction.
8.	Do you believe there are any other issues that the Modification Group has not identified and that should be considered as part of the Assessment Procedure for P186? Please give rationale	No	
9.	Are there any further comments on P186 that you wish to make?	Yes	Please note our suggested alternative (as mentioned in Qu 4) to that recommended by the Mod Group.

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<b>Respondent:</b>	<i>Ben Willis</i>
<b>No. of Parties Represented</b>	<i>10</i>
<b>Parties Represented</b>	<i>RWE Npower plc, RWE Trading GmbH, Npower Cogen Ltd, Npower Cogen Trading Ltd, Npower Ltd, Npower Direct Ltd, Npower Northern Ltd, Npower Northern Supply Ltd, Npower Yorkshire Ltd, Npower Yorkshire Supply Ltd.</i>
<b>No. of Non Parties Represented</b>	<i>0</i>
<b>Non Parties represented</b>	<i>N/A</i>
<b>Role of Respondent</b>	<i>Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent</i>

<b>Q</b>	<b>Question</b>	<b>Response</b> Error! Bookmark not defined.	<b>Rationale</b>
1.	Do you believe that the Proposed Modification would better facilitate the achievement of the Applicable BSC Objectives? <sup>1</sup> Please give rationale and state objective(s)	Yes	The rationale and relevant objectives are highlighted within our Modification Proposal.
2.	Do you believe that the Alternative Modification developed by the Modification Group would better facilitate the achievement of the Applicable BSC Objectives, compared with the Proposed Modification and the current Code baseline? <sup>2</sup> Please give rationale and state objective(s)	Yes	We agree that the inclusion of a cap on the percentage tolerance provides additional protection against unlimited liability for the largest BM Units within the market, and the collar provides a sensible tolerance to avoid placing an unnecessary burden on smaller BM Units.  Consequently we believe that the Alternative Modifications fulfils the relevant objectives better than the original Modification proposal.

<sup>1</sup> Please note that cost and efficiency savings for Parties should be recorded against Applicable BSC Objective (c), with any BSCCo administrative savings under Applicable BSC Objective (d).

Q	Question	Response Error! Bookmark not defined.	Rationale
3.	What do you believe the percentage redeclaration threshold should be under the Alternative Modification? (a threshold of 2% is suggested in the consultation document). Please give rationale.	2 %	We believe that 2% best represents an average forecast error at a level of granularity that matches the monitoring criteria, i.e. at BM Unit level. This would allow parties to notify accurate estimates of DC & GC, knowing that the monitoring tolerance reflects the accuracy of those estimates.
4.	What do you believe are the minimum/maximum BM Unit capacities that the percentage threshold should apply to under the Alternative Modification? (a minimum of 100MW and a maximum of 500MW are suggested in the consultation document, which would give lower and upper breach limits of 2MW and 10MW if a 2% threshold was adopted). Please give rationale.	Min 100 MW Max 500 MW	We feel it is appropriate to have the lower tolerance reflecting the Licence Exemption limit, and the higher tolerance reflects the size of a large BM Unit.
5.	On average, how many man hours/days are currently spent by your organisation on a single GC/DC redeclaration (including any necessary analysis undertaken prior to the submission of the revised value)?	4 man hours per redeclaration	This excludes our standard monitoring activities, but does include validation of any breaches notified to us by Elexon. We believe that production and consumption redeclarations together account for an average of 5 man days per month.
6.	Does your organisation currently overestimate its DC submissions and, if so, would this practice change under P186? (please indicate whether this would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.	No	We do not over-estimate our DC submissions, but actively monitor our performance against DC in order to remain compliant with the BSC.
7.	Do you believe that P186 would have an impact on the amount of Credit Cover lodged by your organisation? (if yes, please indicate what this impact would be, and whether it would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.	No	

Q	Question	Response Error! Bookmark not defined.	Rationale
8.	Do you believe there are any other issues that the Modification Group has not identified and that should be considered as part of the Assessment Procedure for P186? Please give rationale	No	
9.	Are there any further comments on P186 that you wish to make?	No	

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<b>Respondent:</b>	E.ON UK
<b>No. of Parties Represented</b>	15
<b>Parties Represented</b>	E.ON UK plc, Powergen Retail Limited, Cottam Development Centre Limited, Enizade Ltd, E.ON UK Drakelow Limited, E.ON UK Ironbridge Limited, E.ON UK High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy.
<b>No. of Non Parties Represented</b>	-
<b>Non Parties represented</b>	-
<b>Role of Respondent</b>	Supplier, Generator, Trader, Consolidator & Exemptable Generator

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe that the Proposed Modification would better facilitate the achievement of the Applicable BSC Objectives? <sup>1</sup> Please give rationale and state objective(s)	Yes	We concur with the Modification Group that the proposed Modification will result in a reduction in the number of GC/DC breaches and as a result will facilitate cost and efficiency savings.

<sup>1</sup> Please note that cost and efficiency savings for Parties should be recorded against Applicable BSC Objective (c), with any BSCCo administrative savings under Applicable BSC Objective (d).

Q	Question	Response Error! Bookmark not defined.	Rationale
2.	Do you believe that the Alternative Modification developed by the Modification Group would better facilitate the achievement of the Applicable BSC Objectives, compared with the Proposed Modification and the current Code baseline? <sup>2</sup> Please give rationale and state objective(s)	Yes	We believe that the Alternative Modification achieves a greater level of efficiency when compared against the original P186. We note the analysis from ELEXON which suggests a 3-5% reduction in redeclarations could be achieved under P186 compared to 73% under the Alternative (figures based on sample data from 4-18 Jan 2005). We also agree with the Group that the Upper MW breach limit should help to alleviate concerns that the relaxation of redeclaration criteria may result in the under-provision of credit cover.
3.	What do you believe the percentage redeclaration threshold should be under the Alternative Modification? (a threshold of 2% is suggested in the consultation document).Please give rationale.	2%	
4.	What do you believe are the minimum/maximum BM Unit capacities that the percentage threshold should apply to under the Alternative Modification? (a minimum of 100MW and a maximum of 500MW are suggested in the consultation document, which would give lower and upper breach limits of 2MW and 10MW if a 2% threshold was adopted). Please give rationale.	Min 100 MW Max 500 MW	We are comfortable with the minimum and maximum MW breach limits as suggested by the Modification Group and agree with the rationale provided within the Assessment Consultation.
5.	On average, how many man hours/days are currently spent by your organisation on a single GC/DC redeclaration (including any necessary analysis undertaken prior to the submission of the revised value)?	1 man hour	per redeclaration

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6.	Does your organisation currently overestimate its DC submissions?  Would this practice change under P186? (please indicate whether this would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.	Yes  No	
7.	Do you believe that P186 would have an impact on the amount of Credit Cover lodged by your organisation? (if yes, please indicate what this impact would be, and whether it would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.	No	
8.	Do you believe there are any other issues that the Modification Group has not identified and that should be considered as part of the Assessment Procedure for P186? Please give rationale	No	
9.	Are there any further comments on P186 that you wish to make?	No	

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<b>Respondent:</b>	<i>Steve Dummond</i>
<b>No. of Parties Represented</b>	<i>2</i>
<b>Parties Represented</b>	<i>EDF Trading Ltd and EDF (Generation)</i>
<b>No. of Non Parties Represented</b>	<i>None</i>
<b>Non Parties represented</b>	<i>N/A</i>
<b>Role of Respondent</b>	<i>Trader / Generator</i>

<b>Q</b>	<b>Question</b>	<b>Response</b> Error! Bookmark not defined.	<b>Rationale</b>
1.	Do you believe that the Proposed Modification would better facilitate the achievement of the Applicable BSC Objectives? <sup>1</sup> Please give rationale and state objective(s)	Yes	The proposed modification would reduce the number of breaches of DC and therefore the number of cases having to be followed up by BSCCo and indeed the number of redeclarations by Parties. This would therefore primarily better achieve Objective (d), but also Objective (c), noting though that it does only impact on BMUs greater than 50MW.

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<sup>1</sup> Please note that cost and efficiency savings for Parties should be recorded against Applicable BSC Objective (c), with any BSCCo administrative savings under Applicable BSC Objective (d).

Q	Question	Response Error! Bookmark not defined.	Rationale
2.	<p>Do you believe that the Alternative Modification developed by the Modification Group would better facilitate the achievement of the Applicable BSC Objectives, compared with the Proposed Modification and the current Code baseline?<sup>2</sup></p> <p>Please give rationale and state objective(s)</p>	Yes	<p>The Alternative Modification goes further than the Proposed Modification and allows a wider tolerance band for breaches of GC/DC. It also would provide relaxation benefits across all BMUs and therefore, arguably it is also less discriminatory. It too would better facilitate Objectives (c) and (d) and more so than the Proposed Modification. Increasing the tolerance levels and so reducing the number of breaches will always deliver administrative benefits and the greater the relaxation the greater the admin efficiency. However the balance has also to be struck with increasing market risk at the same time. In this instance, market risk could have increased in the form of under-provision of credit cover, but the tolerance levels suggested by the Modification Group are reasonable and pragmatic and will only have very limited impact (if any, due to the other inaccuracies inherent in the CC calculation) on the credit cover provision. The main benefit is reducing of the administrative burden of BSCCo and Parties and this is achieved with little if any increased risk or costs to Parties. The addition of the caps is an important feature which we support as it limits any potential risk.</p>
3.	<p>What do you believe the percentage redeclaration threshold should be under the Alternative Modification? (a threshold of 2% is suggested in the consultation document).</p> <p>Please give rationale.</p>	1-2 %	<p>On the basis than demand estimation tends to be within 2% then applying this value would seem reasonable. However there is some nervousness that the proposed relaxation is subjective and is a doubling of the present level; it is probably at the limit of any relaxation proposal and so it should not be any greater than this. 1% would still not be that unreasonable though and as such would be more preferable, whilst we would not object if it was 2%.</p>
4.	<p>What do you believe are the minimum/maximum BM Unit capacities that the percentage threshold should apply to under the Alternative Modification? (a minimum of 100MW and a maximum of 500MW are suggested in the consultation document, which would give lower and upper breach limits of 2MW and 10MW if a 2% threshold was adopted).</p> <p>Please give rationale.</p>	Min 100 MW Max 500 MW	<p>Both these figures are reasonable and align with other market or physical parameters. If the percentage threshold of 1% was still used, then the breach limits would be 1MW and 5MW, which again is still reasonable levels and advances on the current levels.</p>

Q	Question	Response Error! Bookmark not defined.	Rationale
5.	On average, how many man hours/days are currently spent by your organisation on a single GC/DC redeclaration (including any necessary analysis undertaken prior to the submission of the revised value)?	N/A man hours / man days	This is now not applicable following the implementation of P140, but prior to this, it was a parameter we checked every day which would take 5min, but if there needed to be a redeclaration then filling in the forms etc would involve up to half an hour of activity twice a quarter on average. Occasionally there was a problem getting the appropriate signature which could lead to it taking half a day.
6.	Does your organisation currently overestimate its DC submissions and, if so, would this practice change under P186? (please indicate whether this would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.	No	Obviously we don't now because of P140, but we didn't before either. In fact the tendency on both GC and DC was to provide a margin on each and round up, it was never a precise calculation.
7.	Do you believe that P186 would have an impact on the amount of Credit Cover lodged by your organisation? (if yes, please indicate what this impact would be, and whether it would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.	No	Because of P140
8.	Do you believe there are any other issues that the Modification Group has not identified and that should be considered as part of the Assessment Procedure for P186? Please give rationale	No	
9.	Are there any further comments on P186 that you wish to make?	No	

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Proposed and Alternative Modifications, in order to support the Modification Group's cost-benefit analysis of P186. Where requested, this information can be treated as confidential – although all

information will be provided to the Authority.

Please send your responses by **12:00 noon on Monday 21 March 2005** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P186 Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Kathryn Coffin on 020 7380 4030 or [kathryn.coffin@elexon.co.uk](mailto:kathryn.coffin@elexon.co.uk).

## P186 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation, expressing their views or providing any further evidence on any of the matters contained within the consultation document. In particular, views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent:</b>	EDF Energy
<b>No. of Parties Represented</b>	9
<b>Parties Represented</b>	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power) Jade Power Generation Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; London Energy plc; Seeboard Energy Limited
<b>No. of Non Parties Represented</b>	0
<b>Non Parties represented</b>	N/A
<b>Role of Respondent</b>	Supplier / Generator / Trader

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe that the Proposed Modification would better facilitate the achievement of the Applicable BSC Objectives? <sup>1</sup> Please give rationale and state objective(s)	Yes	But we prefer the Alternative Modification. The original P186 would better facilitate objective (d) by reducing the number of redeclarations. However, with no upper limit on redeclaration even an error close to 1% on a exceedingly large BM Unit could lead to problems. This could lead to issues with certain calculations that would impact on other parties unfairly, potentially leading to problems with objective (c). Although this is an unlikely scenario it has to be considered when commenting on this modification.

<sup>1</sup> Please note that cost and efficiency savings for Parties should be recorded against Applicable BSC Objective (c), with any BSCCo administrative savings under Applicable BSC Objective (d).

Q	Question	Response Error! Bookmark not defined.	Rationale
2.	Do you believe that the Alternative Modification developed by the Modification Group would better facilitate the achievement of the Applicable BSC Objectives, compared with the Proposed Modification and the current Code baseline? <sup>2</sup> Please give rationale and state objective(s)	Yes	We feel that this modification addresses issues we have with the original modification. It also further reduces redeclaration of minor problems by introducing a minimum threshold. We see this minimum threshold as being a key aid to reducing redeclaration due to issues that have an insignificant effect on the market.
3.	What do you believe the percentage redeclaration threshold should be under the Alternative Modification? (a threshold of 2% is suggested in the consultation document). Please give rationale.	2 %	Although this value seems sensible we believe a modelling exercise of different values could be undertaken to determine impact of any value on the market. This could also investigate different minimum and maximum thresholds to give a method of determining all these values.
4.	What do you believe are the minimum/maximum BM Unit capacities that the percentage threshold should apply to under the Alternative Modification? (a minimum of 100MW and a maximum of 500MW are suggested in the consultation document, which would give lower and upper breach limits of 2MW and 10MW if a 2% threshold was adopted). Please give rationale.	Min 100 MW Max 500 MW	See response to question 3.
5.	On average, how many man hours/days are currently spent by your organisation on a single GC/DC redeclaration (including any necessary analysis undertaken prior to the submission of the revised value)?		The time spent is small. It would rate as an 'inconvenience' rather than a quantifiable resource issue. We support the Alternative Modification as it will reduce the present (although small) level of effort.
6.	Does your organisation currently overestimate its DC submissions and, if so, would this practice change under P186? (please indicate whether this would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.		We would agree that the present methodology does yield a tendency to overestimate DC submissions, if only to avoid the inconvenience of re-submissions. There are also issues, such as having to take a view on customer churn etc.

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
7.	Do you believe that P186 would have an impact on the amount of Credit Cover lodged by your organisation? (if yes, please indicate what this impact would be, and whether it would be as a result of the Proposed Modification or/and the Alternative Modification). Please give rationale.	Yes	We generally provide more Credit Cover than we are actually required to. If P186 (or its Alternate) is implemented, then we will review our current policy.
8.	Do you believe there are any other issues that the Modification Group has not identified and that should be considered as part of the Assessment Procedure for P186? Please give rationale	No	
9.	Are there any further comments on P186 that you wish to make?	No	

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Proposed and Alternative Modifications, in order to support the Modification Group’s cost-benefit analysis of P186. Where requested, this information can be treated as confidential – although all information will be provided to the Authority.

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