

Report Phase Consultation Responses

P307 'Amendments to Credit Default arrangements'



This Report Phase Consultation was issued on 14 November 2014, with responses invited by 2 December 2014.

What stage is this document in the process?

Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
Opus Energy Limited	3 / 0	Supplier
Good Energy Limited	1 / 0	Supplier, ECVNA, MVRNA
TMA Data Management Ltd	0 / 1	Supplier Agent
IBM UK Ltd on behalf of ScottishPower	6 / 0	Generator, Supplier, Non Physical Trader, ECVNA, MVRNA, Supplier Agent
Haven Power	1 / 0	Supplier
EDF Energy	10 / 0	Generator, Supplier

01	Initial Written Assessment
02	Definition Procedure
03	Assessment Procedure
04	Report Phase

Question 1: Do you agree with the Panel's initial unanimous recommendation that P307 should be approved?

Summary

Yes	No	Neutral/No Comment	Other
6	0	0	0

Responses

Respondent	Response	Rationale
Opus Energy Limited	Yes	-
Good Energy Limited	Yes	Allowing more time to manage a Credit Default and the removal of the Level 2 Cure Period will better facilitate efficiency in the BSC arrangements. In addition P307 may reduce slightly the levels of excess credit cover lodged, thereby facilitating competition.
TMA Data Management Ltd	Yes	We would have preferred to see the alternative being progressed as it would have had more impact; however we agree that P307 is an improvement compared to the current arrangements.
IBM UK Ltd on behalf of ScottishPower	Yes	The current Credit Default processes do incentivise over-security, and the proposed changes would allow for more flexibility, especially for smaller Parties. Ensuring the inclusion of business hours within the Query Period is an obvious win, allowing the Party to actually lodge more credit. We agree with the workgroups arguments on Objectives c and d.
Haven Power	Yes	-
EDF Energy	Yes	We agree that P307 better facilitates Applicable BSC Objectives (c) and (d). The current provision, in baseline BSC, whereby a default notice can be issued (where a Party's Credit Cover Percentage in any Settlement Period becomes greater than 80%) in circumstances (on a Friday evening) where there are no Business Hours available to resolve the issue before being publicly declared in default by the start of business on a Monday morning, is particularly difficult for smaller players which have difficulty accurately finessing their credit cover. It is also adverse for all players of any size – it is not normally possible to increase the size of a letter of credit, or move cash into the collateral cover

Respondent	Response	Rationale
		<p>account, outside of working hours. The current BSC therefore adversely incentivises Parties to lodge higher amounts of Credit Cover to avoid the consequences of default over a weekend.</p> <p>The proposed solution would extend the Query Period in these circumstances such that the Query Period would always include a minimum of five consecutive business hours. This removes an unreasonable risk to BSC parties, without (other than infinitesimally) increasing the risk to other BSC Parties of charges to them due to unsecured losses arising from defaults by others. All other aspects of the current Credit Default process would remain unchanged; we note that the workgroup contemplated altering, in an alternative variant, the triggers and thresholds for entering Credit Default, but has decided not to take such an alternative variant forward.</p> <p>We therefore believe that BSC P307 in what is now its sole form, would, based on the observations above, better facilitate the following applicable BSC objectives:</p> <p>Applicable BSC objective (c) 'promoting effective competition in the generation and supply of electricity, and applicable BSC objective (d) 'promoting efficiency in the implementation and administration of the balancing and settlement arrangements'</p>

Question 2: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P307?

Summary

Yes	No	Neutral/No Comment	Other
4	0	2	0

Responses

Respondent	Response	Rationale
Opus Energy Limited	-	-
Good Energy Limited	-	-
TMA Data Management Ltd	Yes	-
IBM UK Ltd on behalf of ScottishPower	Yes	The changes do seem to deliver the intention of the Modification.
Haven Power	Yes	-
EDF Energy	Yes	The text works as intended

Question 3: Do you agree with the Panel's recommended Implementation Date?

Summary

Yes	No	Neutral/No Comment	Other
6	0	0	0

Responses

Respondent	Response	Rationale
Opus Energy Limited	Yes	-
Good Energy Limited	Yes	In view of the potential benefits it is appropriate to implement as part of the next planned BSC Release.
TMA Data Management Ltd	Yes	-
IBM UK Ltd on behalf of ScottishPower	Yes	Implementation should be as quick as possible to realise maximum benefits
Haven Power	Yes	-
EDF Energy	Yes	We note that the Workgroup recommends an Implementation Date for P307 of 25th June 2015 if the Authority's decision is received on or before 12 February 2015; or 5th November 2015 if the Authority's decision is received after 12th February, but on or before 25th June. It has chosen these dates based on the 19 week lead time that Elexon identified as being required to implement the central system changes to deliver the proposed solution. These timing considerations make sense. We don't need extra time for any changes to any of our systems.

Question 4: Do you have any further comments on P307?

Summary

Yes	No
0	6

Responses

Respondent	Response	Rationale
Opus Energy Limited	No	-
Good Energy Limited	No	-
TMA Data Management Ltd	No	-
IBM UK Ltd on behalf of ScottishPower	No	-
Haven Power	No	-
EDF Energy	No	-