

# Assessment Procedure Consultation Responses

## P310 'Revised Credit Cover for Exporting Supplier BM Units'



This Assessment Procedure Consultation was issued on 27 October 2014, with responses invited by 17 November 2014.

What stage is this document in the process?

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

### Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
E.ON	7/0	Generator, Supplier, Interconnector User, Non-Physical Trader
EDF Energy	10/0	Generator, Supplier, ECVNA, MVRNA
Good Energy	1/0	Supplier, ECVNA, MVRNA
National Grid	-	Transmission Company
NEAS Energy A/S	1/0	Supplier, Interconnector User
RWE npower	10/0	Supplier
ScottishPower	6/0	Generator, Supplier, Non-Physical Trader, ECVNA, MVRNA, Supplier Agent
SmartestEnergy	2/0	Supplier
SSE plc	8/0	Generator, Supplier, Interconnector User
TMA Data Management Ltd	0/1	Supplier Agent

Question 1: Do you agree with the Workgroup's initial unanimous view that P310 does better facilitate the Applicable BSC Objectives than the current baseline?

## Summary

Yes	No	Neutral/No Comment	Other
8	1	1	0

## Responses

Respondent	Response	Rationale
E.ON	Yes	P310 better facilitates BSC objective (c) by reducing the cost of credit for small Suppliers thus aiding competition.
EDF Energy	Yes/No	-
Good Energy	Yes	We consider that the proposed solution is neutral to Applicable BSC Objectives (a), (b), (d), (e) and (f) because it has no impact on them and that it better facilitates Applicable BSC Objectives (c) because it will calculate more accurately the indebtedness of BSC Parties with embedded generation thereby allowing less credit cover to be lodged. This reduces the cost of credit cover for small suppliers, which facilitates competition.
National Grid	Yes	We agree with the rationale provided by the Proposer and the working group that P310 should support Applicable BSC Objective (c), helping to promote effective competition by removing a distortion from the current Credit Cover arrangements.
NEAS Energy A/S	Yes	The current setup distorts how BSC parties with embedded generation and no consumption should lodge credit cover in regards to the Indebtedness calculations. Removing this distortion will level the playing field in terms of competition.
RWE npower	Yes	We believe this modification would enable to eliminate unjustifiable high credit cover and associated costs some BSC parties will have to incur due to the nature of their portfolio (i.e with embedded generation but no demand) of BMUs, hence would create a more level playing field across parties thus improve competition.
ScottishPower	Yes	We consider that P310 is neutral against Applicable BSC Objectives (a), (b), (d), (e) & (f). P310 better facilitates Applicable BSC Objective (c) as, by

Respondent	Response	Rationale
		removing a defect in the current credit calculation which overstates the amount of credit to be provided by BSC Parties with SVA registered embedded generation, it reduces the costs of participation to those BSC Parties and thus better facilitates competition.
SmartestEnergy	No	<p>We are surprised that any party has GCs &gt;0 but DCs =0. In our experience, embedded generators have an import supply for periods when they are on outage. Surely a de minimis value could be entered? Say, 0.1 MWh.</p> <p>The costs associated with this change are low in the scheme of things but the benefit to Parties isn't just equally negligible, it's less than. Therefore, we cannot agree that the modification better facilitates the applicable BSC Objectives compared with the current baseline.</p>
SSE plc	Yes	<p>SSE agree that the current arrangements result in an clear and unwarranted distortion in the credit arrangements for BSC Parties contracting embedded generation only with no associated consumption to offset. The proposal allows for a metered volume proxy to be calculated in such circumstances such providing a better approximation of the likely imbalances needing to be secured.</p> <p>We support the workgroup conclusions that this will better facilitate applicable objective c) as the solution will remove an artificial imposition for Parties in such circumstances to over-secure and such their reduce their cost of providing collateral, encouraging a more level playing field in comparison to other Parties competing in the market.</p>
TMA Data Management Ltd	Yes	We agree that the proposed modification P310 better facilitates BSC Objective C by providing a more accurate representation of the required level of credit cover a Party would need to lodge, therefore lowering barriers for smaller Suppliers and therefore improving competition.

Question 2: Do you agree with the Workgroup that the draft legal text in Attachment A delivers the intention of P310?

## Summary

Yes	No	Neutral/No Comment	Other
6	0	4	0

## Responses

Respondent	Response	Rationale
E.ON	Yes	We have no comment on the draft legal text.
EDF Energy	Yes/No	<p>Existing text in BSC M1.2.3 confusingly mixes "or" criteria with "and" criteria.</p> <p>A BM Unit satisfying the new criteria specified in proposed revised M1.2.3(e) is also likely to meet the criteria in M1.2.3(a) and (c) (in relation to subsidiary and lead accounts respectively), because a Supplier BMU is a Consumption BMU by virtue of K4.7.2 and K3.5.2, unless it is also an Exempt Export BMU choosing otherwise.</p> <p>A BM Unit satisfying the new criteria specified in proposed revised M1.2.3(e) would also meet the criteria in M1.2.3(b) and (d) (in relation to subsidiary and lead accounts respectively) in the case where an Exempt Export BM Unit with <math>GC+DC&gt;0</math> has chosen to be a Production BM Unit. In this case, the formula is the same.</p> <p>It appears that additional legal text is required, or a rationalisation of legal text, to:</p> <ul style="list-style-type: none"> <li>• define uniquely the treatment applying to BM Units meeting the new criteria, or make any choice clear.</li> <li>• clarify the allocation of energy to a subsidiary account for a BM Unit meeting the new criteria, for example by extending the circumstances of M1.2.3(b) and excluding the circumstances from M1.2.3(a).</li> </ul>
Good Energy	Yes/No	We do not have a view on this but assume the Workgroup has taken expert advice in drafting the legal text.
National Grid	Yes	Yes except it appears that there may be a typo in 1.6.1(c) where it states i is detailed as a superscript rather than subscript

Respondent	Response	Rationale
NEAS Energy A/S	Yes	-
RWE npower	N/A	We have not review the legal text from a legal perspective.
ScottishPower	Yes	The draft legal text provided appears to deliver the intention of P310.
SmartestEnergy	No comment	-
SSE plc	Yes	-
TMA Data Management Ltd	Yes	The proposed draft legal text in Attachment A delivers the intention of P310 by ensuring that a Generation Capacity only BMU does participate in the reduction of the credit cover required by the responsible party.

Question 3: Do you agree with the Workgroup's initial unanimous view that P310 should be progressed as a Self-Governance Modification?

## Summary

Yes	No	Neutral/No Comment	Other
8	0	2	0

## Responses

Respondent	Response	Rationale
E.ON	Yes	The modification is unlikely to have a material effect on existing BSC parties and aids rather than acts as a barrier to competition.
EDF Energy	Yes/No	It is not obvious that the changes have no material impact, given the purpose of materially changing some parties' credit obligations, and therefore the levels of protection provided to other parties.
Good Energy	Yes	We agree with the Workgroup that the impact of P310 on BSC Parties is unlikely to be material and would aid rather than act as a barrier for competition.
National Grid	Yes	Yes we agree with the Workgroup's view that P310 should be progressed as Self-Governance
NEAS Energy A/S	Yes	I agree if this is what it takes to get the modification implemented with the June release.
RWE npower	Yes	Agree with Workgroup's view that P310 should be progress as a Self-Governance Modification as we do not anticipate any material impact on BSC parties as a result of this implementation.
ScottishPower	Yes	We agree that P310 should be progressed as a Self-Governance Modification. Although P310 has an impact on BSC Parties with SVA registered embedded generation, we do not consider that impact to be material and in any case would be beneficial to those Parties. The Proposal does not have a material impact on any of the other self-governance criteria.
SmartestEnergy	No comment	-
SSE plc	Yes	The error is self-evident, improves competition and has no distributional effects.

Respondent	Response	Rationale
TMA Data Management Ltd	Yes	-

Question 4: Do you agree with the Workgroup that there are no other potential Alternative Modifications within the scope of P310 which would better facilitate the Applicable BSC Objectives?

## Summary

Yes	No	Neutral/No Comment	Other
9	0	1	0

## Responses

Respondent	Response	Rationale
E.ON	Yes	Alternatives have been sufficiently explored and discussed by the work group prior to being discounted.
EDF Energy	Yes/No	None identified at this time. More fundamental changes to the BSC arrangements could allocate credit risks more efficiently, but would require more time and effort for uncertain benefit.
Good Energy	Yes	We note the Workgroup's conclusion that the proposed solution is better in terms of accuracy than the potential alternative solution they considered. We are not aware of any other potential Alternative Modifications within the scope of P310.
National Grid	Yes	-
NEAS Energy A/S	Yes	The proposed solution fixes the current problem, but keeps the level of complexity to a minimum.
RWE npower	Yes	Agree with Workgroup's view that there are no other potential alternative within the scope of P310 which would better facilitate the applicable BSC objectives.
ScottishPower	Yes	We believe that the Workgroup have considered the only other potential Alternative Modification and agree that the proposed solution best addresses the defect identified.
SmartestEnergy	Yes	-
SSE plc	Yes	-
TMA Data Management Ltd	Yes	-

## Question 5: Will P310 impact your organisation? Will your organisation incur any costs in implementing P310?

### Summary

Yes	No	Neutral/No Comment	Other
2	6	2	0

### Responses

Respondent	Response	Rationale
E.ON	Yes/No	We do not anticipate any significant direct impacts or related costs as a result of P310.
EDF Energy	Yes/No	Minimal impact expected: small change to risk arising from potential defaults by other BSC parties.
Good Energy	Yes	There will be no costs incurred in implementing P310 but there may be potential benefits from being able to reduce the level of credit cover lodged.
National Grid	No	We have not identified any impacts of P310 on our ability to operate the transmission system.
NEAS Energy A/S	Yes	We have embedded generation with no consumption. The solution will reduce our Credit Cover and hence also the cost attached to the credit. There might be minor cost to adapt the solution, but nothing that is not given back by the saved interest on the credit cover.
RWE npower	No	We do not anticipate any material direct impact as a result of the implementation of P310 at this point in time.
ScottishPower	No	Although ScottishPower has some SVA registered embedded generation, this is not considered to be of sufficient volume to significantly impact our QACE values and the resultant levels of credit cover required. We do not anticipate any material costs in implementing P310.
SmartestEnergy	No	-
SSE plc	No	-
TMA Data Management Ltd	No	-

## Question 6: Do you agree with the Workgroup's recommended Implementation Date?

### Summary

Yes	No	Neutral/No Comment	Other
9	1	0	0

### Responses

Respondent	Response	Rationale
E.ON	Yes	This allows enough time for ELEXON to make the necessary changes.
EDF Energy	Yes	Proposed dates of 25 June 2015 or 05 November 2015 are unlikely to present difficulties for EDF Energy, but sufficient notice to allow consideration of any CALF appeals in relation to CALF approval for the relevant BSC seasons would seem sensible.
Good Energy	Yes	Yes. We consider it appropriate for implementation to be part of the earliest practicable BSC Systems Release.
National Grid	Yes	Yes we agree with the implementation date recommended.
NEAS Energy A/S	Yes	The sooner the better. Since it's a very specific modification that might not target that many BSC parties I agree it should only be implemented at the first coming big update of the ELEXON systems.
RWE npower	Yes	Agree with Workgroup's recommended implementation dates subject to Panel's decision on whether it is a Self-Governance or Non Self-Governance modification.
ScottishPower	Yes	Yes. P310 should be implemented in line with the soonest available BSC System Release to enable its benefits to be delivered at the earliest date.
SmartestEnergy	No	-
SSE plc	Yes	-
TMA Data Management Ltd	Yes	We agree that depending on whether P310 is progressed as a self-governance modification or not, the implementation date should be June 2015 or November 2015.

## Question 7: Do you have any further comments on P310?

### Summary

Yes	No
3	7

### Responses

Respondent	Response	Comments
E.ON	No	No additional comments.
EDF Energy	No	-
Good Energy	Yes	P310 does not obviate the need for some parties with embedded generation to make applications under Section 5.5 of the CALF Guidance document using Appendix 7 to that document - Application to Request Alternative Methodology for Supplier BM Units or Exempt Export BM Units with Embedded Generation. These provisions must continue otherwise indebtedness is overstated for BM Units with a combination of import and export.
National Grid	No	-
NEAS Energy A/S	No	-
RWE npower	No	-
ScottishPower	No	-
SmartestEnergy	Yes	We are concerned about the suggestion that GCs are being exaggerated. Embedded generation can be very variable, especially because of wind. It would be ludicrous to expect parties to be continually re-declaring GCs.
SSE plc	No	-
TMA Data Management Ltd	Yes	We support the effort to make the credit assessment energy indebtedness more accurate. P310 is addressing a non-sense of the credit cover process.