

Report Phase Consultation Responses

P385 'Improving the efficacy and efficiency of the Section H Default provisions'

This Report Phase Consultation was issued on 14 October 2019, with responses invited by 30 October 2019.



Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

Consultation Respondents

Respondent	Role(s) Represented
ScottishPower Energy Management Ltd	Generator, Supplier, Non Physical Trader
SSE Electricity Ltd and SSE Energy Supply Ltd	Supplier, Supplier Agent
Npower Group	Supplier
Centrica	Supplier

P385
Report Phase Consultation
Responses

31 October 2019

Version 1.0

Page 1 of 7

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Question 1: Do you agree with the Panel's initial unanimous recommendation that P385 should be approved?

Summary

Yes	No	Neutral/No Comment	Other
4	0	0	0

Responses

Respondent	Response	Rationale
ScottishPower Energy Management Ltd	Yes	We agree with the recommendation and it's clear that the proposal would better facilitate objectives (c) and (d).
SSE Electricity Ltd and SSE Energy Supply Ltd	Yes	We agree that P385 should be approved. It better facilitates Applicable Objective C as it helps protect BSC Parties from the risk of debt from defaulting parties and therefore supports effective competition. It better facilitates Objective D as the new Events of Default and shorter time period to trigger certain Events of Default will more quickly and efficiently implement the BSC processes.
Npower Group	Yes	Earlier opportunities for default-trigger actions from Elexon ahead of the final notice of default from a failed BSC party could assist other parties e.g. if mutualisation impacts are understood sooner / can be planned / actioned earlier. Proposed changes to breach of credit cover rules to reduce the number of 'free passes' a BSC party gets before triggering default, would generally reduce market risk.
Centrica	Yes	<p>We agree that there are numerous reasons why BSC Parties may go into default and ultimately fail. However when Parties gain a competitive advantage over their competitors by adopting riskier business models, those more conservative Parties shouldn't then be additionally penalised by picking up the cost of failure.</p> <p>This Modification would not prevent failure from happening but may help to protect BSC Parties from an increasing debt burden that has the effect of stunting competition, especially for those Parties who cannot easily alter tariffs to cover the shortfall resulting from the mutualisation of bad debt.</p>

Question 2: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P385?

Summary

Yes	No	Neutral/No Comment	Other
4	0	0	0

Responses

Respondent	Response	Rationale
ScottishPower Energy Management Ltd	Yes	No rationale provided
SSE Electricity Ltd and SSE Energy Supply Ltd	Yes	No rationale provided
Npower Group	Yes	No rationale provided
Centrica	Yes	No rationale provided

Question 3: Do you agree with the Panel that the redlined changes to the Code Subsidiary Documents deliver the intention of P385?

Summary

Yes	No	Neutral/No Comment	Other
4	0	0	0

Responses

Respondent	Response	Rationale
ScottishPower Energy Management Ltd	Yes	No rationale provided
SSE Electricity Ltd and SSE Energy Supply Ltd	Yes	No rationale provided
Npower Group	Yes	No rationale provided
Centrica	Yes	No rationale provided

Question 4: Do you agree with the Panel's recommended Implementation Date?

Summary

Yes	No	Neutral/No Comment	Other
4	0	0	0

Responses

Respondent	Response	Rationale
ScottishPower Energy Management Ltd	Yes	No rationale provided
SSE Electricity Ltd and SSE Energy Supply Ltd	Yes	No rationale provided
Npower Group	Yes	No rationale provided
Centrica	Yes	No rationale provided

Question 5: Do you agree with the Panel's initial view that P385 should be treated as a Self-Governance Modification?

Summary

Yes	No	Neutral/No Comment	Other
4	0	0	0

Responses

Respondent	Response	Rationale
ScottishPower Energy Management Ltd	Yes	No rationale provided
SSE Electricity Ltd and SSE Energy Supply Ltd	Yes	No rationale provided
Npower Group	Yes	These rules will apply equally to all suppliers and not favour a supplier type, therefore self-governance seems appropriate
Centrica	Yes	We agree that Events of Default affect Parties who are not compliant with the BSC, therefore Parties acting 'within the rules' will not be impacted as a result of this Modification and as such will have no material impact on competition (Self-Governance criteria (a) (ii)).

Question 6: Do you have any further comments on P385?

Summary

Yes	No
0	4