

Report Phase Consultation Responses

P359 'Mechanised process for GC/DC declarations'

This Report Phase Consultation was issued on 15 May 2018, with responses invited by 14 June 2018.



Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
Drax Group PLC	2/0	Generator, Supplier
SmartestEnergy	1/0	Supplier
SSE plc	3/0	Generator, Supplier, Interconnector User
ScottishPower	2/2	Generator, Non Physical Trader, ECVNA, MVRNA

P359
Report Phase Consultation
Responses

12 Jun 18

Version 1.0

Page 1 of 7

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Question 1: Do you agree with the Panel's initial unanimous recommendation that P359 should be approved?

Summary

Yes	No	Neutral/No Comment	Other
4	0	0	0

Responses

Respondent	Response	Rationale
Drax Group PLC	Yes	<p>We agree with the Panel's initial unanimous recommendation that P359 should be approved.</p> <p>Applicable Objective (c) – Positive</p> <p>P359 will minimise the administrative burden placed on parties and reduce the associated compliance costs by introducing a central process to calculate appropriate replacement GC/DC values following a breach. This will ensure more accurate GC/DC values are used to calculate credit exposures and minimise potential bad debt liabilities accruing, which would ultimately be passed on to the consumer.</p> <p>Applicable Objective (d) – Positive</p> <p>The P359 solution will reduce the administrative burden placed on Elexon by improving the accuracy of GC/DC submissions and introducing a mechanised process following a breach. This increases efficiency in the implementation of BSC arrangements.</p>
SmartestEnergy	Yes	<p>The proposal is more efficient and ensures fairer play between parties. Therefore it meets objectives of efficiency and competition.</p>
SSE plc	Yes	<p>SSE support the Panel's majority view that P359 better facilitates objectives c) and d).</p> <p>SSE maintain that the solution will improve the overall accuracy of DC/GC values, providing a better assessment of credit cover requirements and thus supporting a more efficient allocation of risk and the cost to secure it.</p> <p>Equally, SSE believe that the solution will reduce the compliance burden that might otherwise be required of Parties to ensure accurate redeclarations, as well as the administrative burden placed upon BSCCo to pursue non-compliances.</p>

Respondent	Response	Rationale
ScottishPower	Yes	<p>We agree with the Panel's recommendation that P359 should be approved.</p> <p>By ensuring that accurate GC/DC values are used in that calculation of credit risk and that the risks of credit default are reduced and appropriately allocated P359 better facilitates competition, Applicable Objective (c).</p> <p>P359 automates the process for identifying and rectifying breaches of GC/DC values reducing the occurrence of credit default with its associated administrative burden and therefore better facilitates Applicable Objective (d).</p> <p>P359 is neutral against the other Applicable Objectives.</p>

Question 2: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P359?

Summary

Yes	No	Neutral/No Comment	Other
3	0	1	0

Responses

Respondent	Response	Rationale
Drax Group PLC	Yes	The legal text delivers the solution and intention of P359.
SmartestEnergy	No comment	-
SSE plc	Yes	-
ScottishPower	Yes	We believe that the draft text provided in Attachment A delivers the intention of P359.

Question 3: 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
Drax Group PLC	Yes	We believe that the recommended implementation date is achievable but would benefit from a prompt decision by the Authority to allow sufficient time for the implementation of P359.
SmartestEnergy	Yes	-
SSE plc	Yes	-
ScottishPower	Yes	Due to the lead time for system changes and the interaction with other system changes we agree with the proposed implementation date of 28 February 2019.

Question 4: Do you agree with the Panel's initial view that P359 should not be treated as a Self-Governance Modification?

Summary

Yes	No	Neutral/No Comment	Other
4	0	0	0

Responses

Respondent	Response	Rationale
Drax Group PLC	Yes	<p>P359 does not meet Self-Governance criteria (a) (v) since there would be changes to the code's governance procedures through the introduction of a new process for submitting GC and DC values.</p> <p>We also believe P359 does not meet Self-Governance Criteria (a) (ii) as the automatic setting of GC/DC may materially affect the commercial activities (i.e. lodging credit) of BSC parties.</p>
SmartestEnergy	Yes	-
SSE plc	Yes	SSE support the Panel view, and rationale, that this modification should not be progressed as a Self-Governance modification.
ScottishPower	Yes	If implemented, P359 will impact the BSC's governance procedures, through the introduction of a new process for submitting GC and DC declarations and therefore does not meet the Self-Governance Criteria.

Question 5: Do you have any further comments on P359?

Summary

Yes	No
1	3

Responses

Respondent	Response	Rationale
Drax Group PLC	Yes	We support the development of a guidance document on the GC/DC challenge process and criteria. Such guidance will provide industry parties with clarity around what reasoning could be used to successfully challenge the estimated value. Consulting with industry on the development of this guidance is crucial and will provide industry parties with an opportunity to highlight reasons why the estimated value may not be appropriate 100% of the time.
SmartestEnergy	No	-
SSE plc	No	-
ScottishPower	No	-