BSC Modification Proposal Form	At what stage is this document in the process?

P378

Mod Title:

Introduction of a CM Levy Planning Charge

01	Modification
02	Workgroup Report
03	Draft Modification Report
04	Final Modification Report

Purpose of Modification: To allow the industry to collect funds from customers, via Suppliers, to plan for the orderly and fair reinstatement of the GB Capacity Market once state aid clearance is given by the European Commission.

Please provide an initial view of the preferred governance route and how you want the Modification to be progressed

The Proposer recommends that this Modification should:

- be treated as urgent and progressed under a timetable agreed by the Authority

This Modification will be presented by the Proposer to the BSC Panel on 21 December 2018. The Panel will consider the Proposer's recommendation and determine how best to progress the Modification.

High Impact: Suppliers, Customers & BSCCo

Medium Impact: All BSC Parties

Low Impact:

Guidance on the use of this template*: Please complete all sections unless specifically marked for the BSC Change Analyst to complete.*

Green italic text is provided as guidance and should be removed before submission.

The BSC Change Analyst is available to help and support the drafting of any Modifications, including providing guidance on completion of this template and the wider Modification process. For questions and support please contact BSC Change at bsc.change@elexon.co.uk.

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Timetable

Please provide Proposer and Proposer Representative contacts and an indicative timetable. The BSC Change Analyst will update the contents and provide any additional Specific Code Contacts. The BSC Change Analyst can provide specific dates based on your Implementation Approach in Section 8.

The Proposer recommends the following timetable: *(amend as appropriate)*

Report Phase Consultation	14 January 2019 – 25 January 2019
Draft Modification Report presented to Panel	20 January 2019
Final Modification Report submitted to Authority	4 February 2019

Any questions?

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1 Summary

What is the issue?

The issue is that the GB electricity Suppliers, who are all signatories to the BSC, have no robust, legal framework to allow them to collect money from customers to plan for the eventual payment to the ESC for the Capacity Market (CM) Delivery Year 2018/19 in the event BEIS successfully secures CM back payments for CM agreement holders following state aid approval of the CM design, in line with Government policy. It is therefore difficult for Suppliers or customers to plan for a reinstatement and they could face a substantial financial shock in the future if the market does not plan for an orderly reinstatement of the CM with back payments to CM agreement holders as soon as practicable.

Issue 76 was raised to discuss the possibility of using the BSC to help the market manage the planning for the return of the CM, in line with Government policy. There was broad consensus that the BSC could be used for this purpose and that forward planning was a sensible action by the market as a whole. This was subsequently recognised by Government in BEIS's CM consultation of 19 December. This proposal is therefore based on many of the points raised and agreed in the Issue 76 workgroup.

Background

On 15 November 2018 the General Court of the Court of Justice of the European Union found in favour of Tempus Energy, against the European Commission, annulling the Commission's State aid approval for the UK Capacity Market (CM). All CM payments to CM agreement holders and by Suppliers have been suspended and all credit posted can be returned. However, the Government has said: "*The ruling does not change the UK Government's commitment to delivering secure electricity supplies at least cost, or our belief that Capacity Market auctions are the most appropriate way to do this.*"

On the 19th December 2018, BEIS launched a consultation around technical amendments to the CM, which stated: "*After careful consideration of the representations from industry, we are minded to continue to collect payments from suppliers during the [CM] standstill period, and welcome views on our intended approach and on how these payments should be collected. The two options we are considering, discussed below, are: for ESC to continue to collect the Supplier Charge, or a modification to the Balancing and Settlement Code (BSC).*"

BEIS has further communicated to the market that it will look to secure agreement from the Commission that the currently suspended CM payments will be paid to CM agreement holders, and thus the Suppliers will be asked to fund those repayments. As it is unclear when such repayments will be made, the potential timing and size of the bill to Suppliers, and therefore customers, is unknown, but could be substantial.

BEIS has requested that the parties obligated under the CM continue to discharge their obligations during the CM standstill period. In line with the BEIS minded to position, it would be prudent that Suppliers also continue to collect CM payments from customers. However, the Electricity Settlements Company (ESC), pending the outcome of the 19th December 2018 CM consultation, is currently instructed to stop collecting the CM payments from Suppliers by the Secretary of State, so Suppliers currently appear to have no robust legal basis for taking money from customers, all be it that they expect they will have to make back payments to ESC probably within the next 7-9 months (depending on state aid clearance).

While the market has supported the continuation of the CM, and urged the Government to find a pragmatic way forward, this industry is now "missing" one month of CM payments by Suppliers.

Furthermore the ESC has advised Suppliers that they can request the return of the money already paid to the ESC in respect of the CM in both October and November 2018. The value of the missing payments will escalate further as each month passes. The proposer therefore feel it is for the industry itself to undertake some contingency planning for the orderly reinstatement of the CM scheme in order to protect the CM parties and their customers from a price shock at some point in the future.

What is the proposed solution?

This modification would levy a new interim charge on Suppliers to be known as the CM Levy Planning Charge. The high level process will be as follows:

- BSCCo will ask ESC to provide the payment schedule, just for the CM Supplier Charge, for each Supplier for the CM Delivery Year 2018/19.
- Elexon will run a manual billing process on the first working day of each month to bill the Suppliers the new CM Levy Planning Charge, based on the CM Supplier Charge notified by the ESC, as outlined below (with a catch-up mechanism for missing months as defined below) with effect from 1 January 2019.
- A Supplier has 5 working days to pay the charge.
- If a Supplier does not pay their monthly CM Levy Planning Charge under the BSC they will be in breach of the BSC and Section H default processes will be followed.
- The money collected by BSCCo will be placed into a CM Levy Planning Fund account.
- When one of the trigger events outlined below occurs BSCCo will either transfer the payments received to the ESC, or it will return the money to the Suppliers in the manner outlined below.
- The value of the fund will be publically reported to all BSC parties monthly [10] working days after the payment due date for each month.
- These BSC arrangements will be cease to have effect once one of the trigger events occurs and all money is removed from the BSCCo held fund and the fund will be shut at that time.

2 Governance

Justification for Urgent progression

***Urgent -** A Modification Proposal which:*

(i) is linked to an imminent issue or a current issue that if not urgently addressed may cause:

(a) a significant commercial impact on Parties, Consumers or stakeholder(s); or

(b) a significant impact on the safety and security of the electricity and/or gas systems; or

(c) a Party to be in breach of any relevant legal requirements.

The proposer believe that this modification fulfils the urgency criteria and wishes it to proceed on an accelerated timetable.

The unfortunate limbo which the electricity market has been left in as a result of the EU court ruling needs to be urgently resolved by BEIS with the Commission. It has caused a very significant and immediate commercial impact on CM agreement holders and left Suppliers unable to plan and customers uncomfortable in paying the CM related charges. The direct impact on different parties needs to be addressed as a matter of urgency to add stability to the market. Failure to plan now for the reinstatement of the CM risks significant commercial impacts of all Suppliers, their customers and CM agreement holders at some point in the future. The impact of deferred CM payments on top of reinstated CM charges will be significant for end consumers.

The inability of the Suppliers to easily bill customers for charges they are highly likely to face in the future is creating an ongoing, and increasing, risk to them and their customers that they will not be able to comply with the CM Regulations when the CM is reinstated. While this modification does not resolve the CM issue directly it does provide a route to manage the situation that the market finds itself in. Being able to centrally plan for compliance with the CM will make it more equitable for customers as all Suppliers will comply, compared to a voluntary scheme, allowing Suppliers time to manage funds for repayment and reassuring investors funding for back payments is being accumulated in a prudent manner, so when back payments can be made the money to pay them will be available.

The proposer believe that the best of interests of customers are served by the implementation of this change quickly. If Suppliers can go on collecting their CM payments no customers should face a large bill when the CM is reinstated. Again some customers will be prudently planning around the CM suspension, but others will be unaware of the status of the CM, so if their bills go down now they are unlikely to save the CM payments for a later date. A customer facing a one off bill in for say 8-9 months of CM back payments to December may well get pushed into debt, fuel poverty or, as a business user, insolvency. The Government has never intended the CM to be an unmanageable payment for customers, with a one off catch-up it risks being exactly that.

For the market more broadly, one large bill to a Supplier may well push them into insolvency, creating additional costs to other parties under a wide variety of schemes such as the CM, BSC, RO, etc. as well as contracts like the BSC, CUSC, etc. Contracts and schemes based on mutualisation run a risk of creating a domino effect amongst those carrying the additional costs of a defaulting party. All BSC parties are already facing costs from Supplier defaults and to store up the costs likely to create further defaults in future months is a risk best managed via a centrally provide type of saving scheme.

Likewise the mutualisation arrangements risk making some customers over pay for schemes. If Suppliers or their customers cannot pay, the remaining Suppliers and their customers are forced to pay, meaning customers can pay more than their “fair share” of the policy costs. While none of these schemes is without these risks, the risks will be far greater if this modification is not implemented urgently and no central planning is undertaken.

There is an additional driver for an expedited timeline, which is the price cap review period. Currently CM payments are allowed under the price cap. However, with no obligation to pay remaining, it is unclear whether Suppliers can continue to collect the money from their customers, without this levy in place. This could leave suppliers facing a significant bill on resumption of the CM without any means to pay it. The next CM price review will be in February, therefore it is critical that there is certainty on this levy before then.

Additionally, to be most effective, this levy should collect the maximum possible number of payments. As retrospective obligations are poor governance, any element of retrospection should be minimised.

Therefore, the earlier this Modification can be implemented, the fewer retrospective obligations will be introduced.

Finally if Suppliers can tell customers that they will have to pay a new, interim, CM Levy Planning Charge base on their energy usage form 4-7pm on winter, weekday peaks the customers are more likely to respond to this signal as BEIS originally envisaged. This may have a positive impact on the use of the networks, wholesale energy prices, the efficiency of ESO balancing and the customers' own bills. While these load management effects are difficult to quantify, it was Government policy that this load management signal existed and maintaining it would therefore be in line with Government policy. Again this needs to be communicated to customers quickly to get the maximum benefits over the remaining winter months.

For those being asked to carry on meeting their CM obligations with no payments, being able to see that the money is being set aside to repay them once the CM is implemented again will shore up investor confidence. This may help companies convince financiers and shareholders to go on supporting their businesses for longer than is likely to be the case when they can see no planning for repayment. We do not believe it will stop all market exits, but it may slow the rate of exit and that will add to security of supply not only this winter, but importantly next winter as well. Having generation assets and DSR providers available to the ESO improve the economic efficiency of balancing, improve system security, and thus will be in the interest of all customers.

Requested Next Steps

This Modification should:

- treated as urgent and proceed under a timetable agreed by the Authority

The CM Levy Planning Charge will only be charged once a month, as the Suppliers said at the Issue 76 Group meeting that this is what they would prefer. The quicker the modification can be implemented the more likely it is that at the point the CM is reinstated that the necessary money will be ready to pay the eligible CM agreement holders. While the mod can be implemented later and multiple months collected in one go, this creates the risk of price shocks to Suppliers and their customers; a risk this modification is seeking to reduce. We therefore believe urgency is vital to show that the market and the Regulator support the Government's proposed course of action to reinstate the CM and achieve back-payments.

3 Why Change?

What is the issue?

There is currently a substantial CM liability being accumulated by the Supplier in the GB electricity market. We do not believe that all Suppliers feel willing to go on collecting CM payments from customers when they are not being billed by the ESC, and we are concerned that not all will be saving all charges they have levied. There is therefore a substantial risk to all customers, Suppliers, CM agreement holders and all BSC parties that reinstatement of the CM creates a default risk across the market. We have already seen Suppliers face material costs from the RO mutualisation process and this mod will aim to reduce the risks to all parties. A future large CM payment will put further Suppliers at risk of failure unless some sensible planning is achieved.

Suppliers going out of business will have implications across the market place, for example:

- Renewable generators with PPAs will be concerned about supplier defaults;

- ESO security of supply concerns will increase if generators/DSR providers cannot fund their activities for the longer term;
- Customers will risk substantial bills at a later point in time and the smearing of additional costs; and
- Knock on impacts to monopolies both for their funding and potentially operationally.

All of these issues have an impact on BSC parties and the efficient operation of the BSC. We therefore believe that the BSC is an appropriate vehicle to help manage this market wide risk.

Supplier & Customer Issues

The proposer recognise that there are arguments against creating this CM planning levy; prudent operators (be their customers or Suppliers) will be planning for the CM reinstatement. However, this view is can be considered short sighted, not recognising that the prudent companies may pay more in the longer term if they do not support a central scheme which ensures that ALL those who should be acting prudently are actually putting away money.

At the Issue 76 meeting a number of Suppliers also raised issues around how they would account for such payments. Again we recognise that every new charge, levy, fine, etc. which a business faces they need to account for. However, it is not for BSCCo to offer accounting advice and the proposer believe that the Suppliers could seek independent tax advise collectively through bodies such as Energy UK or ICOSS.

4 Code Specific Matters

Technical Skillsets

The proposer wish to thank the industry for the work they have put in, at short notice, to help develop this modification under Issue 76. We believe it is largely for Suppliers to comment on the technicalities of this proposal.

Reference Documents

BSCCo has already sought legal advice from Dentons, which the proposer believe has been most useful. Those reviewing this modification may want to refer to the slides Denton's provided, but it is useful to note that their initial advice was:

- Careful design of a BSC fund would minimise any risks of breaching state aid rules. We note that this is an industry led initiative with broad support. BEIS has been informed of this proposal, but not consulted on it. The design seeks to create a savings fund to manage a known industry risk, but it is not seeking to copy the CM design and it will not, at any time, pay CM agreement holders.
- Either Elexon holding the funds, or a "trust account", or "escrow agreement" approach is feasible. We propose this part of the solution is consulted on as BSCCo believes either can be established in a timely manner and they have advised they already have an established, currently unused bank account they can use.
- There is no incompatibility of BSC solution with Transmission Licence.
- Denton's noted that it was prudent to consider impact on suppliers separately under competition law. In drafting this change we have sought to treat all Suppliers equitably, to ensure that they are facing monthly bills similar to those they would see were the CM arrangements to have continued. We believe that all businesses favour stability and predictability. Furthermore,

Suppliers supplying under the Price Cap have a CM allowance in the total energy cost they bill so it would appear that competition is best served by making sure all Supplier actually face the costs that they are billing to customers. For those not comfortable billing customers without a legal or contractual requirement to collect money for a specific cost recovery element (often the case for I&C customers for whom such charges are "pass through"), this mod will give a basis to bill customers, again making sure that all customers do not move to the less prudent Suppliers to secure lower costs now.

Parties may wish to refer to the BEIS statements on their intent to reinstate the CM with back payments:

https://www.gov.uk/government/collections/electricity-market-reform-capacity-market

5 Solution

Proposed Solution

The BSC will have a new CM Levy Planning Charge levied on Suppliers until the end of September 2019. The money collected will be held by BSCCo until one of these events occurs:

a) The CM is reinstated and invoices for payment for the relevant months are issued by the ESC; or
b) If the CM standstill is not lifted after all routes of appeal are exhausted as determined by the Panel on request by a Supplier; or
c) In the absence of (a) or (b) the end of September 2020.

In the event of outcome (a) BSCCo will on behalf of the Suppliers commence the transfer of the payments by Suppliers into the CM Planning Fund to the ESC along with the information on the contribution made by each Supplier to the CM Planning Fund.

In the event of either (b) or (c) BSCCo will refund to the Suppliers from the CM Planning Fund the contributions each has made to the Fund.

How Suppliers choose to refund their customers is a commercial issue over which the BSC has no vires. The regulatory body with the power to force Suppliers to act in a specific manner, such as repay customers, is Ofgem.

The levy will be a simple fund, without provisions for credit cover or the mutualisation of any shortfall. Any failure to make a payment will be treated as being in default of the BSC, and carries the same BSC sanctions.

Use of Existing CM Supplier Charge Schedule

The invoices under the new CM Planning Levy charge will be based on the Capacity Market Supplier Charge schedule for each Supplier as provided to Suppliers in July 2018. Under this modification, the Suppliers will give permission to BSCCo and ESC to share the payments schedule, and other relevant data.

Whereas Suppliers' ESC Supplier Charges are revised by the ESC once actual data is available and the revised charges are applied from May to September and a notice of the revised payments, using actual data, is sent to Suppliers before the start of the Delivery Year, the BSC will not be revising the payment schedule and the money collected will be based on the monthly payments already notified to each Supplier.

The proposer would like to see this modification implemented as soon as possible in the interests of end consumers, Suppliers and CM providers, but recognise that the timing is difficult. We therefore propose that the modification would be effective from 1 January 2019 to make sure that the CM Planning Fund is kept as whole as possible. This means if the modification is implemented by March then the invoice in March will be for January, February and March charges.

There have been no monies collected by ESC for December, and payments from October and November can be returned to Suppliers. In order to make the Levy Planning Fund value aligns as closely as possible with the Suppliers' future liabilities, these "missing months" would be collected, with payments spread over the 2 months following the first invoice of this new charge.

Were the first charges to be levied in March the following schedule of payments would apply:

- March 2019 – invoice for January, February and March 2019
- April 2019 – invoice for April 2019 plus half the amount due from October 2018, November 2018 and December 2018
- May 2019 – invoice for May 2019 plus half of the amount due from October 2018, November 2018 and December
- June 2019 – invoice for June 2019
- July 2019 – invoice for July 2019 ……

While this has the advantage of simplicity it does mean that the Suppliers will need to plan for adjustments at the point the CM is reintroduced and back payments billed. The BSC will not be making any CM payments, nor will it be reconciling CM Supplier payments, it will just be facilitating the sensible planning by the market for the achievement of the Government's stated policy aims. It will be the role of the ESC to reconcile the payments to the Suppliers once the CM is reinstated and to make necessary back payments for CM agreement holders.

Credit & Mutualisation

The BSC will not hold any credit for this new CM Levy Planning Charge nor will there be any mutualisation, i.e. if a Supplier defaults and misses a payment the Charge to other Suppliers will not increase.   It is recognised that events of default, or change in owners, would under ESC CM payment reconciliation processes alter a Supplier's liability, but the BSC process will not make those changes.

Failure to make any payment of this charge will, as with other BSC non-payments, be an event of default under the BSC and as such will have the normal sanctions applied to it, including the ability to be expelled from the BSC. In the event of any default, the Supplier's BSC credit will only pay outstanding BSC charges excluding any unpaid CM Levy Planning Charge. This will ensure that BSC parties have the same financial exposure to defaulting BSC parties as they currently do.

Invoicing & Payment

In terms of the invoicing process, with the exception of the first month, Elexon will manually issue bills on the first working day of each month and payment will be due in 5 working days. New banking details will be provided by Elexon to all Suppliers at least [5] working days before the first invoice is issued.

Were this modification to be implemented within the first 15 days of a month (i.e. 15 March 2019) then Elexon would issue an invoice as soon as possible thereafter, for payment within 5 working days. After that first month the invoices wold be issued on the first working day.

There will be no separate administration charged associated with this scheme and it will be funded by the BSC parties as part of BSCCo's operational costs. However, any interest received on the money held in the CM Levy Fund will be retained by BSCCo to firstly offset the costs of administering the Fund and there after defrayed to BSC parties. The workgroup discussed whether interest should be allocated to specific parties, but they agreed that this was too complicated for the purposes of this modification. All BSC parties benefit from the orderly operation of the electricity market and we believe that this modification is aiming to benefit all parties by facilitating sensible planning which energy companies and their customers will benefit from.

Payment from the fund

It is expected that the ESC will invoice Suppliers once the CM restarts. At that point BSCCo will on behalf of each Supplier transfer an amount equivalent to that paid by the Supplier to the ESC within [10WDs]. Where a Supplier was liable in a given month, but defaulted before payment it is expected that the ESC will be addressing missing money via the CM mutualisation process.

The workgroup concluded that payments should be made direct to ESC, rather than to Suppliers, to ensure that the money collected from customers is going towards the purpose for which was intended.

In the event that the CM standstill is not lifted, or by the end of September 2020, the money will be returned to the Suppliers. BSCCo will pay the Suppliers back their contributions to the Fund within 10 working days.

Disputes

All invoices under the CM Levy Planning Charge can be queried for manifest errors like other BSC charges.

Reporting

The proposer suggest that the value of the total invoices raised in the month, money received in the month and cumulative amount invoices and cumulative amount received should be reported to BSC Parties [10] working days after the payment due date each month via an Elexon Circular.

BSC Drafting

The proposer do not have the legal or BSC expertise to track all of the changes required, but believe changes are needed to BSC Sections D, H, N, X and the definitions.

Issues for Consideration

The specific areas which we believe need to be consulted on are:

- Should this Fund be set up to cover the period up to the end of the current CM Delivery Year (as drafted) or cover the Delivery Year 2019/20 as well?
- Is the schedule of payments outlined above (i.e. where the “missing months” are recovered) sensible?
- Is the long stop date for repayments of the Fund to Suppliers set at the right point in time?
- The proposal is to place the money in an Elexon account. Are parties satisfied with this and if not what type of account would be more appropriate?
- This proposal does not facilitate Suppliers who may want to make additional or ad hoc payments into this fund. Would Suppliers want the ability to pay more to plan for what they believe may be their financial exposure in the future?

6 Impacts & Other Considerations

We do not believe that there are cross code issues.

We did consider if the other codes were a more appropriate vehicle to undertake this Supplier wide planning and saving scheme, but felt that the BSC is the most appropriate vehicle as its charges do not link to financial years, all Suppliers are signatories and the BSC contains all of the metering data which the CM itself relies on. We therefore believe the BSC is the most efficient and appropriate code to use.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This does not interact with a SCR. However, the longevity of this modification is linked to a decision on state aid clearance for the GB's CM regime by the European Commission.

Consumer Impacts

We have detailed above that we believe it is in the best interests of all customers that this forward planning and saving around a known, future, potential liability is undertaken centrally and prudently. Ofgem, like the rest of the market, does not know if/when the CM will be reinstated. However, planning on the basis of the worst case in terms of the bill a customer will see would appear to be serving their best interests. It is also in customers' interests if this planning allows more robust Supplier businesses to stay in business and limits the risks from significant mutualisation occurring at some unknown date if the CM is reinstated in the future.

It is recognised that it is Government who sets the policy goals and it is for Ofgem to deliver them. As BEIS has said it wants the CM to be reinstated and it wants back payments to CM agreement holders, the regulator helping Suppliers and customers plan for that eventuality would be in line with both their Primary and Secondary Statutory Duties.

Environmental Impacts

None envisaged.

7 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Positive
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	Positive
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Positive
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Positive
(g) Compliance with the Transmission Losses Principle	Neutral

Please explain how this change will positively or negatively impact the Applicable BSC Objectives and concisely explain the rationale.

Objective (b) - CM providers are more likely to continue operating as usual over winter if they believe that CM payments will be backdated and funds are available for this. Were a significant number of generators/DSR providers to go out of business the TOs, DNOs and ESO may struggle to maintain secure supplies at economically efficient prices for end consumers. We also note that signalling to customers the financial benefit of managing their peak demand, where they can, further helps with system operations. Security of supply is vital for the wider economy as well as individual customers.

Objective (c) - Having funds available for the restarting the CM in an orderly manner will reassure investors to continue operating as normal. The continued collection will also help Suppliers protect their customers from a price shock upon restarting the CM. Requiring Suppliers to pay into the fund will also ensure that if there is mutualisation in the future it will not be the prudent parties who end up paying more as a result of defaults by others in the market. Keeping the market as stable as possible, by creating a “business as usual” framework will help all parties compete on a level playing field.

It will also align with the Ofgem price cap if all Suppleirs are paying a charge which the price cap allows the regulated Suppliers to recoup.

Objective (d) - Limits the risk of BSC Parties paying Default Funding Shares on defaulting Parties resulting from significant costs in restarting the CM. All Suppliers are exposed to both the BSC costs of party defaults. They also face similar risks under the CM (as well as other schemes). Allowing the effective management of these risks will reduce the costs of defaults and hopefully avoid and domino effects from defaulting Suppliers.

Objective (f) – when the CM is given state aid clearance, the existence of this fund will make it easier for the market to readjust back to the CM regime. So while not helping the regime at the current time, we believe that planning for future changes in the CM arrangements will make reestablishment of the CM more economic and efficient.

8 Implementation Approach

The proposer support implementation as soon as possible. We believe it may be possible to implement the modification in time to send out bills in February, but if not then by the start of March.

The important issues is to give notice to Suppliers, and therefore their customers, that funds may start to be collected with an effective date of 2 January 2019 so that the market can forward plan in a sensible manner.

9 Legal Text

We have not provided legal text.

10 Recommendations

Proposer's Recommendation to the BSC Panel

The BSC Panel is invited to:

- Agree that PXXX be progressed as an Urgent Modification Proposal; and
- Agree that PXXX be sent directly into the Report Phase.