

## **Summary of the Modification Proposer's position, as reflected in the Modification**

The Modification raised can be summarised as follows (brief explanations in brackets). This follows an Issue 76 workgroup where the principles adopted were of simplicity and expediency:

### Features of Collection of Funds

- Amounts - Amounts to be based on the existing CM forecast Schedule (simplicity)
- Credit Cover - No credit cover requirement (to avoid double credit cover and cash flow issues since ESC still holds credit cover)
- Mutualisation - No mutualisation (to have mutualisation during the collection period would see paying suppliers doubly suffer if they had to bear mutualisation compared to non paying suppliers)
- Escalation - use existing BSC default sanctions (given no Credit Cover and no mutualisation, escalation and enforcement needs to be swift and meaningful)

### Duration

- Collect monies only for 18/19 year, ending Sept 19 – consult also on collecting for 19/20 year, ending Sept 20.
- Note that if CM year 19/20 is included, the current CM schedule is for Oct 18-Sept 19. Will need mechanism to obtain 19-20 schedule
- Include ultimate long stop date of Sept 20 (which could be further extended by a subsequent mod if desired)

### Effective Date and historic payments/missing months

- Scheme to be effective from 1 Jan 2019 even if Mod not approved til later (publicising intent from 1 Jan will give more certainty).
- Payments from and including Jan up to month following Mod approval will be invoiced in lump sum once Mod approved
- Payments for months after Mod approved will be invoiced monthly
- Payment for Dec 18, and for Oct 18 and Nov18 now that ESC is returning Oct and Nov payments upon supplier request, will be smeared equally over months 2 and 3 (this is to smooth payments for 'missing' months but should be consulted on)

### Trigger for Release of Funds and destination of funds

- If ESC invoices the supplier levy for same period, funds to be released to ESC (alternative of releasing funds to Suppliers to pay to ESC introduces additional non-payment risk; or
- If CM standstill is not lifted after all appeals, as determined by the Panel on request by a Supplier, funds to be returned to Suppliers; or
- Long stop date of end Sept 2020 – (consult on this, noting that a subsequent Mod could always extend further)

### Account Management

- ELEXON to hold funds as per other ELEXON funds and existing ELEXON account governance considered adequate (alternative of escrow or trust to be consulted on)
- Direct Debit - DD may not be available for ELEXON account (DD takes time to establish but ELEXON will investigate)
- Interest – ELEXON to accrue and use to defray costs of this scheme and other BSC Costs (returning interest to suppliers considered too complex, to ESC or to CM Providers considered outside scope of this Mod, to ELEXON to defray industry costs considered most appropriate)
- No late payment interest (complex to operate and calculate manually and consistent with reasons for excluding credit cover and mutualisation)

### Reporting

- ELEXON to publish amount invoiced and collected by month and by cumulative total
- Published on BSC Website and Circular

The above is subject to more detailed legal analysis, plus VAT and accounting treatment.