P278 Impact Assessment Responses

What stage is this document in the process?

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

Impact Assessment issued on 15 November 2011.

We received responses from

Company	Role of Parties/non-Parties represented
RWE Supply & Trading GmbH	Supplier/ Generator/ Trader/ Consolidator/ Exemptable Generator/ Party Agent
SONI Ltd (System Operator for Northern Ireland)	Interconnector Administrator (IA) and Interconnector Error Administrator (IEA) for the Moyle Interconnector
IBM (UK) Ltd. (for and on behalf of ScottishPower)	Supplier/ Generator/ Trader/ Consolidator/ Exemptible Generator/ Distributor
BritNed Development Ltd	Interconnector Administrator, Interconnector Error Administrator
National Grid Interconnectors Limited	Interconnector Administrator, Interconnector Error Administrator
National Grid Electricity Transmission Ltd	Transmission Company
EDF Energy	Generator/ Supplier/ Trader/ Party Agent/ Consolidator/ Exemptable Generator

Impact Assessment by BSC Parties

Question 1: Would P278 impact your organisation?

Responses

Respondent	Response
RWE Supply & Trading GmbH	Yes. Work will need to be undertaken to change various internal forecasting systems to reflect a TLM of 1 for the Interconnector BM Units.
SONI Ltd	Yes. This proposed amendment will have a positive impact on SONI as IEA and to other Interconnector Users generally as it removes the losses charges for Interconnector Users. The amendment does not require any specific actions by SONI.
IBM (UK) Ltd. (for and on behalf of ScottishPower)	No
BritNed	Yes

Respondent	Response
Development Ltd	• Communicate changes to IU's • Training to BritNed Helpdesk staff for clarification of any potential questions or issues • Update BritNed Trading Guide and circulate to market participants • Set TLM within BritNed Auction Platform to 1
National Grid Interconnectors Limited	Yes. Impact/effect expected in imbalance volume calculations. No changes necessary to any NGIL systems/processes.
National Grid Electricity Transmission Ltd	No
EDF Energy	Yes. Changes to internal systems, documents and processes that use interconnector BM Unit data as part of market monitoring, reporting and forecasting would be required. The changes should be relatively modest, but at least 3 months notice should be provided to allow detailed impact assessment, design/procurement, testing, and implementation where necessary. This is separate from the timescale needed to allow the commercial impact on costs to be reflected in existing wholesale and retail contractual positions.

Question 2: Would your organisation incur any costs in implementing P278?

Responses

Respondent	Response
RWE Supply & Trading GmbH	Yes. It is envisaged that the cost to make the required changes to our internal forecast systems would be a one off cost in the region of £20k. It would make no difference to the cost as to which implementation approach is taken because the system changes would still have to be made.
SONI Ltd	No
IBM (UK) Ltd. (for and on behalf of ScottishPower)	No
BritNed Development Ltd	No
National Grid Interconnectors Limited	No
National Grid Electricity Transmission Ltd	No
EDF Energy	Yes. We expect our technical implementation cost would be relatively modest, provided sufficient notice is given for any change.

Respondent	Response
	Implementation approach A, outside a normal BSC Release, could incur some additional overhead costs, depending on exact timing of any change relative to other internal development work. Implementation approach B, as part of a normal BSC release, would be preferable as it would be more likely to allow sharing of project resource with other BSC changes that require implementation. Currently, Modification Proposal P277 would be the only other BSC Modification likely to affect the same systems and processes as P278, and most likely to have implementation synergies if implemented with it.

Question 3: How long (from the point of Ofgem approval) would you need to implement P278?

Responses

Respondent	Response
RWE Supply & Trading GmbH	3 months minimum. The key drivers are the changes required to the various forecasting systems. These changes would first have to be made to the test systems and fully tested before implementing in the production environment. Any changes would need to be factored into any existing project plans.
SONI Ltd	No lead time is required.
IBM (UK) Ltd. (for and on behalf of ScottishPower)	1 day. Update the TLMO values into systems.
BritNed Development Ltd	2 months. No difference with options a, b or c. Time requirement for documentation updates and approval and internal training.
National Grid Interconnectors Limited	n/a
National Grid Electricity Transmission Ltd	No lead-time required.
EDF Energy	At least 3 months for system changes, possibly more for commercial re-negotiation. Interconnector BM Unit data is part of the data used within EDF Energy for monitoring, reporting and forecasting the operation of the electricity market, in order to optimise our activities within it. Currently, the proportion of transmission loss allocated to interconnector BM Units in each half-hour follows the same rules and uses the same one of two values as allocated to all other BM Units. Although some internal systems simply use the value reported in BSC settlement data, some use ETLMO values for forecasting short term market effects such as imbalance, and some might be hard-coded to expect and use only two values. The potential adoption of special rules for interconnectors, resulting in 3 possible values for any given

Respondent	Response
	BM Unit in a half-hour, would require associated changes to internal systems and processes. Additionally, the separate processes used for forecasting our own allocation of transmission losses would need to be adjusted to take account of the change. Although these changes should be relatively minor, they would require full impact assessment and the specification of a solution, testing and implementation. EDF Energy does not itself have registered Interconnector BM Units and so would not be directly commercially impacted itself in respect of such BM Units. However, a systematic change to the allocation of GB transmission losses between ourselves, our partners, our trading counterparts and competitors, if this proposal were to be approved, would require a review of contractual arrangements, and potential changes to trading agreements. Hopefully there would not be legal issues, but if there were, these could be expensive and time-consuming. In any case, the re-allocation of the total cost of GB losses away from users of the interconnector to all other users would require a small revision of overall energy cost forecasts informing wholesale trades and customer tariffs. If the impact of this proposal on existing and new commercial contracts and prices is discovered to be significant, a notice period of 1 year would reduce the reduce the costs and risks of managing the transition if this proposal were to be approved.

Question 4: Would you like to make any further comments on P278?

Responses

Respondent	Response
RWE Supply & Trading GmbH	No
SONI Ltd	Yes. SONI Ltd totally support this modification as it removes the anomaly of charging Interconnector Users and the IEA for GB transmission system losses as both National Grid and SONI Ltd participate in the European Inter-TSO Compensation scheme.
IBM (UK) Ltd. (for and on behalf of ScottishPower)	No
BritNed Development Ltd	No
National Grid Interconnectors Limited	Yes. There could potentially be different future effects when NGIL adopts implicit auctions, the commercial model for which has not been finalised. This will be examined further as the project

Respondent	Response
	progresses.
National Grid Electricity Transmission Ltd	Yes. Whilst we have not identified any immediate implementation costs, there may be other costs arising from not implementing this proposal in a timely manner. We would expect to identify these as part of the consultation process.
EDF Energy	Yes. The European Regulations appear to relate only to transmission losses deemed to arise due to transit flows, not to the allocation of transmission losses associated with energy delivered to or from users within a particular system. That is to say, losses associated with the netted amount of external flows to and from a system, not the net amount of external flows to or from that system. The current Trading Unit rules have the effect of allocating a proportion of GB Transmission Losses only to the net amount of flow, with the netted amount not liable for a share. This approach might better reflect the principles contemplated by the regulations, rather than exempting interconnector flows from any share altogether. We understand that the Inter-TSO Compensation Scheme (ITC) contains the details of how the deemed losses due to transit flows are estimated and allocated between participants to the scheme, with some Transmission Companies receiving compensation and others paying towards it. However, this seems to be a confidential document, so it is difficult to be certain exactly what it does or does not include and how this relates to the GB arrangements, where losses thus far have been allocated directly between users, not to the Transmission Company. Also, it is not clear, from the documentation provided, exactly how amounts paid or received by the Transmission Company under the ITC are allocated between GB participants. This lack of transparency, and determination by Transmission Companies without reference to users and market participants, is not something we are accustomed to in the GB market, and we urge the workgroup to relay concern to the relevant organisations, and to seek as much information as it can to inform the ongoing analysis of the impacts of this proposal.