

P277 Report Phase Consultation Responses

Consultation issued on 9 March 2012

We received responses from the following Parties

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

| Company | No BSC Parties / Non-Parties Represented | Role of Parties/non-Parties represented |
|--|--|---|
| Vattenfall Energy Trading GmbH | 1 / 0 | Trader / Party Agent |
| IBM (UK) Ltd. (for and on behalf of ScottishPower) | 7 / 0 | Supplier / Generator / Trader / Consolidator / Exemptible Generator / Distributor |
| National Grid | 1 / 0 | Transmission System Operator |
| SONI Ltd | 1 / 0 | Interconnector Administrator / Interconnector Error Administrator |
| E.ON | 6 / 0 | Supplier / Generator / Trader / Consolidator / Exemptible Generator |
| EDF Energy | 10 / 0 | Supplier / Party Agent / Consolidator / Generator / Exemptible Generator / Trader |
| RWE Supply & Trading GmbH | 10 / 0 | Supplier/Generator/ Trader / Consolidator / Exemptible Generator / Party Agent |
| National Grid Interconnectors Limited (NGIC) | 1 / 0 | Interconnector Administrator / Interconnector Error Administrator |

Question 1: Do you agree with the Panel's initial recommendation that P277 should be rejected?

Summary

| Yes | No | Neutral/No Comment |
|-----|----|--------------------|
| 6 | 2 | 0 |

Responses

| Respondent | Response | Rationale |
|--|----------|---|
| Vattenfall Energy Trading GmbH | No | We believe that P277 would better facilitate Applicable BSC Objectives (c), (d) and (e). Administrative burden and imbalance risks would be reduced. |
| IBM (UK) Ltd. (for and on behalf of ScottishPower) | No | <p>ScottishPower believe that there are potential benefits to be realised by implementing the modification, mainly under Objective c.</p> <p>While it is true that the Modification will give rise to some discrimination against the majority of existing UK based Parties, we feel that a simplification of the administration associated with Interconnector operations will give rise to an increase in the number of European users and providers offering power into, and purchasing power from the UK market. In turn this will increase liquidity within GB, stimulating internal competition.</p> <p>The current GB rules, differing as they do to the way markets are operating in the European sector could be seen as a barrier to participation from outwith GB.</p> <p>We also note that there is a lot of work ongoing at present to harmonise the "user experience" of Interconnector users to that of the other European states (e.g. changes to BSUoS and Losses), and while not strictly resulting from legislation, this change could be seen to be in the spirit of Objective e.</p> |
| National Grid | Yes | The simplification of arrangements may give benefit to a small number of parties but costs and potential undue discrimination against other (non interconnector) parties means that P277 would not better achieve Applicable BSC Objectives. |
| SONI Ltd | Yes | The adoption of this proposal would allow companies trading on interconnectors to net off their volumes, thus potentially creating an unlevel playing field with interconnector users receiving more favourable trading arrangements than other market participants. SONI believes that interconnectors should be treated in the |

| Respondent | Response | Rationale |
|------------|----------|--|
| | | same manner as other parties ascribed to the Balancing and Settlement Code and therefore this proposal should be rejected. |
| E.ON | Yes | <p>We continue to believe that implementing this solution for interconnector BMUs only would give these GB market participants favourable arrangements to others, in reducing notification risk and potentially some consolidation benefits; this would be anticompetitive thus negative under Objective (c). (Which outweighs any possibility of a small positive impact on European trade under Objective (e); we do not believe that the current GB market arrangements present any barrier to entry). The fact that correct usage of ECVNs solves the issue identified by the proposal also means that this modification would not advance Objective (d), particularly when the central cost of implementation is £67k in addition to approximately £100k per IA/IEA and up to £35k per affected party. As this modification would benefit some parties only and with no material cost-savings we cannot support it.</p> |
| EDF Energy | Yes | <p>There is no evidence that possible very small increases in cross-border trade due to a discriminatory advantage given to cross-border volumes would improve the operational efficiency of the GB system. There is no evidence that BSC objectives (a) and (b) concerning Transmission Company licence conditions and efficiency of operation of the transmission system respectively would be better met.</p> <p>The proposal would create undue discrimination between parties flowing physical volume to and from the GB system on interconnectors, and those flowing physical volume to and from the GB system from GB generation and GB demand. This would take several forms:</p> <ol style="list-style-type: none"> 1) Interconnector Users would have a reduced traded volume notification risk. All parties have faced the risk associated with making errors in notification of traded volumes, since NETA was implemented. On occasion, parties have suffered loss due to such errors. To exempt interconnector users from this risk would be discriminatory. 2) Interconnector Users would be able to consolidate any small uncertainty in volumes flowing on an interconnector with: <ol style="list-style-type: none"> a) the uncertainty in volume on other interconnectors, to reduce net imbalance in |

| Respondent | Response | Rationale |
|--|----------|--|
| | | <p>a manner not available to other users with flows in different directions in different locations.</p> <p>b) the uncertainty of any affiliated generation (or demand, but not both) within GB, to reduce net imbalance. This would give such generation (or demand) a small advantage over parties with generation (or demand) in GB only.</p> <p>These impacts would act against BSC Objective (c) concerning competition.</p> <p>There would be central and party implementation costs, with very limited ongoing operational saving, given that all current parties have already developed systems and processes to accommodate the current arrangements. Savings in central costs because of avoided costs in managing disputes concerning notification errors by interconnector users would be minimal. More special rules for interconnectors would not simplify the BSC arrangements overall. These factors indicate there would no benefit against BSC objective (d) concerning efficiency of the BSC arrangements.</p> <p>Whilst it might provide small benefits for those engaged in cross-border trade, and could represent a very small step towards harmonisation with European systems where trading on a single account is normal, we are not aware of any European legislation that explicitly requires this change, and consider potential benefits, if any, under BSC objective (e) are outweighed by the disadvantages against BSC objectives (c) and (d).</p> |
| RWE Supply & Trading GmbH | Yes | RWE Supply & Trading endorse the view of the Panel. |
| National Grid Interconnectors Limited (NGIC) | Yes | <p>Whilst initiatives to de-risk cross-border trade are generally welcomed, on balance the Applicable BSC objectives are not achieved as follows in NGIC's view:</p> <p>Objectives A, B neutral to the proposed change.</p> <p>Objective C – not achieved. Would seem to introduce improved opportunity/risk for a certain class of BM Unit types, reportedly against the original NETA design principles that prevented vertically integrated parties from having a netting advantage over smaller parties.</p> <p>Objective D – It has not been made clear how difficult or otherwise it is for Interconnector Users to automate the processes to eliminate the risk of current</p> |

| Respondent | Response | Rationale |
|------------|----------|--|
| | | <p>BM Unit pair operation. No other Interconnector users have raised this as a problem in recent years. NGIC is generally supportive of initiatives to de-risk cross-border operation, although it is unclear whether the benefits of P277 would outweigh the costs of implementation.</p> <p>Objective E – neutral. Whilst Regulation 714 promotes enhancement of internal energy market, it would not seem that this administrative aspect of GB market (BM Unit pair) would constitute a non-compliance.</p> |

Question 2: Do you agree with the Panel's recommended Implementation Date for P277 (if approved)?

Summary

| Yes | No | Neutral/No Comment |
|-----|----|--------------------|
| 8 | 0 | 0 |

Responses

| Respondent | Response | Rationale |
|---|----------|---|
| Vattenfall Energy Trading GmbH | Yes | - |
| IBM (UK) Ltd. (for and on behalf of ScottishPower) | Yes | - |
| National Grid | Yes | If approved, the Implementation Date is achievable. |
| SONI Ltd | Yes | <p>February 2013 would be the earliest viable date due to the impact the proposal would have on SONI's Auction Management Plan which has only recently been developed and implemented for the Moyle interconnector. Significant changes would be required to this platform resulting in costs which would have to be approved by the Utility Regulator and necessary arrangements made with the product's vendor – a process which would take in the region of 9-12 months.</p> <p>SONI are also the Interconnector Administrator for the forthcoming EWIC interconnector which will use the same platform. As both AMP and EWIC will be undergoing substantial testing before commissioning, an earlier deployment date is not viable.</p> |
| E.ON | Yes | We note that one Assessment Consultation respondent seemed to prefer 27 June 2013 to 28 February 2013 (Danske). |
| EDF Energy | Yes | The proposed implementation dates each allow at least 9 months notice from a decision date to implement the proposal, if it is approved. The assessment indicates that 9 months notice should give sufficient time for the necessary central system and party changes. |
| RWE Supply & Trading GmbH | Yes | - |

| Respondent | Response | Rationale |
|--|-----------------|---|
| National Grid Interconnectors Limited (NGIC) | Yes | If approved, the February 2013 implementation date is achievable. |

Question 3: Do you agree with the Panel that the redlined changes to the BSC, BSCP15, BSCP31, BSCP65 and CRA Service Description deliver the intention of P277?

Summary

| Yes | No | Neutral/No Comment | Other |
|-----|----|--------------------|-------|
| 6 | 0 | 1 | 1 |

Responses

| Respondent | Response | Rationale |
|---|----------|---|
| Vattenfall Energy Trading GmbH | Yes | - |
| IBM (UK) Ltd. (for and on behalf of ScottishPower) | Yes | - |
| National Grid | Yes | The proposed text appears to meet the proposal's objective. |
| SONI Ltd | Yes | SONI believes that the documents deliver the intention of P277. |
| E.ON | Yes | The proposed Code and BSCP changes appear to meet the proposal's intention. |
| EDF Energy | - | We have not checked the detailed changes. |
| RWE Supply & Trading GmbH | Yes | - |
| National Grid Interconnectors Limited (NGIC) | - | - |

Question 4: Do you have any further comments on P277?

Summary

| Yes | No |
|-----|----|
| 2 | 6 |

Responses

| Respondent | Response | Rationale |
|---|----------|--|
| Vattenfall Energy Trading GmbH | No | - |
| IBM (UK) Ltd. (for and on behalf of ScottishPower) | No | - |
| National Grid | No | - |
| SONI Ltd | Yes | SONI are of the opinion that that this modification has much wider implications and should only be considered as part of a wider market implementation as it seeks to amend one of the underpinning design principles of the BETTA market. |
| E.ON | No | - |
| EDF Energy | No | No further comments at this time. |
| RWE Supply & Trading GmbH | No | - |
| National Grid Interconnectors Limited (NGIC) | Yes | Transition arrangements will need careful consideration should P277 be approved. Changes to IFA Access Rules may also be required. |