

Modification P71 'Transfer of Imbalances caused by Balancing Services to the Transmission Company Energy Account'

URGENT MODIFICATION CONSULTATION

Date of Issue: 17:00 Wednesday 6 March 2002

Responses Due: **14:00 Tuesday 12 March 2002** (To: Modifications@elexon.co.uk)

1. Introduction

Please find attached Modification Proposal P71 'Transfer of Imbalances caused by Balancing Services to the Transmission Company Energy Account', raised by the Transmission Company on 4 March 2002. The Transmission Company requested that Modification Proposal P71 be treated as Urgent, and this request was granted by the Panel and confirmed by the Authority.

2. Background

Modification Proposal P71 has been raised by the Transmission Company to propose a prospective implementation of Modification Proposal P34 'Transfer of Imbalances caused by Balancing Services to the Transmission Company Energy Account'.

Modification Proposal P34 was raised by the Transmission Company on 14 August 2001. Modification Proposal P34 sought to amend the settlement calculations such that any imbalance caused by the provision of certain balancing (Ancillary) services is transferred from the balancing services provider's Energy Account to the Energy Account of the Transmission Company, thus removing such energy from the consequence of exposure to imbalance charges (Energy Imbalance, Information Imbalance and Non-Delivery Charges).

Modification Proposal P34 required that the definition of the balancing services to which this mechanism would apply and the methodology for the calculation of the energy volumes associated with the provision of such balancing services, be defined by the Transmission Company and approved by the Authority, with the governance falling outside of the provisions of the Balancing and Settlement Code (the BSC) (proposed to fall under the Connection Use of System Code (CUSC / Transmission Licence)). Modification Proposal P34 also required a retrospective implementation date of 23 August 2001.

Therefore Modification Proposal P71 is similar in all respects to Modification Proposal P34, with the exception of the retrospective implementation date, as Modification Proposal P71 is intended to have a prospective implementation only.

Modification Proposal P34 had an extensive Assessment Procedure, detailed in the associated Assessment Report (MAR03436_20¹), undertaken by the Pricing Issues Modification Group (PIMG). The Assessment Report contained the recommendations of the PIMG pertaining to Modification Proposal P34 and these were considered at the Panel meeting of 14 February 2002. The Panel noted that the PIMG recommended rejection of Modification Proposal P34 (recommending approval of an Alternative Modification P34) on the grounds that:

- Modification Proposal P34 has a retrospective implementation date; and
- The governance structure proposed by Modification Proposal P34 (i.e. under the CUSC / Transmission Licence) was not supported by the PIMG.

¹ Available on the BSC Website: www.elexon.co.uk/ta/modifications/modsprops/P034/P34P36_AR_v2.pdf

The Panel supported the recommendations of the PIMG with respect to Modification Proposal P34 and the draft Modification Report (MR034²) contained the provisional recommendation from the Panel to the Authority that Modification Proposal P34 be rejected and that an Alternative Modification P34 be recommended for approval. The Alternative Modification P34 addresses the concerns of the PIMG relating to the governance structure and the retrospective implementation date. Modification Proposal P71 addresses the only the issue of the retrospective implementation date, and is the same as Modification Proposal P34 in all other respects.

The Modification Report for Modification Proposal P34 is to be submitted for consideration at the Panel meeting of 14 March 2002 for the Panel to finalise the Modification Report for submission to the Authority for decision.

The proposed timetable for Modification Proposal P71 is intended to ensure that the Final Urgent Modification Report be submitted to the Panel for consideration at the same meeting (14 March 2002), to be finalised and submitted to the Authority for decision at the same time as the Final Modification Report for Modification Proposal P34.

The details of the Assessment Procedure and the rationale of the PIMG with regards to the recommendations made are contained within the Assessment Report for Modification Proposal P34. The details of the Panel deliberations and the rationale of the panel regarding the recommendations made to the Authority are contained within the draft Modification Report for Modification Proposal P34.

Given that Modification Proposal P71 is the same as Modification Proposal P34, barring the implementation date, it is not intended that Modification Proposal P71 be re-assessed. Modification Proposal P34 was extensively assessed by the PIMG, over the course of six months, with due consideration given to all issues. Therefore, the Assessment Procedure can be considered to have been completed, and all due process followed.

Therefore, in order to provide a draft Urgent Modification Report for consideration at the Panel meeting of 14 March 2002, this consultation has been initiated for Modification Proposal P71.

² Available on the BSC Website: www.elexon.co.uk/ta/modifications/modsprops/P034/P34_MR_v0_2.pdf

3 URGENT MODIFICATION CONSULTATION: Modification Proposal P71

You are invited to provide a response in respect of this Modification Proposal. In so doing, please answer the following questions:

- 1A. Do you believe that Modification Proposal P71 better facilitates achievement of the Applicable BSC Objectives than the current BSC Baseline?
- 1B. What is the rationale for your answer to question 1A?
2. Do you have any further comments on the Modification Proposal:

Please send your responses by **14:00 Tuesday 12 March 2002** to the following email address:

Modifications@elexon.co.uk

Please entitle your email 'P71 Consultation Response'

Any other queries or questions on the content of the consultation document should be addressed to Mandi Francis (020 7380 4377) or Richard Clarke (020 7380 4304). Email addresses: Richard.Clarke@elexon.co.uk & Mandi.Francis@elexon.co.uk

List of Attachments:

Modification Proposal P71 plus supporting paper.

The Applicable Code Objectives are set out in paragraph 3 of Condition C3 of the Transmission Licence, as follows:

- (a) The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;
- (b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;
- (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;
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.