

Responses from P77 Draft Report Consultation

Consultation issued 26 July 2002

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	EdF Generation	P77_MR_001	2
2.	TXU Energy	P77_MR_002	21
3.	SEEBOARD	P77_MR_003	1
4.	Edison Mission	P77_MR_004	1
5.	Aquila Networks	P77_MR_005	1
6.	British Gas Trading	P77_MR_006	1
7.	British Energy	P77_MR_007	3
8.	Scottish Power	P77_MR_008	5
9.	Scottish and Southern	P77_MR_009	4
10.	LE Group	P77_MR_010	1
11.	Entergy-Koch Trading Limited	P77_MR_011	1

P77_MR_001 – EdF Generation

On behalf of EdF (Generation) and EdF Trading Ltd, I would like to support the proposal made within P77 and that it be implemented as soon as possible. Ideally, the increase of the number of BM Units should have been greater than two, but we acknowledge the present operational limitations.

Furthermore, it is our view that any resultant costs incurred by the Interconnector Administrator or the Interconnector Error Administrator should be reimbursed, since they derive no benefit from the changes and it is a duty imposed by the BSC on external parties.

Kind regards

Steve Drummond
UK Market Adviser to EdF Trading Ltd

P77_MR_002 – TXU Energy

Thank you for the opportunity to comment on Modification Proposal P77 (Interconnector Multiple BM Units). This response is on behalf of all TXU Europe companies (21 BSC Parties).

TXU supports the recommendations of the IMG that the proposal be implemented on the grounds that it better facilitates the promotion of effective competition in generation and supply of electricity.

Yours faithfully

Nicola Roberts
Market Development Analyst
TXU Europe Energy Trading Ltd.

P77_MR_003 – SEEBOARD

With respect to draft modification report for above mentioned proposal, dated 26th July. We agree with recommendations of this report and details of implementation timescales therein.

Dave Morton
SEEBOARD Energy Limited

P77_MR_004 – Edison Mission

Comments on Modification P77 Draft Modification Report

Edison Mission Energy strongly opposes Modification P77.

This modification has gained support in the consultation process due to a belief that it will promote competition. Its approval will not increase the amount of generation available for use by the SO and other issues appear to have been either overlooked or not fully explored by the Modification group. We note that the Modification group membership consisted of only one member who did not have a direct interest in this Modification being approved. Indeed the request for membership specifically sought representation from 'Interconnector Users, Interconnector Error Administrators, Interconnector Administrators and the System Operator'.

This potential creation of additional BM Units only for interconnected parties clearly discriminates against all other E&W BM Units in the following ways:

1. It allows substitution of generation behind the interconnector;
2. Dynamics do not have to be linked with the generation source; and
3. TNUoS treatment is inequitable.

Substitution of generation

If approved, this modification will exacerbate an advantage already enjoyed by Scottish generators that trade across the interconnector. Currently, substitution of generation behind the interconnector is allowed in the event of a problem with a BM Unit in gate closure timescales. For example were an interconnected Party to partly meet its interconnector export using a coal set which tripped, the shortfall could be made up by hydro generation. Because this substitution is possible, the interconnected Party avoids exposure to imbalance charges. This facility is not available to England and Wales BM Units as substitution would breach the Grid Code. ***This inequality of treatment is contrary to the BSC principle of promoting effective competition in the generation and supply of electricity.*** Allowing an additional 2 BM Units will only increase this ability to substitute generation.

Dynamics not linked to generation source

P77 proposes that an interconnected Party has 3 BM units. At any one time, one of these BM Units could be configured so that its MEL equates to the Party's full interconnector entitlement giving the Party the ability to interchange generation sources to meet the entitlement at different times of the day. For example at peak times, all three BM Units could be exporting using hydro plant, at off peak times, energy could come from coal or gas. Section BC1.4.2(a) of the Grid Code requires Physical Notifications for any BM Unit to be consistent with Dynamic Parameters. For this Grid Code clause to apply equally to all BM Units, the generation source (hydro, coal or gas) and the Maximum Export Limit should be linked to each BM unit and the dynamics should be consistent with this generation source. One possible solution is for the MEL of each of the three proposed BM unit to be limited to its percentage share of the generation portfolio. Thus if the interconnector entitlement for an interconnected Party is say 800MW and an interconnected Party owns or is entitled to 500MW of hydro plant in a portfolio of 2GW of plant, the MEL for the hydro BM unit would be 200MW. We believe that this should at least have been considered as part of the Modification Group discussions to lessen the advantage to Scottish interconnectors. Furthermore, since the interconnector is no longer a single BM Unit, the data submission requirements of Schedule 1,2,3,9 and 14 of the Data Registration Code of the Grid Code which apply to Large Generators should apply rather than Schedule 12 which only applies to interconnectors.

Inequitable TNUoS charges

If interconnected Parties do not wish to link BM units to generation sources, the basis of TNUoS charges should be changed to equate it to that paid by E&W generators. E&W generators pay TNUoS charges on the basis of their Generation Capacity (GC) regardless of whether or not they regularly export at this level. Interconnectors effectively pay TNUoS charges on the basis of the rated capability of the interconnector. Since each interconnected BMU could (without the changes suggested above) have a GC that equates to their full interconnector entitlement, TNUoS should instead be charged on the sum of the GCs of all the BM interconnected Units. Without this change to TNUoS charges, ***P77 effectively gives an interconnected party three generation sources of equivalent size to the interconnector export capability for the price of one TNUoS charge.***

Finally, a number of responses to the P77 questionnaire highlighted that this change would be superseded once BETTA is introduced as BETTA would require a BM Unit for each meter. In combination with the reasons given above, this leads us to conclude that P77 is both unfair and unnecessary at the current time. If any such changes are to go ahead prior to the introduction of BETTA, Scottish interconnected parties should be allocated a BM Unit per meter as Edison suggested in its response to the first P77 consultation.

I hope that you find these comments useful, please do not hesitate to contact Kevin Dibble on 0870 238 5523 if you wish to discuss them further.

Yours faithfully

Libby Glazebrook
Manager, Market Development

P77_MR_005 – Aquila Networks

Please find that Aquila Networks Plc response to P77 Consultation on draft Modification Report is 'No Comment'.

regards
Rachael Gardener

Deregulation Control Group &
Distribution Support Office
AQUILA NETWORKS

P77_MR_006 – British Gas Trading

Thank you for the opportunity of responding to this consultation. British Gas Trading Ltd (BGT) support this proposal. Allowing the better representation of plant dynamics through the interconnectors will improve market efficiency and therefore better facilitate the Applicable BSC Objectives.

Yours faithfully

Danielle Lane
Transportation Analyst

P77_MR_007 – British Energy

British Energy believe that the change unfairly discriminates in favour of I/C Users compared with other BMU operators in E&W. The change also opens up the opportunity for abuse as described in the report. The sanction of a SO inquiry in such circumstances does not seem sufficient. See more detailed comments below:

1. Ability of IU's to register multiple BM Units could be viewed as discriminatory; such a facility not available to other E&W BMUs
2. We do not agree the proposed modification better facilitates the applicable BSC objectives. Allowing a particular category of BSC party to register multiple BM units could be viewed as discriminatory. The prime driver for this modification proposal is to allow Interconnector Users to provide additional services to the system operator, particularly in the post PGB era. This can still be achieved by the IU's via setting up separate legal entities allowing necessary additional BM units to be acquired via this route. Whilst this may not be the most elegant solution, it nevertheless ensures:
 1. Costs associated with securing the additional BM units rest solely with the Parties causing the costs to be incurred and are not therefore incurred by all other parties to whom the 'benefits' of multiple BM units are not available.
 2. No specific additional central system costs are incurred other than the normal incremental costs derived from any newly registered BSC Party
3. Although if implemented, the mitigation of potential market abuse arising from multiple IU BMUs by the use of Grid Code clauses BC2.5.1.3 and BC2.5.3.2 and subsequent SO investigation procedures has been noted. However it is unclear whether any such post-event sanctions are punitive and under what vires for example, prevention of IU's from using the Interconnector can be performed as IUs are not necessarily subject to the same governance arrangements as operators in England and Wales. What process prevents further BMU's being registered and used to access the I/C, particularly as these I/C BMUs are, by definition, plant TYPE behind the interconnector rather than plant specific.

Regards

Rachel Ace

on behalf of

British Energy Power and Energy Trading
British Energy Generation Ltd
Eggborough Power Ltd

P77_MR_008 – Scottish Power

Thanks for the opportunity to respond to the P77 Modification Report.

We refer to our previous comments in respect of this proposal and would wish to reiterate our support for P77, which we believe, will meet the Applicable BSC Objective in respect of the promotion of competition in generation and supply.

We note the comments from NGC that there would be potential operational difficulties in allowing more than two additional BMU pairs per Interconnector User. While our preference continues to be that up to four additional BMU pairs per IU should be allowed, we would be prepared to support the recommendation of both the P77 Modification Group and the Panel because of the benefits to be gained from proceeding with this modification.

We have considered the revision to the legal drafting to give effect to P77 and agree that it is appropriate.

I trust that you will find these comments helpful. Nonetheless, should you require further clarification of any of the above, please do not hesitate to contact me.

Yours Sincerely,

Man Kwong Liu
Calanais Ltd.

For and on behalf of: - *Scottish Power UK Plc.; Scottish Power Energy Trading Ltd.; Scottish Power Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.*

P77_MR_009 – Scottish and Southern Energy

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd.

Further to your note of 26th July 2002, and the associated Modification Report for P77, as the proposer of this Modification Proposal we fully support and agree with the proposed BSC Panel recommendation to the Authority that this Modification Proposal P77 should be made.

If the Modification Proposal P77 is approved, we agree with the proposed BSC Panel recommendation on the timing for the Implementation Date, as outlined in Section 1.1 of the Modification Report and we hope that the Authority will

provide a decision prior to the 11th September so that this Modification Proposal can be implemented as soon as practical.

Regards

Garth Graham
Scottish & Southern Energy plc

P77_MR_010 – LE Group

Thank you for the opportunity to comment. We support the Panel's unanimous recommendation of P77. We agree with the Panel's view that P77 would promote effective competition in the generation and supply of electricity (Applicable BSC Objective 3(c)). This is because allowing an Interconnector User (IU) to register an additional two pairs of BM units would allow IUs to more easily represent the dynamics of their available plant, thus allowing greater choice to the System Operator in the Balancing Mechanism.

Indeed we believe that the Applicable BSC Objective 3(c) would be considerably better achieved if an IU could register more than two additional BM Units, but we recognise that currently such an increase may cause problems for the Transmission Company's systems.

Finally, with reference to Section 1 of the Modification Report, we believe that any resultant costs incurred by the Interconnector Administrator or the Interconnector Error Administrator should be reimbursed. This reimbursement should be funded centrally by BSC Parties as the proposed modification benefits the market as a whole through the better achievement of Applicable BSC Objective 3(c).

Rob Hetherington
for Liz Anderson, Energy Strategy & Regulation Manager
LE Group plc

P77_MR_011 – Entergy-Koch Trading Limited

Entergy-Koch Trading Limited ("EKTL") supports the changes outlined in modification proposal P77.

The proposal will increase efficiency of trading across the interconnector by giving the system operator a greater choice of bids and offers. EKTL agrees with the panel recommendation that this proposal improves the applicable objectives of the BSC.

Yours sincerely,

Adam Cooper
Regulatory Affairs
Entergy-Koch Trading Limited