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MODIFICATION REPORT
MODIFICATION PROPOSAL P77 -
Interconnector Multiple BM Units

Prepared by ELEXON on behalf of the Balancing
and Settlement Code Panel

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b Distribution

Name	Organisation
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The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
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c References

Ref.	Document	Owner	Issue Date	Version
1	Modification Proposal P77	ELEXON	05/04/02	1.0
2	Modification P77 Initial Written Assessment	ELEXON	12/04/02	1.0
3	Modification P77 Assessment Report	ELEXON	12/07/02	1.0

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1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal during the Assessment Phase, and the resultant findings of this report, the Balancing and Settlement Code Panel recommends that:

Modification Proposal P77 should be made with an Implementation Date of:

- **10 December 2002 if a determination is made by the Authority prior to 11 September 2002; or**
- **25 February 2003 if a determination is made on or after the 11 September 2002**

Note that the 3-month implementation timescale is driven by the development lead-time of the Scottish Interconnector Administrator. The Interconnector Administrator has expressed concerns over the cost recovery mechanism needed for this development. This will be the subject of separate discussions between the Scottish Interconnector Administrator and the Authority.

1.2 Background

Modification Proposal P77 'Multiple Interconnector BM Units' (P77) seeks to increase the number of Balancing Mechanism (BM) Unit pairs an Interconnector User (IU) may register per Interconnector, from the current limit of one pair (one BM Unit for Production and another for Consumption), to allow the registration of up to an additional two pairs of BM Units.

The proposer suggests that with the existing limit of one Production and one Consumption BM Unit, the dynamics of the different types of plant that exist at the other side of the Interconnector cannot be fully represented within the Bid Offer pairs and associated plant dynamics submitted by the IU. It is suggested that this limits the ability of IUs to make Bids and Offers that reflect the dynamics of the underlying plant and hence their ability to have these offers accepted by the System Operator.

1.3 Rationale for Recommendations

The unanimous view of the Panel was that P77 would promote effective competition in the generation and supply of electricity (Applicable BSC Objective (c)), by allowing IUs to more easily represent the dynamics of their available plant and so allow greater choice to the System Operator in the Balancing Mechanism.

Eleven responses to the consultation were received, eight responses (representing 36 Parties) supported the Panel's recommendations and two (representing 4 Parties) did not support the proposal but did not raise any substantial new issues. A summary of the arguments raised for and against the Modification Proposal is given in section 8.

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd., on behalf of the Balancing and Settlement Code Panel ('the Panel'), in accordance with the terms of the Balancing and Settlement Code ('the Code'). The Code is the legal document containing the rules of the balancing mechanism and imbalance settlement

process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the Code.

This Modification Report is addressed and furnished to the Gas and Electricity Markets Authority ('the Authority') and none of the facts, opinions or statements contained herein may be relied upon by any other person.

An electronic copy of this document can be found on the BSC website, at www.elexon.co.uk

3 HISTORY OF PROPOSED MODIFICATION

P77 was raised on 5 April 2002 by Scottish and Southern Energy Plc. P77 seeks to allow IUs to register up to an additional two BM Unit pairs per Interconnector, each additional pair consisting of one consumption BM Unit and one production BM Unit (see reference 1). The Initial Written Assessment (IWA), reference 2, was presented to the Panel meeting of 18 April 2002. The Panel agreed to the formation of a new Modification Group, the Interconnector Modification Group (IMG) and submitted P77 to a 3-month Assessment Procedure.

The IMG met three times during the Assessment Procedure to consider P77. During the Assessment Procedure a consultation and an impact assessment were issued. The results of these were used to construct the Assessment Report (reference 3), which recommended that P77 be made. The BSC Agent costs highlighted in the Assessment Report were approximately £5800.

The Assessment Report for P77 was submitted for consideration at the Panel meeting of 18 July 2002. The Panel agreed with the recommendations of the IMG and decided to submit P77 to the Report Phase. The Panel recommended that the Modification Proposal be approved with an implementation date of:

- 10 December 2002 if a determination is made by the Authority prior to 11 September 2002; or
- 25 February 2003 if a determination is made on or after the 11 September 2002

On the basis of the Assessment Report, the Panel supported the IMG view that P77 better facilitates achievement of the Applicable BSC Objectives, set out in paragraph 3 of Condition C3 of the Transmission Licence, as follows:

- (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.

A draft Modification Report for P77 was issued for consultation on 26 July 2002. 11 responses, representing 41 Parties, were received. On the basis of the support for P77 the Panel recommends to the Authority that the Modification Proposal as set out in this report be made.

The draft Modification Report was presented to the Panel meeting of 15 August 2002 and at this meeting the Panel were asked to authorise a minor change to the legal text provided with the draft Report. The Panel agreed, and the details of the amendments are explained further in section 6 of this report.

4 DESCRIPTION OF PROPOSED MODIFICATION

P77 seeks to increase the number of BM Unit pairs an IU may register per Interconnector, from the current limit of one pair (one BM Unit for Production and another for Consumption), to allow the

registration of up to an additional two pairs of BM Units. This additional provision will apply to all IUs and all Interconnectors.

The proposer suggests that with the existing limit of one Production and one Consumption BM Unit, the dynamics of the different types of plant that exist at the other side of the Interconnector cannot be fully represented within the Bid Offer pairs and associated plant dynamics submitted by the IU. It is suggested that this limits the ability of IUs to make bids and offers that reflect the dynamics of the underlying plant and hence their ability to have these offers accepted by the System Operator.

5 RATIONALE FOR PANEL RECOMMENDATIONS

The Panel agreed with the views of the IMG as set out in the Assessment Report (reference 3). The IMG agreed that by allowing an IU to register additional BM Units it would better facilitate the achievement of applicable BSC Objective (c). The rationale given for this is that it will allow IUs to more easily represent the dynamics of the plant available to them, and in doing so will give the System Operator more choice of available plant.

The IMG also agreed that the number of additional BM Units that an IU can register should be limited to two pairs as set out in the original proposal. The justification to retain this level was that to introduce any more would mean that the Transmission Company would have to carry out significant work to size their operational systems.

6 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

P77 requires changes to sections K, Q and R of the Code. Subsequent to issuing the draft Modification Report for consultation, legal advice was received, following an informal query raised by a BSC Party. The advice given was that it would be appropriate to make a further change to section R 7.3.1(b)(i) as shown below, to ensure that the legal drafting was fully in line with the intent of the Modification Proposal:

“in the case of a revision to the Interconnector Scheduled Transfer under paragraph 7.1.3 (b)(ii), only the Expected Transfer of the Interconnector ~~User BM Unit for~~ which ~~submitted~~ the Bid or Offer therein referred to **was submitted** shall be so adjusted”

This change has not been consulted on, as the changes are in line with the intent of the Modification Proposal and due to time constraints during the consultation process. The Panel agreed that this change was minor and fully in line with the intent of the Modification Proposal. Accordingly the Panel authorised the change at their meeting of 15 August 2002.

The changes to the legal text of the Code in the following sections are based on version 7.0 of Section K, version 6.0 of Section Q and version 2.0 of Section R. If the baseline of the Code changes prior to implementation of P77, or if other Modification Proposals are to be implemented at the same time as P77, the legal text may need to be amended to realign to the new baseline.

A summary of the changes is given below and a detailed red lined version of the Legal text changes are included in Annex 2. In summary:

- Section K References within paragraph 5.5 which refer to a single pair of BM Units for each Party will be amended so as to allow for the registration of additional BM Unit pairs (Production and Consumption) by a Party trading across the Interconnector.

- Section Q References to individual BM Units will need to be put into a plural form in section 2.2.2 and the need for one BM Unit of a pair to always have a zero FPN will be removed from section 3.2.3 (e)(iii).
- Section R References to an "Interconnector User" in section 7.3.1(b) should be changed to reference an "Interconnector BM Unit".

7 ASSESSMENT

This section of the report summarises the assessment carried out by the IMG during the Assessment Procedure. Full details are contained in the P77 Assessment Report (reference 3), which may be found on the ELEXON website at www.elexon.co.uk.

The Terms of Reference set by the Panel for the IMG when progressing P77 were;

- Is the limit of three Interconnector BM Unit pairs sufficient?
- Which non-Code documents are affected by P77 and what is the timetable for changes to them?
- What is the potential for market abuse?
- Should there be any differentiation between different types of Interconnector (e.g. Alternating Current (AC) and Direct Current (DC) Interconnectors) in the Code?
- How should the additional Interconnector BM Units be charged under the Code?

During the Assessment Procedure the IMG considered these issues and a consultation document to seek BSC Party views on the issues was published. The majority of the consultation responses agreed with the view of the IMG that P77 better facilitated the BSC Objectives. Following the consultation the IMG issued a high level impact assessment to BSC Parties (and most specifically IUs, Interconnector Administrators and Interconnector Error Administrators), the Transmission Company, the Central Service Agent and Core Industry Document owners. The aim of this impact assessment was to determine the effect of introducing an additional two or more pairs per IU on their systems and processes. The responses to both the consultation and impact assessment can be found in the Assessment Report (reference 3) and the conclusions of the IMG are detailed below.

7.1 Limit of Two Additional Interconnector BM Unit Pairs

The IMG considered the limit of two additional BM Unit pairs per IU, as contained within the proposal. The IMG recognised that this limit had been specified as a practical limit in order to contain the scope of P77 and at the same time meet the specific requirements of the proposer. The IMG also assessed the impact of increasing this limit to up to 4 additional pairs.

The Assessment Procedure consultation and impact assessment addressed this issue and from the responses the IMG noted that there would be little impact on BSC Party systems and process if the limit was increased from 2 to 4 additional pairs. However the Transmission Company noted that the potential increase in the number of BM Units registered would have an impact on their systems and potentially on system performance and therefore only supported an increase of up to 2 additional pairs per IU and no more. They also noted that if IUs were allowed to register an additional 4 BM Unit pairs per Interconnector, this could potentially lead to an increase of 200 BM Units in the Transmission Company's systems. This is based on the current number of IU BM Unit pairs and the assumption that all the IUs register an additional 4 pairs. This would be a substantial increase in comparison to the current total of 287 BM Units (see Transmission Company impact assessment response in the

Assessment report, reference 3). One response to the consultation stated that an IU should be required to register a BM Unit for each Production and Consumption meter that would be used to trade volumes across the Interconnector. The IMG discussed this issue and agreed that it was unrealistic, as it could potentially mean all the generating plants in Europe would need to be registered. The IMG also noted that the Code is only concerned with the interconnection with England and Wales and not the plants in other transmission systems. It was also noted that Interconnector BM units are notional BM Units and do not represent a specific item of plant.

In light of the Transmission Company response and the impact on their systems and processes, the IMG concluded that although allowing IUs to register more than 2 additional pairs would be desirable it did not warrant the additional work needed by the Transmission Company and therefore no alternative would be proposed.

7.2 Non Balancing and Settlement Code Documents Affected

The consultation and impact assessment addressed the issue of which additional documents would be affected by P77 and details of the responses received can be found in the Assessment Report (reference 3). The relevant organisations have been informed and should P77 be approved, will manage the changes in line with the Implementation Date agreed by the Authority.

7.3 Potential for Market Abuse

The IMG discussed the potential for Market Abuse within the Code and concluded that provided the IU delivers any accepted Bids and Offers, no issues of Market Abuse within England and Wales exist. The majority of consultation responses agreed with this view however it was noted that some participants felt that allowing the IU to have additional BM Unit pairs would provide an unfair competitive advantage compared to BM Units within England and Wales. The reason given for this was that the IU would potentially have more than one BMU to reflect the dynamics of a physical asset (the Interconnector) whereas assets in England and Wales only have one BMU to reflect their dynamics. It was believed that IUs could potentially use this advantage to restrict the choice of BMUs available in the Balancing Mechanism or change the Interconnector BM Unit dynamics at the last moment and so restrict the System Operators choice of plant available.

The IMG noted that IUs are not treated any differently to any other BM Participant and that the relevant clauses in the Grid Code, BC2.5.1.3 and BC2.5.3.2 would still apply. The System Operator would not expect to see last minute changes to plant dynamics on Interconnector BM Units any more than for BM Units in England and Wales. If an IU did not adhere to these rules they would be subject to current System Operator investigation procedures and could potentially be prevented from using the Interconnector. It should also be noted the IMG believe that although IUs are not necessarily subject to the same governance arrangements as operators in England and Wales, they could have their Interconnector capacity entitlement removed in the event that any "abuse" occurs.

7.4 Differentiation between Interconnector types

The IMG discussed the issue that different types of Interconnector exhibit different characteristics and whether it was appropriate to differentiate between these two distinct types (namely AC and DC) within the Code.

The IMG concluded that there was no need to differentiate between the two Interconnector types and felt that such differentiation were it undertaken may prove to be discriminatory. The Assessment Procedure consultation responses also supported this view unanimously.

7.5 BSC Charges for additional Interconnector BM Units

The IMG considered the existing charging mechanisms within the Code for BM Units and concluded that additional Interconnector BM Units should be charged using this mechanism. It was felt that no changes to the existing charging mechanism were required and that any changes would lead to unnecessary complication and inefficiency in the BSC Systems and processes used for charging.

7.6 Identification of BM Units as a Pair

The Code requires that IUs register BM Units in pairs (consisting of one Consumption BM Unit and one Production BM Unit) and therefore to ensure that they are registered and are identifiable as a pair, the Code Subsidiary Documents as detailed in the Assessment Report will be updated.

The System Operator is responsible for naming the BM Units and stated that as long as an IU applies for a pair consisting of both a Production BM Unit and a Consumption BM Unit the System Operator will name them appropriately.

7.7 Final Physical Notification Checking

The IMG reviewed the need for Section Q3.2.3 e (iii) of the Code, which states that an IU may not have non zero Final Physical Notifications (FPNs) on both of a pair of Interconnector BM Units at a spot point in time. The IMG could not find any justification for this restriction and with the introduction of additional BM Unit pairs, an IU would be able to submit non zero FPNs on the production BM Unit of one pair and the Consumption BM Unit of another pair, thus negating the original restriction. Therefore, it was agreed that the restrictions on the individual BM Units within a pair could be removed. By agreeing this, the Transmission Company's implementation timescale would be reduced to 1.5 months as the FPN checking would no longer be necessary.

7.8 BETTA

The effects of P77 on British Electricity Trading and Transmission Arrangements (BETTA) was considered outside the scope of P77 as the Modification has the potential to impact more than just the Scottish – English Interconnector. The Panel also agreed that it is the responsibility of the BETTA programme to consider any impacts resulting from P77 and that it should not be included in the terms of reference for the Modification.

8 SUMMARY OF REPRESENTATIONS

The draft Modification Report was sent out for consultation on 26 July 2002 with responses due back on 1 August 2002. Eleven responses were received with 8 responses (36 Parties) supporting the Modification and 2 responses (4 Parties) against the Modification, one further response had no comment. A table summarising the responses received and the actual responses themselves can be found in Annex 1 of this report, a summary of the arguments brought up in the responses is given below.

8.1 Arguments Supporting P77

The Report Phase consultation responses had no new arguments in support of the P77 however the arguments supporting P77 given in the responses are summarised below.

- Several responses supported 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.
- One responses agreed with the recommended Implementation Date, and expressed hope that the Authority will provide a decision prior to the 11th September so that P77 can be implemented as soon as practical.
- Allowing an IU to register an additional two pairs of BM units would allow IUs to more easily represent the dynamics of their available plant and so give greater choice to the System Operator in the Balancing Mechanism. This will also improve market efficiency by giving the System Operator a greater choice of bids and offers.
- Several responses noted that the number of additional BM Unit pairs should have been greater than two, but acknowledge the present operational limitations.

8.2 Arguments Against P77

The Report Phase consultation responses had no new arguments against P77 that fall under the vires of the Code, however the arguments given are summarised below with comments for resolving each of the issues in italics.

- Several responses noted that the reimbursement of any resultant costs incurred by the IA / IEA should be funded centrally by BSC Parties, as P77 benefits the market as a whole through the better achievement of Applicable BSC Objective 3(c). It was noted that the IA / IEA derive no benefit from the changes, it is a duty imposed on them by the Code. *This was discussed by the IMG during the Assessment Procedure and it was noted that it was outside the terms of reference set by the Panel as the IMG has been specifically instructed not to consider the cost recovery.*
- One consultation response noted that the IMG membership consisted of only one member who did not have a direct interest in P77 being approved and that the request for membership specifically sought representation from 'IUs, IEAs, IAs and the System Operator'. *In response to this, the IMG was formed from industry experts from existing ISG members and any interested IUs, IEAs, IAs and the System Operator. The invitation was sent to all BSC Parties and therefore it was open to anyone who put themselves forward as an industry expert. It should be noted that no person who applied for membership of the group was turned down. It should also be noted that members of a Modification Group are there as Industry Experts and not representing individual BSC Parties.*
- One response expressed a concern about substitution of Generation behind the Interconnector. *This issue was discussed by the IMG during the Assessment Procedure and the group noted that it is outside the vires of the BSC to look beyond the Interconnector. It was also noted that and as long as any accepted Bids and Offers are delivered in accordance with the submitted dynamics the System Operator has no control over which plant the power actually came from as Interconnector BM Units are notional rather than physical BM Units.*
- One response expressed a concern that dynamics do not have to be linked with the generation source. *This issue was discussed by the IMG and details are given within section 7.1 of this report.*
- One response noted that TNUoS treatment is inequitable for Interconnector BM Units compared with the treatment of BM Units in England and Wales. *This issue was not considered by the IMG as it was not raised during the Assessment consultation. It should also be noted that Transmission Network Use of System (TNUoS) charges are not within the scope of the BSC and this issue should be brought up with the Transmission Company if it is to be progressed further.*

- It was noted that a number of responses to the P77 Assessment consultation highlighted that this change would be superseded once BETTA is introduced, as BETTA would require a BM Unit for each meter in Scotland. *The IMG discussed this issue and details are given in section 7.8 of this report, however it should be noted that P77 applied to all Interconnectors and not just the Scottish-English Interconnector.*
- One consultation response did not agree that P77 better facilitates the applicable BSC objectives as allowing a particular category of BSC party to register multiple BM units could be viewed as discriminatory. It was noted that the prime driver for P77 was to allow IUs to provide additional services to the system operator, particularly in the post PGB era. A possible way of achieving this suggested was for the IU's to set 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 would ensure that the 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, and no specific additional central system costs are incurred other than the normal incremental costs derived from any newly registered BSC Party. *This issue was discussed by the IMG during the Assessment Procedure and it noted that although a BSC Party can register to be an IU they are not entitled to trade across it unless they have been assigned appropriate Interconnector Capacity Rights. If separate legal entities were to be formed there would be issues assigning the capacity between these separate legal entities. It was felt that this would not be an appropriate solution to the defect identified by the Modification. It was also noted that by allowing IUs to have "shell" companies to achieve a similar result the transparency of operation and lack of control over the number of "shell" BM Units would increase the potential for inappropriate behaviour. It was also noted that the BSC Agent cost of implementing this modification has been identified as approximately £5800.*
- One response stated that 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 System Operator investigation procedures has been noted. It was also noted that it is unclear whether any such post-event sanctions are punitive and under what vires for example, prevention of IUs 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. *The IMG believed that these sanctions were sufficient enough to prevent market abuse and further justification for this can be found in section 7.3.*

8.3 Panel Discussion of Representations

At the Panel meeting of 15 August 2002, the arguments raised in the consultation responses against P77 were presented. One Panel member questioned whether P77 could be seen as discriminatory against Generators in England and Wales and if it had been discussed by the IMG. Another Panel member, in answer to this, observed that as Interconnector BM Units are 'notional' BM Units rather than tied to a particular physical plant, the introduction of P77 would not provide any new discrimination issues. The Panel agreed that P77 would facilitate competition by allowing the System Operator to have a greater choice of plant dynamics available in the Balancing Mechanism. This also corresponded with the IMG views expressed at the Modification Group meetings.

ANNEX 1 – REPRESENTATIONS

The draft Modification Report was sent out for consultation on 26 July 2002 with responses due back on 1 August 2002. The table below gives a summary of the responses and the actual responses received are attached below.

	Responses	Parties
For	8	36
Against	2	4
No Comment	1	1
Total	11	41

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

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 opportune 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

ANNEX 2 – LEGAL TEXT

See attached document (P77draftingv8).