

**Annex A - Responses from P59 Assessment Consultation**

Consultation issued 6 February 2002

Representations were received from the following parties:

<b>No</b>	<b>Company</b>	<b>File Number</b>	<b>No. Parties Represented</b>
1.	Edison Mission Energy	P59_ASS_001	1
2.	Dynegy	P59_ASS_002	1
3.	Intergen	P59_ASS_003	4
4.	SEEBOARD	P59_ASS_004	2
5.	EdF Trading	P59_ASS_005	2
6.	ScottishPower UK plc	P59_ASS_006	7
7.	LE Group	P59_ASS_007	5
8.	NGC	P59_ASS_008	1
9.	Scottish & Southern Energy plc	P59_ASS_009	4
10.	Damhead Creek Ltd	P59_ASS_010	2
11.	Innogy	P59_ASS_011	6
12.	British Energy	P59_ASS_012	3
13.	TXU Europe	P59_ASS_013	14
14.	RWE Trading Direct Ltd	P59_ASS_014	1
15.	British Gas Trading	P59_ASS_015	3
16.	Powergen	P59_ASS_016	4
17.	Cornwall Consulting Ltd	P59_ASS_017	N/a

## P59\_ASS\_001 – Edison Mission Energy

## ANNEX A – P59 CONSULTATION QUESTIONS

<b>Respondent:</b>		<b>Libby Glazebrook</b>
<b>Representing (please list all parties):</b>		<b>Edison Mission Energy</b>
<b>Question</b>		<b>Response</b>
<b>Q1</b>	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	Yes
<p><b>Rationale:</b> NGC's analysis indicates that this is currently an infrequent occurrence suggesting that neither this modification nor NGC's proposal is necessary. Whilst the consultation notes that this will become more of an issue with a one hour gate closure, it will to an extent be counterbalanced by an improvement in forecasting accuracy which will reduce the number of BOAs that will need to be accepted in the BM. Concerns about an increase in the number BMUs that will be faced with an instantaneous change in their output therefore seem overstated.</p> <p>This modification does not address the main shortcoming of the cashout mechanism - that Parties are incentivised to avoid exposure to cashout rather than to balance. If the consequences of being long or short were equal, contract positions would far better align with forecasts of demand/production. Smaller volumes would be required in the BM to balance and the need to desynchronise plant would be an even rarer occurrence than at present.</p> <p>Extending BOAs beyond the wall defeats the purpose of having a 1 hour gate closure. It will be a retrograde step to a market more akin to centralised scheduling and despatch (i.e. the Pool), diluting incentives for plant to be flexible.</p>		
<b>Q2</b>	<b>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See Section 4.2.3)?</b>	Yes
<p><b>Rationale:</b> The low materiality does not justify any solution let alone an automated solution.</p>		
<b>Q3</b>	<p><b>Do you believe that the Transmission Company should be obliged honour dynamics BTW when: -</b></p> <p>a) <b>There are no changes to any of the submitted data items for that BMU</b></p> <p>b) <b>There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments</b></p> <p>c) <b>The change results in a decrease in the cashflow payment to the</b></p>	<p>Yes/No</p> <p>Yes/No</p> <p>Yes/No</p>

	<p><b>BMU</b></p> <p><b>d) The change results in an increase in the cashflow payment to the BMU</b></p> <p><b>(in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)</b></p>	Yes/No
<p><b>Rationale:</b> Edison Mission Energy does not consider that this modification is necessary so none of the above are applicable. If however the modification were to be implemented, we would support option (a) to remove any shades of grey from the decision.</p>		
<b>Q4</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	Yes
<p><b>Rationale:</b> The obligation must be consistently and transparently applied to avoid subjectivity.</p>		
<b>Q5</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	Yes
<p><b>Rationale:</b> We would oppose any proposal which takes balancing activities outside of the governance of the BSC.</p>		
<b>Q6</b>	<b>What benefits would such an obligation within the BSC achieve?</b>	
<p><b>Please outline your views:</b> Whilst we do not support this modification, placing it within the BSC would ensure consistency of governance thus meeting objective (d) of the Applicable objectives - <i>Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.</i></p>		
<b>Q7</b>	<b>Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	No
<p><b>Rationale:</b></p> <p>This proposal will fail to achieve objective (c) - <i>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</i> as it will remove volumes from the short term energy markets and reduce liquidity. Bilateral contracting is more efficient than NGC's centralised contracting through BOAs.</p>		
<b>Do you have any further comments on Modification Proposal P59?</b>		

P59\_ASS\_002 – Dynegy

## ANNEX A – P59 CONSULTATION QUESTIONS

<b>Respondent:</b>		Dynegy
<b>Representing (please list all parties):</b>		
<b>Question</b>		<b>Response</b>
<b>Q1</b>	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	No
<b>Rationale:</b> The imbalance exposure created through the possibility of being left hanging at the end of the BM window discourages parties participating in the BM or incorporating this risk through submitting higher price bids/offers in the BM.		
<b>Q2</b>	<b>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See Section 4.2.3)?</b>	Yes
<b>Rationale:</b> NGC should not obligated to automatically extend a BOA, if changes to the data have been undertaken.		
<b>Q3</b>	<b>Do you believe that the Transmission Company should be obliged honour dynamics BTW when:</b>  e) <b>There are no changes to any of the submitted data items for that BMU</b>  f) <b>There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments</b>  g) <b>The change results in a decrease in the cashflow payment to the BMU</b>  h) <b>The change results in an increase in the cashflow payment to the BMU</b>  <b>(in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)</b>	Yes  Yes  Yes  No
<b>Rationale:</b> A change in the dynamics that leads to an increase in the cashflow payment, should result in the NGC considering whether it wishes to extend the BOA, rather than it being automatically imposed.		
<b>Q4</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	Yes

<b>Rationale:</b> The obligation needs to be placed on NGC to facilitate competition within the BM through encouraging participation, achieved through eliminating the risk of being left hanging at the wall.		
<b>Q5</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	Yes
<b>Rationale:</b> The obligation placed on NGC should be clearly contained within the BSC due to reasons stated below.		
<b>Q6</b>	<b>What benefits would such an obligation within the BSC achieve?</b>	
<b>Please outline your views:</b>  The BSC shall provide market participants with clarity and transparency. The BSC also has the ability to deal with dispute efficiently that may arise. Finally, the BSC provides a means for changes to made in the future, that may better fulfil the relevant applicable BSC objectives.		
<b>Q7</b>	<b>Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	Yes
<b>Rationale:</b> The alternative modification is capable of fulfilling the relevant BSC objectives of effective competition in the generation and supply of electricity, and the efficient, economic and co-ordinated operation of the transmission system by the transmission company.		
<b>Do you have any further comments on Modification Proposal P59?</b>		

P59\_ASS\_003 – Intergen

#### ANNEX A – P59 CONSULTATION QUESTIONS

<b>Respondent:</b>		<b>Andrew Taylor</b>
<b>Representing (please list all parties):</b>		<b>Rocksavage Power Company Ltd, Coryton Energy Company Ltd, Intergen Trading and Shipping Ltd and Spalding Energy Company Ltd.</b>
<b>Question</b>		<b>Response</b>
<b>Q1</b>	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	Yes/No
<b>Rationale:</b>  The risk of imbalance acts as a disincentive to participation in the Balancing Mechanism, particularly plant with relatively inflexible dynamic parameters. This therefore reduces the System Operators ability to manage the system in a safe and economically prudent manner.		
<b>Q2</b>	<b>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not</b>	Yes/No

	<b>better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See Section 4.2.3)?</b>	
<b>Rationale:</b>		
The assumed additional complexity associated with Mod P59 only becomes potentially inoperable when considered together with the 1HGC issues. Under the current gate closure mechanism the frequency of such scenarios occurring is so small that the value/benefit of the proposal in terms of reducing exposure justifies the changes to NGC's operating system.		
<b>Q3</b>	<b>Do you believe that the Transmission Company should be obliged honour dynamics BTW when:</b>	
	<b>i) There are no changes to any of the submitted data items for that BMU</b>	Yes/ <del>No</del>
	<b>j) There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments</b>	Yes/ <del>No</del>
	<b>k) The change results in a decrease in the cashflow payment to the BMU</b>	Yes/ <del>No</del>
	<b>l) The change results in an increase in the cashflow payment to the BMU</b>	<del>Yes</del> /No
	<b>(in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)</b>	
<b>Rationale:</b>		
The System Operator should always endeavour to return the output level back to the submitted physical notification level whilst complying with the dynamic parameters in force at the time the BOA is issued. However it must have the ability to guard against changes in Bid Offer Ladder prices as addressed by the original proposal.		
<b>Q4</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	Yes/ <del>No</del>
<b>Rationale:</b>		
Refer to the response given in Q1		
<b>Q5</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	Yes/ <del>No</del>
<b>Rationale:</b>		
If companies are to grow in confidence that they will not be left exposed to imbalance charges then the obligation must be enshrined in the BSC.		

<b>Q6</b>	<b>What benefits would such an obligation within the BSC achieve?</b>	
<b>Please outline your views:</b>		
It would increase confidence amongst participants that the obligation on both sides would be adhered to.		
<b>Q7</b>	<b>Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	<b>Yes/No</b>
<b>Rationale:</b>		
The burden upon the participants to leave their submitted data unchanged would only lead to the reduced BM liquidity and competitiveness. How would such an obligation be rigorously enforced?		
<b>Do you have any further comments on Modification Proposal P59?</b>		
The increased complexity involved in adapting this proposal to cope with the 1HGC proposals needs to be further examined, but the value of the benefits should be considered well ahead of any difficulties in adapting the current operating systems used by NGC. The principles behind the introduction of NETA should not be further eroded by software limitations at NGC.		

## P59\_ASS\_004 – SEEBOARD

## ANNEX A – P59 CONSULTATION QUESTIONS

<b>Respondent:</b>	<b>Dave Morton</b>	
<b>Representing (please list all parties):</b>	<b>SEEBOARD Energy Limited SEEBOARD Power Networks plc</b>	
<b>Question</b>		<b>Response</b>
<b>Q1</b>	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	<b>No</b>
We share the majority view of modification group that it would be inherently unfair. It could have the effect that parties might be deterred from participating in the Balancing Mechanism or that bids/offers may be increased to reflect risks of exposure. However, given current practice and rules materiality is likely to be minimal.		
<b>Q2</b>	<b>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be</b>	<b>Yes</b>

	<b>considered to be efficient (See Section 4.2.3)?</b>	
We accept arguments given by Modification Group in this respect.		
<b>Q3</b>	<p><b>Do you believe that the Transmission Company should be obliged honour dynamics BTW when:</b></p> <p><b>m) There are no changes to any of the submitted data items for that BMU</b></p> <p><b>n) There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments</b></p> <p><b>o) The change results in a decrease in the cashflow payment to the BMU</b></p> <p><b>p) The change results in an increase in the cashflow payment to the BMU</b></p> <p><b>(in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)</b></p>	<p>Yes/No</p> <p>Yes/No</p> <p>Yes/No</p> <p>Yes/No</p>
We have no opinion on these issues.		
<b>Q4</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	Yes
We accept the arguments of the Modification Group in this respect		
<b>Q5</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	Yes
We accept arguments given by Modification Group in this respect		
<b>Q6</b>	<b>What benefits would such an obligation within the BSC achieve?</b>	
Again we share the view from Modification Group. Under possible future rule changes e.g. P12 there may be a material risk to participants of being out of balance. Placing an obligation within BSC facilitates transparency and provides a clearer process for disputes and data amendments.		
<b>Q7</b>	<b>Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	Yes
We believe that the alternative modification is capable of encouraging participation in the Balancing Mechanism.		



Do you have any further comments on Modification Proposal P59?
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P59\_ASS\_005 – EdF Trading

## ANNEX A – P59 CONSULTATION QUESTIONS

Respondent:		Steve Drummond
Representing (please list all parties):		EdF Trading Ltd and EdF (Generation)
Question		Response
Q1	Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?	No
<b>Rationale:</b> To do otherwise is to discriminate and to cause financial disadvantage.		
Q2	Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See Section 4.2.3)?	No
<b>Rationale:</b> The proposal would appear to be too complex and hence not practicable enough to be considered more efficient than the present arrangements.		
Q3	Do you believe that the Transmission Company should be obliged honour dynamics BTW when:  q) There are no changes to any of the submitted data items for that BMU  r) There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments  s) The change results in a decrease in the cashflow payment to the BMU  t) The change results in an increase in the cashflow payment to the BMU  (in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)	Yes  Yes  Yes  Yes
<b>Rationale:</b> The generator must be allow to alter its data as it sees fit, but it would be on the understanding that were 'gaming' to be in evidence then Ofgem would be able to step in as appropriate.		

<b>Q4</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	Yes
<b>Rationale:</b> They are operators of the system and administrators of NETA. If the BSC is changed then they should operate the system in accordance with those rules.		
<b>Q5</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	Yes
<b>Rationale:</b> Such a rule is an extension of existing rules. It is the only appropriate place.		
<b>Q6</b>	<b>What benefits would such an obligation within the BSC achieve?</b>	
<b>Please outline your views:</b> It is the result of an energy/system balancing action that impacts on system prices and as such should be totally transparent in its application. The decision processes and the consequential pricing rules should therefore fall under the governance of the BSC.		
<b>Q7</b>	<b>Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	Yes
<b>Rationale:</b> It has the potential for doing so although it would need codifying more before this could be fully ascertained. However the principles as stated are reasonable and not too complex and it would therefore be hoped that reasonable simple solution could be found to modifying the BSC and NETA.		
<b>Do you have any further comments on Modification Proposal P59?</b>		
NO		

P59\_ASS\_006 – ScottishPower UK plc

#### ANNEX A – P59 CONSULTATION QUESTIONS

<b>Respondent:</b>	<b>Man Kwong Liu</b>	
<b>Representing (please list all parties):</b>	<b>For and on behalf of: - ScottishPower UK Plc.; SP Manweb Plc.; ScottishPower Energy Trading Ltd.; ScottishPower Generation Ltd.; Scottish Power Energy Retail Ltd.; Emerald Power Generation Ltd.; SP Transmission Ltd.</b>	
<b>Question</b>		<b>Response</b>
<b>Q1</b>	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	No
<b>Rationale:</b> It is essential that a party be held harmless against imbalance settlement when responding to an action requested by the system operator.		
<b>Q2</b>	<b>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original</b>	Yes

	<b>modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See Section 4.2.3)?</b>	
<b>Rationale:</b>		
<b>Q3</b>	<p><b>Do you believe that the Transmission Company should be obliged honour dynamics BTW when:</b></p> <p>u) There are no changes to any of the submitted data items for that BMU</p> <p>v) There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments</p> <p>w) The change results in a decrease in the cashflow payment to the BMU</p> <p>x) The change results in an increase in the cashflow payment to the BMU</p> <p><b>(in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)</b></p>	<p>Yes</p> <p>No</p> <p>No</p> <p>No</p>
<b>Rationale:</b> The corollary of our rationale for Q1 is that the deal was struck on a certain set of data and an expectation that that data will pertain for the full extent of the BOA.		
<b>Q4</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	Yes
<b>Rationale:</b> The Transmission Company is the contracting party in a BM trade and should be obliged to keep the counterparty harmless against imbalance settlement on the basis of the data available to the Transmission Company at the time the contract is struck.		
<b>Q5</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	Yes
<b>Rationale:</b> The arrangements for settling BM trades are governed by the BSC. This is merely another aspect of those settlement arrangements and, as such, should be under the same governance.		
<b>Q6</b>	<b>What benefits would such an obligation within the BSC achieve?</b>	
<b>Please outline your views:</b> As suggested in the consultation paper, the reassurance provided by such an obligation would encourage more parties to submit bids and offers to the BM and should reduce the overall cost of balancing by promoting competition in the generation, sale and purchase of electricity.		
<b>Q7</b>	<b>Do you believe the potential Alternative Modification, as described in</b>	Yes

	<b>section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	
<b>Rationale:</b> as noted under (6).		
<b>Do you have any further comments on Modification Proposal P59?</b>		

P59\_ASS\_007 – LE Group

**ANNEX A – P59 CONSULTATION QUESTIONS**

<b>Respondent:</b>	Liz Anderson	
<b>Representing (please list all parties):</b>	London Electricity, South Western Electricity, Jade Power, Sutton Bridge Power and TXU Europe West Burton Ltd	
<b>Question</b>		<b>Response</b>
<b>Q1</b>	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	No
<b>Rationale:</b>		
The Transmission Company accepts bids and/or offers from a Party to help it balance the system. It is therefore unreasonable that the Party should have to pay imbalance cash-out prices (which can be extremely punitive) as a consequence of supplying a service that has assisted the Transmission Company. We believe that the Transmission Company should be obliged to return the Party to their FPN using their dynamic parameters. Eliminating the unmanageable risk of incurring imbalance cash-out prices should reduce bid/offer prices and encourage potential participants who are risk-averse to actively participate in the Balancing Mechanism.		
<b>Q2</b>	<b>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See Section 4.2.3)?</b>	Yes

**Rationale:**

It would seem unlikely that an automatic solution to accommodate changes in the data is a practical solution as the algebraic complexity to cover all the possible combinations of changes in data after the initial BOA has been made would be large. In addition not all the data / information required to judge the context of the data changes is captured in BSC systems. The time and cost to implement such a solution would probably outweigh the advantages that it would confer.

<b>Q3</b>	<p><b>Do you believe that the Transmission Company should be obliged honour dynamics BTW when:</b></p> <p><b>y) There are no changes to any of the submitted data items for that BMU</b></p> <p><b>z) There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments</b></p> <p><b>aa) The change(s) result in a decrease in the cashflow payment to the BMU</b></p> <p><b>bb) The change(s) result in an increase in the cashflow payment to the BMU</b></p> <p><b>(in all cases a change is taken to mean a change in [any of] the data available to Transmission Company after the initial BOA was issued)</b></p>	
		Yes
		Yes
		Yes
		No

**Rationale:**

a) The Transmission Company would have known with complete accuracy the dynamic parameters (and cashflow) required to return the unit to its FPN when making the original BOA and they should therefore be obliged to return the unit to its FPN using these parameters.

The rationale for the answers to b), c) and d) involve the concept of 'materiality'. There should be no opportunity for Parties to 'materially' gain by manipulating data after they have had their original BOA. If a Party gains through manipulation of data then it casts doubt on whether the Transmission Company would have selected their bid / offer in preference to other bids / offers when making the original acceptance. Materiality needs to be carefully defined so that:

- 1) it can be determined in the time available to the Transmission Company when deciding whether to return a unit to its FPN using the dynamic parameters (suggesting its definition needs to be simple)
- 2) it needs to prevent the cumulative effect of altering data to increase cashflows by, for example, just 5% each time a BOA is issued which could add up to a large and material cashflow over the duration of a whole year.
- 3) the rules for calculating materiality are known to all participants so that there can be no ambiguity in interpreting the effect of a data change on cashflows

b) If no materially-different cashflow is received by a participant which changes its data then it seems unlikely that the Transmission Company would have selected a different unit when making the original BOA. Therefore it seems reasonable that the Transmission Company should be obliged to return the unit to its (altered) FPN using its (altered) dynamic parameters.

c) If the change in data results in a smaller cashflow then it would be unlikely that the Transmission Company would have selected a different unit when making their original BOA and the Party is making no attempt to unfairly gain through manipulating their data. Therefore it seems reasonable that the Transmission Company should be obliged to return the unit to its (altered) FPN using its (altered) dynamic parameters.

d) If the change in data results in a materially larger cashflow then there is considerable doubt that the Transmission Company would have selected this particular unit when making their original BOA. There is also the possibility that the Party is making an attempt to unfairly gain through manipulating their data. Therefore it seems reasonable that the Transmission Company should not have to return the unit to its (altered) FPN using its (altered) dynamic parameters.

<b>Q4</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	Yes
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**Rationale:**

It is appropriate to place such an obligation on the Transmission Company because, at present, their actions can unfairly penalise units who have assisted them in balancing the system and whose dynamic parameters and FPN (and hence the cashflow required to return the unit to its FPN) were known when the Transmission Company made the original BOA.

<b>Q5</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	Yes
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<b>Rationale:</b>		
<ul style="list-style-type: none"> <li>Placing the obligation in the BSC, rather than in the Balancing Principles Statement, would make it more transparent, easier to subsequently modify and more enforceable.</li> </ul>		
<b>Q6</b>	<b>What benefits would such an obligation within the BSC achieve?</b>	
<b>Please outline your views:</b>		
<p>We agree with the benefits described in the consultation document that occur from placing the obligation in the BSC rather than in the Balancing Principles Statement. These are:</p> <ul style="list-style-type: none"> <li>it is more transparent to have the obligation within the BSC;</li> <li>the BSC Modification process ensures that any further changes would better facilitate the achievement of the Applicable BSC Objectives; and</li> <li>the process for disputing a BOA is clearer within the BSC, and would allow Settlement data to be amended if necessary.</li> </ul>		
<b>Q7</b>	<b>Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	Yes
<b>Rationale:</b>		
<p>The Alternative Modification would mean that the conditions under which a unit was returned or not returned to its FPN beyond the wall could be accurately predicted even when a change in data is made after the original BOA.</p> <p>This would promote competition by removing uncertainty and risk from participants and should increase efficiency in the balancing mechanism from reduced prices.</p> <p>We therefore strongly support the alternative modification proposal in preference to the original modification proposal.</p>		
<b>Do you have any further comments on Modification Proposal P59?</b>		
<p>The alternative modification relies on the implementation of a methodology in the systems of the Transmission company to decide whether data changes create material cashflow effects which would lead to a unit not being returned to its FPN beyond the wall.</p> <p>For this alternative to operate successfully, there needs to be:</p> <ul style="list-style-type: none"> <li>clear published logic defining the tests for a material change in cashflows</li> <li>a mechanism of appeal against decisions not to return the unit to its FPN which would require access to relevant data from the Transmission Company's systems</li> </ul>		

P59\_ASS\_008 – NGC

**ANNEX A – P59 CONSULTATION QUESTIONS**

<b>Respondent:</b>	<b>NGC</b>
<b>Representing (please list all parties):</b>	

Question		Response
Q1	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	No
<b>Rationale:</b> <p>If participation in the BM exposes a party to risk (in this case imbalance exposure) then it will result in parties factoring the risk into their bid and offer prices or simply not participating in the BM at all, leading to a loss of competition, and again higher bid and offer prices. This will result in higher imbalance prices and greater BSUoS charges. This will increase costs on both market participants and ultimately, end users.</p>		
Q2	<b>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See Section 4.2.3)?</b>	Yes
<b>Rationale:</b> <p>Implementation of the proposal would be very expensive taking into account the required software changes as the current systems do not include any consideration of plant dynamics.</p>		
Q3	<b>Do you believe that the Transmission Company should be obliged honour dynamics BTW when:</b>  cc) <b>There are no changes to any of the submitted data items for that BMU</b>  dd) <b>There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments</b>  ee) <b>The change results in a decrease in the cashflow payment to the BMU</b>  ff) <b>The change results in an increase in the cashflow payment to the BMU**</b>  <b>(in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)</b>	Yes  Yes  Yes*, **  No**
<b>Rationale:</b> <p>These requirements are necessary to prevent the Transmission Company becoming exposed to an open ended liability when a BOA is given up to the wall. The obligation to continue to accept BOAs should fall away if the data changes in a way that would increase costs.</p> <p>*Subject to the impact on system complexity being acceptable</p> <p>**In answering these questions it is assumed that "decrease" means a reduction in offer price or increase in bid price, and that "increase" means the opposite.</p>		



<b>Q4</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	Yes
<b>Rationale:</b> It removes risks from BM participants, increasing competition and leading to a lower cost of energy to the end user.		
<b>Q5</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	No
<b>Rationale:</b> The Transmission Licence suggests that the appropriate place for such an obligation is the Balancing Principles Statement (BPS) (reference Special Condition AA4: Licensee's Procurement and Use of Balancing Services)		
<b>Q6</b>	<b>What benefits would such an obligation within the BSC achieve?</b>	
<b>Please outline your views:</b> None. It would have the same effect as putting it in the BPS. We believe it would only bring dis-benefits in terms of inefficiency, increased costs and confusion.		
<b>Q7</b>	<b>Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	No
<b>Rationale:</b> Please refer to our answer to Q6.		
<b>Do you have any further comments on Modification Proposal P59?</b> We believe that there is a clear industry governance model established via which to resolve this issue. We are concerned at the time and cost being consumed on a modification that in effect only introduces a change to industry governance, when no benefit of a change in governance has been identified.		

### **P59\_ASS\_009 – Scottish & Southern Energy plc**

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

In relation to the seven questions listed in Annex A within the First Consultation report contained in your note of 6th February 2002, concerning Modification P59, our comments are as follows.

**Q1 Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?**

No

**Q2 Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be considered to be efficient (SeeSection 4.2.3)?**

Yes

**Q3 Do you believe that the Transmission Company should be obliged honour dynamics BTW when:**

**a) There are no changes to any of the submitted data items for that BMU**

Yes

**b) There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments**

Yes

**c) The change results in a decrease in the cashflow payment to the BMU**

Yes

**d) The change results in an increase in the cashflow payment to the BMU**

Yes (in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)

**Q4 Do you believe it is appropriate to place such an obligation on the Transmission Company?**

Yes

**Q5 Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?**

Yes

**Q6 What benefits would such an obligation within the BSC achieve?**

It would reduce the material risk to Settlement for the Party concerned and be more transparent to other BSC Parties.

**Q7 Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?**

Yes, primarily on the grounds of efficiency.

Regards

Garth Graham  
Scottish & Southern Energy plc

**P59\_ASS\_010 – Damhead Creek Ltd**

**ANNEX A – P59 CONSULTATION QUESTIONS**

<b>Respondent:</b>		<b>Melanie Wedgbury</b>
<b>Representing (please list all parties):</b>		<b>Damhead Creek Limited Energy-Koch Trading Limited</b>
<b>Question</b>		<b>Response</b>
<b>Q1</b>	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	<b>No</b>
<b>Rationale:</b> BMU dynamics are a fundamental characteristic of the electricity market, and as such need to be recognised. In the short term, the risk of imbalance associated with BMU dynamics is best placed with the System Operator. However, this may not be appropriate in the long term, and consideration should be given to an enduring approach that will best facilitate trade and send appropriate signals to the market (see further comments section).		
<b>Q2</b>	<b>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See Section 4.2.3)?</b>	<b>Yes</b>
<b>Rationale:</b> The original proposal is believed to be overly complex. In the interests of achieving greater transparency and liquidity in the market, a less complex approach is supported.		
<b>Q3</b>	<b>Do you believe that the Transmission Company should be obliged to honour dynamics BTW when:</b>	
	<b>gg) There are no changes to any of the submitted data items for that BMU</b>	<b>Yes</b>
	<b>hh) There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments</b>	<b>Yes</b>
	<b>ii) The change results in a decrease in the cashflow payment to the BMU</b>	<b>Yes</b>
	<b>jj) The change results in an increase in the cashflow payment to the BMU</b>	<b>No</b>
<b>(in all cases a change is taken to mean a change in the data available)</b>		

	<b>to Transmission Company after the initial BOA was issued)</b>	
<b>Rationale:</b> See response to Q1.		
<b>Q4</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	<b>Yes</b>
<b>Rationale:</b> In the short term, the System Operator is best placed to discharge such an obligation, and in so doing further meet the Applicable BSC Objectives.		
<b>Q5</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	<b>Yes</b>
<b>Rationale:</b> In the short term, the reasons stated in the consultation paper for codifying the System Operator's actions in the BSC are supported, in particular, on the grounds of the materiality of the Parties' risk to imbalance; in the interests of greater transparency; and a clear and defined dispute process, should its use be necessary.		
<b>Q6</b>	<b>What benefits would such an obligation within the BSC achieve?</b>	
<b>Please outline your views:</b> See response to Q5.		
<b>Q7</b>	<b>Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	<b>Yes</b>
<b>Rationale:</b> It is anticipated that the alternative modification should improve liquidity in the market and encourage greater participation in the BM. This, in turn, will better meet the effective competition objective. However, transparency in BS Energy Trades is required, and this will necessitate improved BSAD reporting.		

**Do you have any further comments on Modification Proposal P59?**

In the short term and should P12 be implemented, it is considered appropriate that the System Operator's actions in dealing with BTW are formalised and codified within the BSC. The alternative modification provides a simpler solution to BTW than the original modification proposal, and will better meet the effective competition objective through encouraging greater participation in the BM; improving transparency in the BM; and improving liquidity. Taken together it is believed that P12 and the alternative P59 will result in the short term markets and the BM operating in a continuum rather than discrete markets, this will serve to better facilitate trade and so better meet the effective competition objective.

In the long term, however, the ultimate aim should be to deliver efficient trading markets outside of the BM. BMU dynamics complicate trades in the power market; a factor that is not conducive to facilitating efficient trading. Looking to the gas market, Transco proactively trades through an exchange, the OCM. By trading simple and standardised blocks, the liquidity of the market is enhanced. In addition, Transco's proactive trading sends signals to participants, which incentivises them to self balance. Looking ahead, consideration should be given to a similar approach in the power market, for example, if Parties were to take on the risk of BMU dynamics, and price that risk into Bids and Offers, it should promote the inception of a similar exchange to the OCM with all the associated benefits.

**P59\_ASS\_011 – Innogy****ANNEX A – P59 CONSULTATION QUESTIONS**

<b>Respondent:</b>		<b>Innogy</b>
<b>Representing (please list all parties):</b>		Innogy plc, npower Limited, Innogy Cogen Trading Limited, npower Direct Limited, npower Northern Limited, npower Yorkshire Limited.
<b>Question</b>		<b>Response</b>
<b>Q1</b>	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	<b>No</b>
<b>Rationale:</b>		
BSC parties are discouraged from participating on the BM due to the risk of being left out of balance beyond "the wall", thereby incurring imbalance charges. This frustrates the BSC objective of 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.		
<b>Q2</b>	<b>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be</b>	<b>No</b>

	<b>considered to be efficient (See Section 4.2.3)?</b>	
<b>Rationale:</b>		
<p>We disagree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution. A change to algebra to Section T would be the most rigorous method of achieving the aims of the modification. However, as with all modifications, the overall benefits must outweigh the costs for the modification to be approved. Without an assessment of the likely cost of the system changes required, this judgement cannot be made. We agree with the Modification Group to the extent that an alternative solution may be more efficient in achieving the main aims of the modification.</p>		
<b>Q3</b>	<p><b>Do you believe that the Transmission Company should be obliged honour dynamics BTW when:</b></p> <p><b>kk) There are no changes to any of the submitted data items for that BMU</b></p> <p><b>ll) There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments</b></p> <p><b>mm) The change results in a decrease in the cashflow payment to the BMU</b></p> <p><b>nn) The change results in an increase in the cashflow payment to the BMU</b></p> <p><b>(in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)</b></p>	<b>Yes</b>
<b>Rationale:</b>		
<p>The BOA relates to the dynamics prevailing at the time of the acceptance. Any subsequent changes to dynamics can have a material effect on the efficacy of the Bid or Offer in balancing the system, regardless of whether they result in an increase or decrease in the payment to the BMU. Such changes cannot be anticipated at the time of the acceptance of the original BOA. The BTW obligation rules therefore cannot be relaxed to accept any changes in dynamics. If dynamics do change than the BTW BOA should automatically lapse.</p>		
<b>Q4</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	<b>Yes</b>
<b>Rationale:</b>		
<p>The proposed obligation to be placed on the System Operator is merely to accept BOAs such that they honour a plant's dynamics BTW. This is the same obligation in relation to before the wall dynamics and simply creates a symmetrical obligation. The System Operator's overall objective of operating the Transmission System in an efficient, economic and co-ordinated manner remains the same.</p>		
<b>Q5</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	<b>Yes</b>

<b>Rationale:</b>		
The BSC is intended to cover all balancing actions taken by the System Operator and is therefore the most appropriate place for such an obligation. Furthermore, the obligation to extend relevant BOAs “beyond the wall” must be in the BSC in order to be transparent and subject to the discipline of the Modification governance.		
<b>Q6</b>	<b>What benefits would such an obligation within the BSC achieve?</b>	
<b>Please outline your views:</b>		
The modification would remove additional imbalance risk to parties, improve transparency and encourage participation in the Balancing Mechanism. This would promote the BSC objectives of effective competition in the generation and supply of electricity and the efficient, economic and co-ordinated operation of the Transmission System by the Transmission Company.		
<b>Q7</b>	<b>Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	<b>Yes</b>
<b>Rationale:</b>		
Although we believe a change to algebra to Section T to be the most rigorous method of achieving the aims of the modification, should the costs of systems changes to achieve this be prohibitive, the alternative may be equally effective at significantly lower cost and be capable of implementation in much shorter time-scales.		
<b>Do you have any further comments on Modification Proposal P59?</b>		
NGC’s proposed change to the Balancing Principles statement highlights the complexity and potential for subjectivity in the decision making process and therefore reinforces the requirement for the rules to be clearly defined and governed within the BSC. For example, NGC’s predicted weather conditions being taken into account is hardly a basis for an unambiguous outcome. Parties would therefore remain exposed to unquantifiable imbalance risk under NGC’s proposals.		

**P59\_ASS\_012 – British Energy****ANNEX A – P59 CONSULTATION QUESTIONS**

<b>Respondent: Rachel Ace</b>		
<b>Representing (please list all parties):</b>		<b>British Energy Power &amp; Energy Trading Ltd</b> <b>British Energy Generation Ltd</b> <b>Eggborough Power Ltd</b>
<b>Question</b>		<b>Response</b>
<b>Q1</b>	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	<b>No</b>

<p><b>Rationale:</b> During the NETA development phase the issue of who is best placed to manage the risks associated with dynamic constraints was discussed. While it was generally accepted and was agreed that the System Operator should be bound to honour (and thereby manage) dynamics during the BM Window period, it was decided that beyond the current BM Window the responsibility should lie with participants. It was recognized that the uncertainty of whether the System Operator would accept bid-offer's "beyond the wall" to honour dynamics would be reflected in bid-offer prices submitted and/or energy prices in general. SO actions which consistently left participants exposed to imbalance beyond their reasonable control would be reflected in increased prices. The NETA Policy Board appeared at the time to consider this situation preferable to a process similar to the Pool where dynamic parameters were honoured. Whilst we believe the "gentleman's agreement" has worked reasonably well, with the SO appearing to honour dynamic parameters wherever it is reasonable to do so, we acknowledge that the risks associated with dynamic parameters are probably more effectively manageable by the SO.</p>		
Q2	<p>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See Section 4.2.3)?</p>	Yes
<p><b>Rationale:</b> Whilst an automatic solution could reduce manual processes and errors, it would be complex, expensive and time consuming to develop and implement. We believe manual methods arising from firm obligations would be more cost effective, at least in the short term.</p>		
Q3	<p>Do you believe that the Transmission Company should be obliged honour dynamics BTW when:</p> <p>oo) There are no changes to any of the submitted data items for that BMU</p> <p>pp) There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments</p> <p>qq) The change results in a decrease in the cashflow payment to the BMU</p> <p>rr) The change results in an increase in the cashflow payment to the BMU</p> <p>(in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)</p>	<p>Yes</p> <p>See below</p> <p>See below</p> <p>See below</p>



**Rationale:** The Transmission Company should be obliged to honour dynamics “Beyond The Wall” provided that after the initial acceptance no change in service availability or energy price is made which:

(a) causes an unavoidable reduction in the volume of energy originally available at any time during the minimum period defined by the original dynamic parameters, or

(b) causes an unavoidable change in the cost of the balancing action, to the disadvantage of the Transmission Company,

in which case the SO should not be obliged to make any acceptances beyond the time at which the relevant change occurs. (This would need to be worked up into a principle and more precise words satisfying the principle).

<b>Q4</b>	Do you believe it is appropriate to place such an obligation on the Transmission Company?	Yes
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**Rationale:** See answer to Q1.

<b>Q5</b>	Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?	-
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**Rationale:** The obligation does not need to be placed within the BSC. However, there are certain advantages to this – see reply to Q6 below.

<b>Q6</b>	What benefits would such an obligation within the BSC achieve?
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**Please outline your views:** Placing the obligation in the BSC has the following advantages:

Superior transparency for all trading parties, both in management of changes and in publishing of market information. This should promote effective competition.

Ready made framework for resolving queries and disputes. This should reduce market uncertainty and promote efficiency.

<b>Q7</b>	Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?	Yes
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**Rationale:** See answer to Q3. The Alternative Modification appears to present a lower cost method of achieving the aims of the original Modification Proposal, by utilising obligations and manual methods rather than automatic methods requiring more complex rules and system changes.

**Do you have any further comments on Modification Proposal P59?**

Whilst we believe the “gentleman’s agreement” has worked satisfactorily so far and see no urgent need for this change at the moment, we believe any shortening of gate closure in future would strengthen the case for this modification.

## P59\_ASS\_013 – TXU Europe

## ANNEX A – P59 CONSULTATION QUESTIONS

<b>Respondent:</b>		TXU Europe
<b>Representing (please list all parties):</b>		14 BSC Parties
<b>Question</b>		<b>Response</b>
<b>Q1</b>	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	<b>No</b>
<b>Rationale:</b> as per reason repeated in Consultation paper		
<b>Q2</b>	<b>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See Section 4.2.3)?</b>	<b>Yes</b>
<b>Rationale:</b> it is too complicated to implement		
<b>Q3</b>	<b>Do you believe that the Transmission Company should be obliged honour dynamics BTW when:</b>  <b>ss) There are no changes to any of the submitted data items for that BMU</b>  <b>tt) There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments</b>  <b>uu) The change results in a decrease in the cashflow payment to the BMU</b>  <b>vv) The change results in an increase in the cashflow payment to the BMU</b>  <b>(in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)</b>	<b>Yes</b>  <b>No</b>  <b>Yes</b>  <b>No</b>
<b>Rationale:</b> This would mean that the Party can not force NGC to pay more than they originally thought it would cost (we said "no" to b) as this appears to be a subjective judgement.		
<b>Q4</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	<b>Yes</b>

<b>Rationale:</b>		
<b>Q5</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	<b>Yes</b>
<b>Rationale:</b> The issue arises from the definition of the BM Window in the BSC and hence seems sensible to "solve" the issue via the same route. The issue will be known at the time the Instruction is made so it does not seem unreasonable that the BM Unit should be compensated accordingly.		
<b>Q6</b>	<b>What benefits would such an obligation within the BSC achieve?</b>	
<b>Please outline your views:</b> It would avoid the BTW issue becoming more of a problem if P12 is accepted.		
<b>Q7</b>	<b>Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	<b>Yes</b>
<b>Rationale:</b> Seems to resolve the issue that has existed from the start of NETA and would be compatible with a reduced Gate Closure poeriod if P12 is accepted.		
<b>Do you have any further comments on Modification Proposal P59?</b>		

**P59\_ASS\_014 – RWE Trading Direct Ltd**

RWE Trading Direct Limited response to P59 consultation: the acceptance of bids and offers to honour a BM Units dynamic parameters beyond the balancing mechanism window

Thank you for the opportunity to submit our views on this modification.

<b>Respondent: RWE Trading Direct Limited</b>		
<b>Q1</b>	<b>Do you believe that a party should be left at the end of the balancing Mechanism window facing the risk of imbalance, due to the dynamic parameters which stop them immediately returning to their notified FPN</b>	<b>No</b>
Participants who are enabling NGC to balance the transmission system should not be penalised or gain advantage over any others. NGC are obliged to balance the system in an efficient manner and should be able to pursue all least cost options.		
<b>Q2</b>	<b>Do you agree with the modification group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not</b>	<b>Yes</b>

	<b>better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See section 4.2.3)?</b>	
To provide an automated system to handle such occurrences would increase costs to an unacceptable degree due to the complexity of the software required to provide such a solution. In addition such a system may also limit or unduly favour the potential for certain groups of participants to provide such services.		
Q3	<p><b>Do you believe the Transmission Company should be obliged to honour dynamics BTW when:</b></p> <p><b>A) There are no changes to any of the submitted data items for that BMU?</b></p> <p><b>B) There are no changes to any of the submitted data items for that BMU that have a material impact on the cash flow payments?</b></p> <p><b>C) The change results in a decrease in the cashflow to the BMU?</b></p> <p><b>D) The change results in an increase in the cashflow to the BMU?</b></p> <p><b>(In all cases a change is taken to mean a change in the data available to the Transmission Company after the initial BOA was issued)</b></p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>No</p>
Provided NGC can still fulfil their requirement to manage the system efficiently and at least cost		
Q4	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	<b>Yes</b>
This should promote transparency and has the potential to increase liquidity		
Q5	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	No
This is obviously a Grid Code issue not one for the BSC		
Q6	<b>What benefits would such an obligation within the BSC achieve?</b>	
None		
Q7	<b>Do you believe that the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	Yes
Should increase transparency, however we do not believe the BSC offers an appropriate framework for inclusion of this issue		
<b>Do you have any further comments on Modification Proposal P59?</b>		
There is a currently a review of the NGC Balancing Procurement Statement. This could be amended to capture some of the requirements in this area.		

If you require any further information please feel free to contact me on 0113 209 5570.

Yours sincerely

Mark Bailey

**Special Markets Director**

P59\_ASS\_015 – British Gas Trading

## ANNEX A – P59 CONSULTATION QUESTIONS

<b>Respondent:</b>		<b>British Gas Trading</b>
<b>Representing (please list all parties):</b>		<b>Centrica King's Lynn, Centrica Peterborough</b>
<b>Question</b>		<b>Response</b>
<b>Q1</b>	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	<b>No</b>
<b>Rationale:</b>		
<b>Q2</b>	<b>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See Section 4.2.3)?</b>	<b>Yes</b>
<b>Rationale:</b>		
<b>Q3</b>	<b>Do you believe that the Transmission Company should be obliged honour dynamics BTW when:</b>  ww) There are no changes to any of the submitted data items for that BMU  xx) There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments  yy) The change results in a decrease in the cashflow payment to the BMU  zz) The change results in an increase in the cashflow payment to the BMU  (in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)	<b>Yes</b>  <b>Yes</b>  <b>Yes</b>  <b>Yes</b>
<b>Rationale:</b>		
<b>Q4</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	<b>Yes</b>

<b>Rationale:</b>		
<b>Q5</b>	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	<b>Yes</b>
<b>Rationale:</b>		
<b>Q6</b>	<b>What benefits would such an obligation within the BSC achieve?</b>	
<b>Please outline your views:</b>		
Transparency and clarity in the arrangements over the current 'voluntary' situation.		
<b>Q7</b>	<b>Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	<b>Yes</b>
<b>Rationale:</b>		
The current arrangements are working but are not long term. P59 offers one solution that will solve the problem and reduce risk for Parties. It therefore meets objective c).		
<b>Do you have any further comments on Modification Proposal P59?</b>		
We agree that this issue needs to be address and that P59 Alternative is one way forward. We note NGC's consultation on the addition of the Beyond the Wall issue to the Balancing Principles statement.		

P59\_ASS\_016 – Powergen

#### ANNEX A – P59 CONSULTATION QUESTIONS

<b>Respondent:</b>		C Price – Strategy and Regulation
<b>Representing (please list all parties):</b>		Powergen makes this response on behalf of itself and the following BSC Parties, Powergen Retail Limited, Diamond Power Generation Limited, and Cottam Development Centre Limited.
<b>Question</b>		<b>Response</b>
<b>Q1</b>	<b>Do you believe that a Party should be left at the end of the Balancing Mechanism window facing the risk of imbalance, due to dynamic parameters which stop them immediately returning to their notified FPN?</b>	<b>No</b>
<b>Rationale:</b> Exposing participants to potential imbalance risk as a result of accepting a BOA may discourage participation in the Balancing Mechanism and lead to increased prices to reflect the additional risk.		

Q2	<b>Do you agree with the Modification Group that an automatic solution to accommodate changes in the data, as proposed by the original modification proposal, is not an appropriate solution and would not better meet the Applicable BSC Objectives, as it could not be considered to be efficient (See Section 4.2.3)?</b>	Yes
<b>Rationale:</b> The development of an automatic solution (in Section T) to cover every eventuality will be very complex and expensive to implement.		
Q3	<p><b>Do you believe that the Transmission Company should be obliged honour dynamics BTW when:</b></p> <p>aaa) There are no changes to any of the submitted data items for that BMU</p> <p>bbb) There are no changes to any of the submitted data items for that BMU that have a material impact on the cashflow payments</p> <p>ccc) The change results in a decrease in the cashflow payment to the BMU</p> <p>ddd) The change results in an increase in the cashflow payment to the BMU</p> <p><b>(in all cases a change is taken to mean a change in the data available to Transmission Company after the initial BOA was issued)</b></p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>No</p>
<p><b>Rationale:</b> Points c &amp; d – When NGC initiate a BOA, they have an expectation to close out the BOA and thereby return the BMU to its PN. This decision will have been based upon the price and dynamic data submitted at the time the BOA was accepted. This would have given a minimum theoretical end time for the BOA and participants should not be able to change price/dynamic data up to this time.</p> <p>However, if a participant changes its price and dynamic data after this minimum theoretical BOA end time and NGC choose to extend the BOA beyond this theoretical end time, NGC should have to honour the new price and dynamic data. It should be treated as a new transaction and not a continuation such that the original price/dynamic data still apply.</p> <p>In addition, these obligations should extend to circumstances where payments are made by the BMU, ie a BMU should not be allowed to make a smaller payment than was originally due.</p>		
Q4	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company?</b>	Yes
<b>Rationale:</b> The Transmission company are the only entity that can fulfil the obligation and promote an effective and efficient Balancing Mechanism		
Q5	<b>Do you believe it is appropriate to place such an obligation on the Transmission Company within the BSC?</b>	Yes
<p><b>Rationale:</b> The advantages include the governance and transparency of the BSC, which encompass clearly defined dispute and modification processes.</p> <p>It is possible that other approaches may be acceptable so long as these other arrangements have the attributes listed for the BSC</p>		

Q6	<b>What benefits would such an obligation within the BSC achieve?</b>	
<p><b>Please outline your views:</b> Please see answer to Question 5.</p> <p>In addition, it is within the BSC Settlement systems that the risk of any imbalance due BTW actions are determined. Therefore, it could be argued that it should be the BSC that governs this risk.</p>		
Q7	<b>Do you believe the potential Alternative Modification, as described in section 4.3, is capable of meeting the Applicable BSC Objectives?</b>	Yes
<p><b>Rationale:</b> It would have the benefits as detailed in the rationale to Question 6 above, but is potentially a more pragmatic solution to implement when compared to attempting to encode the requirements in Section T</p>		
<p><b>Do you have any further comments on Modification Proposal P59?</b></p>		

#### P59\_ASS\_017 – Cornwall Consulting Ltd

Thank you for the opportunity to comment on this modification proposal. The response is on behalf of me, Nigel Cornwall, as an individual and independent consultant in the energy sector; I do **not** represent any BSC signatories. However, I am a CUSC Amendment Panel member, and feel that I should comment on some of the important governance interactions raised by this proposal.

I oppose the proposed modification (as proposed and as an alternative). There are some very important issues associated with dynamics “beyond the wall”, but these are a scheduling matter which should be addressed properly initially through the Grid Code. In the event that NGC believes, consistent with its incentive scheme, that a particular physical position should be achieved with an individual participant (which can be demand-side as well as supply-side) outside of BM timescales, it should do so properly through the mechanism of scheduling processes formalised under the Grid Code backed up commercially where necessary through balancing service contracts.

It follows that jurisdiction of this matter sits elsewhere outside the BSC. I would go further by stating that applying a limited fix through the BSC would aggravate problems associated with split governance.

As a general comment the issue of plant dynamics must be dealt with transparently, with all relevant rules proceduralised and not subject to convention or “gentlemen’s agreements” between participants and NGC. There are real problems under NETA with transparency of NGC’s actions and how they are reported. The solution to this is to open out Balancing Services arrangements, and significantly enhance transparency to NGC’s actions through the balancing principles and procurement guidelines, not provide specific and limited relief through the BSC. In other words **it is the means of P59 not the end that I oppose.**



There is an important principle that participants on both sides of the market with dynamic capability that is of benefit to the system and enables lower cost delivery should be captured under NETA irrespective of arbitrary timescales promulgated for the BM. The need to sustain this principle will increase if and when Gate Closure is pushed forward to 1 hour.

In this context, I believe attainable of the applicable objectives would be better facilitated by other changes to other core documentation. That said, the current rules (where ever they sit) are deficient.

Yours sincerely,  
NIGEL CORNWALL