

15 SUMMARY OF REPRESENTATIONS

15.1 Initial Consultation Responses

The Modification Report consultation request resulted in the receipt of **thirteen** responses. These responses are provided in ANNEX 3 of this Assessment Report.

To summarise:

- **All** responses supported the principle that the Balancing Services Provider should not be exposed to the consequences of imbalance charges for the provision of that Balancing Service;
- **Ten** responses (the majority) supported that the removal of this exposure should fall under the BSC;
- **Responses were split** on whether “applicable” Balancing Services include only mandatory (**5 for**) or both mandatory and commercial balancing services (**3 for**);
- **Nine** responses (the majority) supported that the definition of the “applicable” Balancing Services and the calculation of the associated volume should fall under the BSC;
- **Eight** responses (the majority) supported that the proposal be made prospectively (**3 for retrospective change**);

Please see table below for the summary of the responses. Please note that 2 responses did not provide detailed views on the consultation as they felt that they had either insufficient time or did not want to prejudge their response on Modification Proposal P36.

Question	Summary
Q1. Do you Agree with the principle that “The Provider of Balancing Services should not be exposed to the consequence of imbalance for the portion of energy attributable to the provision of that Balancing Service, subject to the volume calculation and the delivery of the service.”	All 13 agreed
Q2. In consideration of Modification P34, the Modification Group identified the following issues. Do you agree with each of the issues below?	-
Q2. Issue 1: Should the definition of “applicable” Balancing Services include only mandatory or all Balancing Services (mandatory and commercial balancing services)	Mandatory – 5 for Mandatory & Commercial – 3 for No – 1 against No Comment – 2 (further assessment required)
Q2. Issue 2: Should the removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code?	Support - 10 (1 only Mandatory) No Comment - 2
Q2. Issue 3: If removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code, should the definition of the “applicable balancing	Support – 9 (2 only Mandatory) No – 1 No Comment – 2

Question	Summary
services" and calculation of the associated volume fall under the Balancing and Settlement Code.	
Q2. Issue 4: Should the proposal be made retrospective (as per the proposal 23 rd August 2001) or only prospective?	Retrospective – 3 for Prospective – 8 No Comment – 1
Q3. With respect to Modification Proposal P34 and each of the Options, please indicate your support (or otherwise) for each option. Please also state your view on whether the Modification and / or Options better facilitates the BSC Objectives, as defined in the Transmission Licence Condition 7A (objectives provided)	-
Modification Proposal P34	FOR – 2 (1 if too costly then Option 6) AGAINST – 1 No Comment – 10
Option 1 – P34, No retrospection	FOR – 0 AGAINST – 8 No Comment – 3
Option 2 – Mandatory Balancing Services Volumes as Bid – Offer Acceptances	FOR – 2 AGAINST – 4 No Comment – 4 (Requires further debate)
Option 3 – Mandatory and Commercial Balancing Services Volumes as Bid – Offer Acceptances	FOR – 1 AGAINST – 6 No Comment – 4
Option 4 – P34, No retrospection, methodology under the Code	FOR – 1 AGAINST – 7 No Comment – 3
Option 5 – Mandatory Balancing Services Volumes as BOAs, methodology under the Code	FOR – 6 AGAINST – 3 No Comment – 3 (requires further debate)
Option 6 – Mandatory and Commercial Balancing Services Volumes as BOAs, methodology under the BSC	FOR – 5 AGAINST – 2 No Comment – 4
Q4. With respect to the Modification Proposal and each of the Options, please provide an indication of a preferred "Effective from" date.	23rd August 2001 – 1 ASAP – 1 Date of Approval – 2 When systems ready - 1 No Comment – 4 (need impact assessment)

15.2 Impact Assessment Responses

Ten responses were received in response to the Impact Assessment of Modification Proposal P34 and its Alternative Modification and Modification Proposal P36 and its Alternative Modification (combined CPC0077). The full responses are provided in ANNEX 3 (b) of this Assessment Report.

In summary:

- Five responses indicate a 'No comment / No Impact' response;
- One response agreed with the implementation of the original Modification Proposal P34, and required 1 months notice to implement it;
- One response indicates that the original Modification P36 is the preferred solution, but that this preference is cost dependent, indicating that if P36 was to prove much more expensive than P34 to implement, then support would be given to the Alternative Modification P34, as the retrospective aspect of the original P34 Modification Proposal was not supported;
- One response indicates a preference for the Alternative Modification P36, stating that the preference is a result of this option providing most of the governance under the BSC, and that imbalances caused by Ancillary Services delivery are neutralised separately;
- One response indicates a preference for the original Modification Proposal P36, with an implementation requirement of 800 days. The response indicated disagreement to Modification P34 and its Alternative, and to the Alternative Modification for P36. Implementation timescales are given as 830 days for the Alternative Modification P36; and
- One response indicated that the preference for options was provided direct to the Modification Group, and therefore did not express a preference, however, implementation timescales were given as four months.

15.3 Assessment Consultation Responses

Sixteen responses, on behalf of fifty Parties, were received in response to the questionnaire issued on behalf of the PIMG. The full responses are provided in ANNEX 3 (c) of this Assessment Report. The consultation questionnaire requested responses to the following questions, and requested rationale in all areas:

- Q1 Please indicate whether you support the P34 Alternative.**
- Q2 Please indicate whether you support P36 as drafted.**
- Q3 Please indicate whether you support the P36 Alternative.**
- Q4 Please indicate whether you support the definition of Class A and Class B Balancing Services and if not, what alternative you would propose.**
- Q5 Please indicate whether (and why) you support the position in P36 Alternative that payment for balancing services energy as Bid - Offer Acceptance is obligatory for Class B. If you do not support "obligatory", please state your reasons and identify other approaches you would prefer.**

To summarise:

- Q1 Please indicate whether you support the P34 Alternative.**

Fourteen of the responses received expressed a preference¹, as follows:

- Eight responses, on behalf of twenty-one parties, indicated that they supported the P34 Alternative; and
- Six responses, on behalf of twenty-seven parties, indicated that they did not support the P34 Alternative.

Reasons given in support of the P34 Alternative were as follows:

- It would increase the number of parties offering balancing services, therefore reducing the cost of service provision;
- It would better fulfil the BSC Objective relating to the efficient, economic and co-ordinated operation of the Transmission System (Condition C3, (3)(b));
- It improves the management of the energy element of Ancillary Services;
- It removes the retrospective element of the original Modification Proposal P34 and therefore the requirement to retrospectively change commercial arrangements;
- It removes the exposure to imbalance, which is crucial if Non BSC Parties are to be able to participate in balancing services provision, as Lead Parties reluctance to accept the associated imbalance costs hampers that provision; and
- It provides the simplest method for avoiding exposure to imbalance for the provision of balancing services, whilst providing transparency in how balancing services volumes are calculated and governed.

Reasons given for not supporting the P34 Alternative were as follows:

- It is not the most appropriate solution to the issue and would only be supported if P36 development and implementation costs were considerably higher;
- P34 Alternative only addresses the energy volumes for the provision of balancing services, not the associated price / remuneration, whereas P36 addresses both;
- Making payments outside of the BSC would seem to not better facilitate the Applicable BSC Objectives and risks discriminatory treatment between energy delivered under the provision of a balancing service and that provided through the Balancing Mechanism; and
- In the case of Mandatory Frequency responses, the CUSC allows for an imbalance compensation payment, and if such imbalance were removed from the BSC, then this compensation would no longer apply.

Q2 Please indicate whether you support P36 as drafted.

Fourteen of the responses received expressed a preference, as follows:

- Seven responses, on behalf of thirty-four parties, indicated that they supported P36 as drafted; and
- Seven responses, on behalf of fourteen parties, indicated that they did not support P36 as drafted.

¹ The remaining two responses provided information about balancing services provision without completing the consultation questionnaire. These responses are summarised separately.

Reasons given in support of P36 as drafted were as follows:

- It increases the incentives to accurately fulfil balancing service obligations, thus reducing system balancing costs;
- It is the only option that resolves the pricing issue applicable to all balancing services, but as drafted it obliges all Parties to be active in the Balancing Mechanism;
- It improves the management of the energy element of Ancillary Services; and
- Energy should be valued in the same way as Bids and Offers, and should be excluded from imbalance in the same way.

Reasons given for not supporting P36 as drafted were as follows:

- P34 deals sufficiently with the concerns of balancing service providers through the elimination of imbalance risk;
- It does not differentiate between different types of balancing service contracts;
- Payment for balancing services through Bid - Offer Acceptances is detrimental to parties and non party participants that do not participate in the Balancing Mechanism. It could require all parties obliged to offer mandatory balancing services to become an active participant and this runs contrary to the 'voluntary market' principles of the trading arrangements;
- Balancing Mechanism participants should not be treated differently to non Balancing Mechanism participants in the provision of Ancillary services, this would be discriminatory;
- In principle, energy has the same value at any given point in time, however, in practice this raises concerns that the combination of a simple banded Bid - Offer price structure and non transparent balancing services contract trades, combined with the limited number of current service providers, may not achieve effective transparency and competition; and
- P36 Alternative is better, as it is appropriate that remuneration is dependent upon the class of balancing service, as is the case for the P36 Alternative.

Q3 Please indicate whether you support the P36 Alternative.

Fourteen of the responses received expressed a preference, as follows:

- Ten responses, on behalf of thirty-one parties, indicated that they supported the P36 Alternative; and
- Four responses, on behalf of seventeen parties, indicated that they did not support the P36 Alternative.

Reasons given in support of the P36 Alternative were as follows:

- Mandatory response is beyond the reasonable control of the party, therefore they should not be penalised for providing it;
- It values the energy supplied through balancing services contract equally with Bid - Offer Acceptances, and it is believed that this better facilitates the Applicable BSC Objectives;
- It allows a competitive market in Ancillary Services, thus leading to a more efficient and economic market, whilst enabling balancing services provided by non Balancing Mechanism participants to be dealt with;

- It better facilitates the Applicable BSC Objectives by more precisely defining the boundary for those services where the application of the [original] P36 approach would be obligatory; and
- The principles underlying P36 Alternative facilitate better operation of the market, as mandatory frequency response providers can better reflect the risks of provision via Bid - Offer data.

Reasons given for not supporting the P36 Alternative were as follows:

- It does not provide a more appropriate way forward than the original Modification;
- It fails to address the price in respect of mandatory services;
- Balancing Mechanism participants should not be treated differently to non Balancing Mechanism participants in the provision of Ancillary services, this would be discriminatory;
- The flexibility inherent in the P36 Alternative allows decisions on which prices are to be used to be deferred or altered at a later date as the market develops; and
- BSC governance provides the advantages of independence and transparency, although alternative governance is possible if such independence and transparency are assured.

Q4 Please indicate whether you support the definition of Class A and Class B Balancing Services and if not, what alternative you would propose.

Ten of the responses received expressed a preference², as follows:

- Eight responses, on behalf of twenty-three parties, indicated that they supported the definition of Class A and Class B balancing services; and
- Two responses, on behalf of eight parties, indicated that they did not support the definition of Class A and Class B balancing services.

Reasons given in support of the definition of Class A and Class B balancing services were as follows:

- It facilitates the distinction between the provision of commercial and mandatory balancing services. Currently mandatory service providers have little opportunity to reflect the specific costs associated with service provision, whereas it is expected that commercial service providers have assessed the risks and have contracted on that basis.

Reasons given for not supporting the definition of Class A and Class B balancing services were as follows:

- The distinction between Class A and Class B balancing services should be dependent upon the ability to calculate the volume of delivered energy precisely and the existence of relevant Bid - Offer prices. If both criteria are satisfied, then it should be a Class B service, unless the service provider and NGC agree to re-categorise the service to a Class A. Under this approach, Class B are treated consistently with any other balancing action; and
- All balancing services should be Class A, with the potential for re-classification as experience of the trading arrangements increases.

² Two of the remaining responses did not respond to the consultation questionnaire, and the remaining responses either did not comment, or applied a 'Not Applicable / No comment' response, mainly as a consequence of not supporting Modification P36 or its Alternative.

Q5 Please indicate whether (and why) you support the position in P36 Alternative that payment for balancing services energy as Bid - Offer Acceptance is obligatory for Class B. If you do not support "obligatory", please state your reasons and identify other approaches you would prefer.

Eleven of the responses received expressed a preference, as follows:

- Seven responses, on behalf of twenty-six parties, indicated that they supported the obligatory Class B balancing services; and
- Four responses, on behalf of five parties, indicated that they did not support the obligatory Class B balancing services.

Reasons given in support of the obligatory Class B balancing services were as follows:

- Ancillary services priced as Bid - Offer Acceptances allows a market in these services to develop, improving transparency and ensuring that service providers are dealt with on an equal basis. Allowing some mandatory response providers to opt out of Class B undermines the market and decreases transparency, failing to facilitate Applicable BSC Objective C3 (3)(c) in promoting effective competition in supply and generation;
- The energy element of Class B balancing services should be treated in the same way as any other payment for balancing actions. Commercial service providers are not BM Units so cannot be reimbursed in this manner; and
- Unless consistency in the treatment and pricing is achieved, a proper economic choice between the various alternatives available to the System Operator will not be possible and competition in the provision of balancing energy will be stifled.

Two general responses were received. These can be summarised as follows:

1. A demand side provider of balancing services should neither expose itself or its supplier to imbalance charges as a result of offering balancing services. This should be achieved in the most simple and cost efficient manner possible; and
2. A provider of demand reduction services via Standing Reserve Contracts with NGC believes that offering such contracts should not penalise the provider. The response notes experience to date from the provision of this service, namely that under their contract, energy has been pre-bought which is then spilt when called. Spill price to date (System Sell Price) has invariably been considerably less than the contract price and can also be negative. When contracts were offered to the Transmission Company the poor spill price could not be factored in.

The Transmission Company taking on the imbalance only partly solves the problem - it will remove the risk of negative prices, but the provider will still lose around £20/MWh on each MWh action taken. Furthermore, they will have to recover their original position once the reserve call is ended - costing more.

The response indicates broad support of the principles of P34 and P36 in the removal of risk, however, a Balancing Mechanism that properly values imbalance would be preferable.

ANNEX 3 – REPRESENTATIONS FROM PARTIES

a Responses from P34 Initial Written Assessment Consultation

The following is a copy of the questionnaire that was sent for consultation on the Initial Written Assessment of Modification Proposal P34:

P34 Consultation Questions

Background

Modification Proposal P34 'Transfer of Imbalances caused by Balancing Services to the Transmission Company Energy Account' was raised on the 14th August by NGC. The Initial Written Assessment of the Modification proposal was presented to the Panel at its meeting of the 23rd August 2001 (see Attachment 1). The Panel agreed that this Modification Proposal should be submitted to the Assessment Procedure with a completed assessment report to be presented to the Panel meeting on the 18th October 2001 (interim paper to Panel on 20th September 2001). The Panel also set the terms of reference for the Modification Group which are attached to this consultation.

Modification Proposal P34

Modification Proposal P34 seeks to modify the calculation of Credited Energy Volume (QCE_{iaj}) such that any imbalance caused by the delivery of certain Balancing (Ancillary) Services is transferred from the provider's Energy Account to the Transmission Company's Energy Account, thus removing it from exposure to Imbalance Charges – Energy Imbalance, Information Imbalance and Non Delivery charges. The Modification proposes that the definition of the Balancing Services and the associated methodology for calculating the volumes attributable to the provision of Balancing Services, be defined by the Transmission Company, approved by the Authority with governance outside of the Balancing and Settlement Code. The Modification also proposes a retrospective implementation date of 23rd August 2001.

Modification Group meeting 5th September 2001

As directed by the Panel, the Modification Group met to progress the Modification through the Assessment Procedure (see attached notes of meeting and membership). The Group discussed the Modification Proposal and noted that under P34, the definition of what services would be 'eligible' for Balancing Services Volume Adjustment would be the subject of the methodology established outside the BSC by the Transmission Company and agreed by the Authority. The Group also noted the retrospective element to the Proposal and suggested an alternative option to P34 which achieved the same effect as P34 but was not retrospective.

The Group noted that NGC believed that a some specific areas identified in the Terms of Reference were beyond the remit of the Modification Group, as they represented issues that were beyond the governance of the Balancing and Settlement Code. Nevertheless, Ofgem clarified that the Group could, as part of the assessment of the Modification, touch on and note issues outside of the Balancing and Settlement Code for the purposes of assessing the Modification (or any Alternative Modification), but that where any Party has an issue with any aspect that does not fall under the provisions of the Balancing and Settlement Code, then that Party should raise an issue direct with Ofgem. Therefore the group noted that the Panel had specified that NGC be invited to comment on whether there were any

means, outside the BSC, of addressing the problem it had identified. NGC agreed to produce a separate brief to the Panel on this issue.

The Group discussed the underlying principle to P34 of whether it was appropriate to remove Balancing Services Providers from the exposure of Imbalance charges for volumes associated with the provision of the Balancing Services. The Group agreed this principle but then discussed whether this exposure should be removed “at source” (under the BSC) or outside the BSC.

The Group then discussed whether P34 could better facilitate the achievement of the Applicable BSC Objectives. The Group felt that until the “applicable balancing services” and the calculation of the associated volume was defined, it could not assess whether P34 better meets the applicable BSC objectives.

The Group noted that one way to address this concern would be include the definition of the “applicable balancing services” (including consideration of mandatory/all balancing services) and the calculation of the associated volume under the BSC. The Group then identified a number of alternative options, which would be issued for consultation with the original proposal. However, the group did note that the methodology was to be part of NGC’s licence condition as determined by Ofgem and as such would be for consideration outside the Code.

Consultation

Parties are invited to comment on the Modification Proposal P34 as proposed. (Please see attached Initial Written Assessment for Modification P34) Furthermore, Parties are requested to provide comments on the underlying principle to P34 and the issues raised by the proposal and additional alternative options.

Principle:

The Provider of Balancing Services should not be exposed to the consequence of imbalance for the portion of energy attributable to the provision of that Balancing Service, subject to the volume calculation and the delivery of the service.

Issues

In consideration of Modification P34, the Modification Group identified the following issues:

Issue 1: Should the removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code.

Issue 2: If removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code, should the definition of the “applicable balancing services” and the calculation of the associated volume fall under the Balancing and Settlement Code?

Issue 3: Should the definition of “applicable” balancing services include only mandatory or all Balancing Services (mandatory and commercial balancing services)?

Issue 4: Should the proposal be made retrospective or only prospective? In judging whether this be applied retrospectively, Parties are invited to note the comments made by Ofgem in its determination on Modification Proposal P19 (hyper link to document:

http://www.elexon.co.uk/ta/modifications/modsprops/hP019/P19_Ofgem_Dec.pdf

Options

The Modification Group meeting identified six options. These options follow on from the issues raised and could be used to help develop an alternative modification (if deemed appropriate). It should be noted that more assessment of each of these options is required in order to determine the appropriateness of each:

Option 1 – P34, No Retrospection: This is Modification Proposal P34 with a prospective implementation date, thus removing the retrospective element of the original Proposal.

Option 2 – Mandatory Balancing Services Volumes as Bid – Offer Acceptances (BOAs): This Option proposes that the energy volumes associated with the provision of mandatory Balancing Services be calculated according to an agreed methodology, with the governance for that methodology sitting outside of the Code (i.e. as part of the NGC BSUOS arrangements). These volumes would then be notified to the NETA Central Service Agent as Bid – Offer Acceptances, valued at the associated Bid – Offer price.

Option 3 – Mandatory and Commercial Balancing Services Volumes as Bid – Offer Acceptances (BOAs): This Option proposes that the energy volumes associated with the provision of defined mandatory and commercial Balancing Services be calculated, with the governance for the definition of the Balancing services and associated methodology for such calculations sitting outside of the Code. These volumes would then be notified to the NETA Central Service Agent as Bid – Offer Acceptances, valued at the associated Bid – Offer price.

Option 4 - P34, No Retrospection, methodology under the Code: This is Modification Proposal P34 with an implementation date in the future, thus removing the retrospection, and with the methodology for the definition of the Applicable Balancing Services and associated methodology for calculation of volumes under the governance of the Balancing and Settlement Code.

Option 5 - Mandatory Balancing Services Volumes as BOAs, methodology under the Code: This Option proposes that the energy volumes associated with the provision of mandatory Balancing Services be calculated, with the methodology for the definition of the Applicable mandatory Balancing Services and associated methodology for calculation of volumes under the governance of the Balancing and Settlement Code. These volumes would then be notified to the NETA Central Service Agent as Bid – Offer Acceptances, valued at the associated Bid – Offer price.

Option 6 – Mandatory and Commercial Balancing Services Volumes as BOAs, methodology under the Code: This Option proposes that the energy volumes associated with the provision of defined mandatory and commercial Balancing Services be calculated, with the methodology for the definition of the Applicable Balancing Services and associated methodology for calculation of volumes under the governance of the Balancing and Settlement Code. These volumes would then be notified to the NETA Central Service Agent as Bid – Offer Acceptances, valued at the associated Bid – Offer price.

Respondents should note that options 3-6 have regulatory implications.

Attachments:

1. Initial Written Assessment (including P34).
2. Notes of the P34 Modification Group meeting held on 5th September 2001.
3. Modification Group's Terms of Reference, set by Panel at meeting on 23rd August 2001.
4. Modification Group P34 membership.

Consultation Questions:

With respect to the **Modification Proposal P34 and each of the Options**, please respond to the following questions by completing the table:

Question		YES	NO
Q1	Do you Agree with the Principle that " <i>The Provider of Balancing Services should not be exposed to the consequence of imbalance for the portion of energy attributable to the provision of that Balancing Service, subject to the volume calculation and the delivery of the service.</i> "		
Additional Comment:			
Q2	In consideration of Modification P34, the Modification Group identified the following issues. Do you agree with each of issues below?	YES	NO
Issue 1	Should the definition of "applicable" balancing services include only mandatory or all Balancing Services (mandatory and commercial balancing services)		
Additional Comment:			
Issue 2	Should the removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code?		
Additional Comment:			
Issue 3	If removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code, should the definition of the "applicable balancing services" and calculation of the associated volume fall under the Balancing and Settlement Code.		
Additional Comment:			
Issue 4	Should the proposal be made retrospective (as per the proposal 23 rd August 2001) or only prospective?		

Additional Comment:	
---------------------	--

Consultation Questions (continued):

Q3. With respect to the **Modification Proposal P34 and each of the Options**, please indicate your support (or otherwise) for each Option.

Please also state your view on whether the Modification and / or Options better facilitates the BSC Objectives, as defined in the Transmission Licence Condition 7A 3 (a), (b), (c), (d), as follows?

- (a) The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;
- (b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;
- (c) Promoting effective competition in the generation and supply of electricity, and (so far as is consistent therewith) promoting such competition in the sale and purchase of electricity;
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

Modification / Option	View For/Against
Modification Proposal P34	
Option 1 – P34, No Retrospection	
Rational/ BSC Objective :	
Option 2 – Mandatory Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	
Rational/ BSC Objective:	
Option 3 – Mandatory and Commercial Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	
Rationale/ BSC Objective:	
Option 4 - P34, No Retrospection, methodology under the Code	
Rationale/ BSC Objective:	

Option 5 – Mandatory Balancing Services Volumes as BOAs, methodology under the Code³	
Rationale/ BSC Objective:	
Option 6 – Mandatory and Commercial Balancing Services Volumes as BOAs, methodology under the Code	
Rational/ BSC Objective:	
Additional Comments on Options:	

Q4. With respect to the **Modification Proposal and each of the Options**, please provide an indication of a preferred “effective from” date:

Modification Proposal P34 (note that P34 proposes a retrospective effective from date):
Other Options Proposed “Effective from” Date:
Additional comment:

Any Additional Comments on the attached Initial Written Assessment:

Additional comment:

Representations were received from the following parties:

No	Company	File Number
1.	TXU	P34_ASS_001
2.	EME	P34_ASS_002
3.	SEEBOARD	P34_ASS_003

³ It should be noted that subsequent to the Modifications Group meeting a separate Modification Proposal has been submitted by Innogy (P36) based on Option 5. This will be presented separately to the Panel meeting on 20th September 2001.

4.	Scottish Power UK Plc	P34_ASS_004
5.	Scottish and Southern Energy	P34_ASS_005
6.	British Energy	P34_ASS_006
7.	Centrica	P34_ASS_007
8.	NGC	P34_ASS_008
9.	Innogy	P34_ASS_009
10.	Enron Europe	P34_ASS_010
11.	NRG Energy	P34_ASS_011
12.	London Electricity	P34_ASS_012
13.	Powergen	P34_ASS_013

P34_ASS_001 – TXU

Consultation Questions:

With respect to the **Modification Proposal P34 and each of the Options**, please respond to the following questions by completing the table:

Question		YES	NO
Q1	Do you Agree with the Principle that “ <i>The Provider of Balancing Services should not be exposed to the consequence of imbalance for the portion of energy attributable to the provision of that Balancing Service, subject to the volume calculation and the delivery of the service.</i> ”	✓	
Additional Comment:			
Q2	In consideration of Modification P34, the Modification Group identified the following issues. Do you agree with each of issues below?	YES	NO
Issue 1	Should the definition of “applicable” balancing services include only mandatory or all Balancing Services (mandatory and commercial balancing services)		
Additional Comment: Applicable balancing services should mean ALL balancing services			
Issue 2	Should the removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code?	✓	
Additional Comment:			
Issue 3	If removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code, should the definition of the “applicable balancing services” and calculation of the associated volume fall under the Balancing and Settlement Code.	✓	
Additional Comment:			
Issue 4	Should the proposal be made retrospective (as per the proposal 23 rd August 2001) or only prospective?		

Additional Comment: The proposal should be prospective only	
--	--

Q3. With respect to the **Modification Proposal P34 and each of the Options**, please indicate your support (or otherwise) for each Option.

Please also state your view on whether the Modification and / or Options better facilitates the BSC Objectives, as defined in the Transmission Licence Condition 7A 3 (a), (b), (c), (d), as follows?

The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;

The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;

Promoting effective competition in the generation and supply of electricity, and (so far as is consistent therewith) promoting such competition in the sale and purchase of electricity;

Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

Modification / Option	View For/Against
Modification Proposal P34	
Option 1 – P34, No Retrospection	Against
Rational/ BSC Objective :	
Option 2 – Mandatory Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	Against
Rational/ BSC Objective:	

Option 3 – Mandatory and Commercial Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	Against
Rationale/ BSC Objective:	
Option 4 - P34, No Retrospection, methodology under the Code	Against
Rationale/ BSC Objective:	
Option 5 – Mandatory Balancing Services Volumes as BOAs, methodology under the Code⁴	Against
Rationale/ BSC Objective:	
Option 6 – Mandatory and Commercial Balancing Services Volumes as BOAs, methodology under the Code	FOR
Rational/ BSC Objective: We believe that option 6 will better facilitate objectives (a) and (b), and that it is more efficient that provisions are kept within the BSC where participants can propose changes.	
Additional Comments on Options:	

Q4. With respect to the **Modification Proposal and each of the Options**, please provide an indication of a preferred “effective from” date:

⁴ It should be noted that subsequent to the Modifications Group meeting a separate Modification Proposal has been submitted by Innogy (P36) based on Option 5. This will be presented separately to the Panel meeting on 20th September 2001.

Modification Proposal P34 (note that P34 proposes a retrospective effective from date):

Other Options Proposed "Effective from" Date: Date of Approval + 1

Additional comment:

Any Additional Comments on the attached Initial Written Assessment:

Additional comment:

P34_ASS_002 – EME

Consultation Questions:

With respect to the **Modification Proposal P34 and each of the Options**, please respond to the following questions by completing the table:

Question		YES	NO
Q1	Do you Agree with the Principle that “ <i>The Provider of Balancing Services should not be exposed to the consequence of imbalance for the portion of energy attributable to the provision of that Balancing Service, subject to the volume calculation and the delivery of the service.</i> ”	YES	
Additional Comment:			
Q2	In consideration of Modification P34, the Modification Group identified the following issues. Do you agree with each of issues below?	YES	NO
Issue 1	Should the definition of “applicable” balancing services include only mandatory or all Balancing Services (mandatory and commercial balancing services)	Only Mandatory	
Additional Comment: The nature of mandatory services (same product) suite a prescriptive approach to contract form and they should be included. The need for P34/36 to encompass other commercial services raises issues of governance and market transparency as well as the link to NGC’s incentive scheme. Edison believes that this area would need to be explored further to understand the various interactions.			
Issue 2	Should the removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code?	Only Mandatory	
Additional Comment: For mandatory services it should fall under either CUSC or BSC for other services governance would best fit outside of the code.			
Issue 3	If removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code, should the definition of the “applicable	Only Mandatory	

	balancing services" and calculation of the associated volume fall under the Balancing and Settlement Code.		
Additional Comment: For mandatory services it should fall under either CUSC or BSC for other services governance would best fit outside of the code.			
Issue 4	Should the proposal be made retrospective (as per the proposal 23 rd August 2001) or only prospective?		No
Additional Comment:			

Q3. With respect to the **Modification Proposal P34 and each of the Options**, please indicate your support (or otherwise) for each Option.

Please also state your view on whether the Modification and / or Options better facilitates the BSC Objectives, as defined in the Transmission Licence Condition 7A 3 (a), (b), (c), (d), as follows?

The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;

The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;

Promoting effective competition in the generation and supply of electricity, and (so far as is consistent therewith) promoting such competition in the sale and purchase of electricity;

Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

<i>Modification / Option</i>	<i>View For/Against</i>
Modification Proposal P34	
Option 1 – P34, No Retrospection	Against
Rational/ BSC Objective :	
It is not possible to determine if it meets any of the objectives	
Option 2 – Mandatory Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	For

Rational/ BSC Objective:	
We believe that this meets objective b c and d	
Option 3 – Mandatory and Commercial Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	Against
Rationale/ BSC Objective:	
We believe that including Commercial services in P34/36 and including the governance in the code may lead to problems in the development of new products and markets and with NGC's incentive scheme. Arrangements for commercial services are best left outside of the remit of P34/36. Further debate would be useful in this area.	
Option 4 - P34, No Retrospection, methodology under the Code	Against
Rationale/ BSC Objective:	
We do not believe that the market should in general be exposed to retrospective actions.	
Option 5 – Mandatory Balancing Services Volumes as BOAs, methodology under the Code⁵	For
Rationale/ BSC Objective:	
The governance for this should fall either under the code or CUSC which ever is appropriate.	
Option 6 – Mandatory and Commercial Balancing Services Volumes as BOAs, methodology under the Code	Against
Rational/ BSC Objective:	
This is best left for negotiation on a commercial basis between NGC and the counter party.	
Additional Comments on Options:	

Q4. With respect to the **Modification Proposal and each of the Options**, please provide an indication of a preferred “effective from” date:

⁵ It should be noted that subsequent to the Modifications Group meeting a separate Modification Proposal has been submitted by Innogy (P36) based on Option 5. This will be presented separately to the Panel meeting on 20th September 2001.

Modification Proposal P34 (note that P34 proposes a retrospective effective from date):

Other Options Proposed "Effective from" Date:

When systems have been implemented to correctly calculate all relevant variables and market information.

Additional comment:

Any Additional Comments on the attached Initial Written Assessment:

Additional comment:

We believe that the Bid Offer route would lead to a better solution to the provision the energy related to mandatory services as it meets three of the four BSC objectives. We have reservations if the Bid/Offer mechanism or P34 as drafted were to be used for a wider range of commercial services. Without an understanding of methodology that would be used to calculate volumes it can not be determined if any of the BSC objectives will be met.

P34_ASS_003 – SEEBOARD

P34 Assessment Consultation - SEEBOARD's Response

We have found it difficult to understand the ramifications of the various options or which best facilitates the BSC objectives. Therefore, at this stage, we do not think it would be helpful to the process to complete the questionnaire.

However, as a high level response we do support the principle of P34 and agree that it should be submitted to the assessment procedure. We would require more detail for each of the options to fully assess this proposal. We do not agree that there is an argument for applying the modification retrospectively.

Also, what has not been identified in the proposal is the benefit that it is likely to bring to the System Operator (NGC) in managing their incentive scheme. If this changes there may be an impact on parties.

Sue Fraser
for DAVE MORTON
0190 328 3465

P34_ASS_004 – Scottish Power UK Plc

A.1.1

Modification Proposals P34 – Transfer of Imbalance Caused by Balancing Services to the Transmission Company Energy Account -

Assessment Consultation

After consideration of the above proposal, I attached our responses to the questionnaire. Please also find below our comments in relation to the questionnaire: -

- 1. We support in the general principle of the proposal.*
- 2. We also believe that provider of balancing services should not lose out or make huge profits.*
- 3. NGC should be incentivised to take the cheapest viable service.*
- 4. Further assessments are needed on some of the issues raised.*

I trust you find these comments helpful, and please do not hesitate to contact me should you wish to discuss any points further.

Yours sincerely,

Man Kwong Liu

Scottish Power UK Plc, Manweb Plc and Emerald Power Generation Ltd

Consultation Questions:With respect to the **Modification Proposal P34 and each of the Options**, please respond to the following questions by completing the table:

Question		YES	NO
Q1	Do you Agree with the Principle that “ <i>The Provider of Balancing Services should not be exposed to the consequence of imbalance for the portion of energy attributable to the provision of that Balancing Service, subject to the volume calculation and the delivery of the service.</i> ”	X	
Additional Comment: <i>A solution should be where providers of Balancing Services should not lose money nor make huge profits.</i>			
Q2	In consideration of Modification P34, the Modification Group identified the following issues. Do you agree with each of issues below?	YES	NO
Issue 1	Should the definition of “applicable” balancing services include only mandatory or all Balancing Services (mandatory and commercial balancing services)		X
Additional Comment: <i>Mandatory only.</i>			
Issue 2	Should the removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code?	X	
Additional Comment:			
Issue 3	If removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code, should the definition of the “applicable	X	

	balancing services" and calculation of the associated volume fall under the Balancing and Settlement Code.		
Additional Comment: <i>Isn't this the only for the change to be effective?</i>			
Issue 4	Should the proposal be made retrospective (as per the proposal 23 rd August 2001) or only prospective?		
Additional Comment: <i>In theory, changes should be done as if it were in place at the start. However, we appreciate Ofgem's view on retrospective and would therefore require further assessment on case by case basis before deciding on our preference.</i>			

Q3. With respect to the **Modification Proposal P34 and each of the Options**, please indicate your support (or otherwise) for each Option.

Please also state your view on whether the Modification and / or Options better facilitates the BSC Objectives, as defined in the Transmission Licence Condition 7A 3 (a), (b), (c), (d), as follows?

The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;

The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;

Promoting effective competition in the generation and supply of electricity, and (so far as is consistent therewith) promoting such competition in the sale and purchase of electricity;

Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

<i>Modification / Option</i>	<i>View For/Against</i>
Modification Proposal P34	
Option 1 – P34, No Retrospection	
Rational/ BSC Objective :	

Option 2 – Mandatory Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	
Rational/ BSC Objective:	
Option 3 – Mandatory and Commercial Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	
Rationale/ BSC Objective:	
Option 4 - P34, No Retrospection, methodology under the Code	
Rationale/ BSC Objective:	
Option 5 – Mandatory Balancing Services Volumes as BOAs, methodology under the Code⁶	FOR
Rationale/ BSC Objective:	
Option 6 – Mandatory and Commercial Balancing Services Volumes as BOAs, methodology under the Code	
Rational/ BSC Objective:	
Additional Comments on Options:	

Q4. With respect to the **Modification Proposal and each of the Options**, please provide an indication of a preferred “effective from” date:

⁶ It should be noted that subsequent to the Modifications Group meeting a separate Modification Proposal has been submitted by Innogy (P36) based on Option 5. This will be presented separately to the Panel meeting on 20th September 2001.

Modification Proposal P34 (note that P34 proposes a retrospective effective from date):

Other Options Proposed "Effective from" Date:

Additional comment: ***Any changes should be effective as soon as possible.***

Any Additional Comments on the attached Initial Written Assessment:

Additional comment:

P34_ASS_005 – Scottish and Southern Energy

P34 Assessment Consultation

Transfer of Imbalances Caused by Balancing Services to the Transmission Company Energy Account

Response on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Limited and SSE Energy Supply Limited.

Thank you for providing the opportunity to comment on this modification proposal. Scottish and Southern Energy agree with the principle that Parties should either not be liable for or should be adequately compensated for all energy imbalance, information imbalance and nondelivery charges imposed as a direct result of providing Balancing (Ancillary) Services.

In relation to the detailed proposals and options presented in recent papers we have the following comments:

- Our preference would be for the introduction of a “Deemed Balancing Services Volume Adjustment” factor QBS which would be used to modify the terms QCE and QME for settlement purposes. If however this proved to be costly or time consuming to implement we are happy that a Bid / Offer alternative approach be explored but would be keen to ensure that any Bid / Offer adjustments relating to balancing services didn't corrupt the reporting of other Bids and Offers or the calculation of cash-out prices.
- We believe for clarity and consistency the term QBS should be defined in the Balancing and Settlement Code in relation to mandatory services along with the calculation methodology. For clarity reference should be made to the Grid Code mandatory requirements.
- We do not however believe it is practical for the definition or methodology for the calculating of QBS in relation to commercial services to sit within the Balancing and Settlement Code. We believe it is more appropriate that this is dealt with under individual contracts.
- In relation to disputes procedures, we assume mandatory services would be dealt with under the Balancing and Settlement Code. In respect of commercial services this would need to be covered under contracts or ancillary but there would need to be some linkage with the BSC in relation to disputes over imbalance charges. Further consideration and clarification should be given to this issue as part of the Assessment Phase.
- We are concerned that this issue now seems to be split between this modification proposal, P36 and the work of an informal CUSC group. We believe this causes confusion and duplication of effort and ask that all work be brought together.
- We have concerns regarding the interaction between the Transmission Licence, CUSC and BSC, particularly in relation to queries and disputes. This issue also requires further consideration as part of the Assessment Phase.

- Regarding the issue of retrospection. It would be useful if Ofgem members of the Working Group could provide guidance. To avoid any difficulty we would be happy with an effective date of the date approved by the Authority.

Due to the lack of clarity on a number of issues at this stage, it is difficult to compare or give a preference for options other than as given above. We believe further clarification is required under the the Assessment Report.

We hope these comments are useful.

Regards

Beverley Grubb
Market Development
Scottish and Southern Energy

P34_ASS_006 – British Energy

P34 Assessment Consultation - BSC Energy Volumes associated with Balancing Services

In the time allowed, I am unable to provide properly considered and reasoned comments on the initial assessment for this proposal.

Hopefully, the BSC Panel will acknowledge the wide ranging and important issues relating to this proposal, and related proposal P36, and provide further opportunity for comment before making recommendations to the Authority.

British Energy does not favour retrospective application of changes to the trading arrangements, including the changes implicit in this proposal.

Martin Mate

P34_ASS_007 – Centrica

Consultation on P34

Thank you for the opportunity of responding to the consultation on Modification Proposal 34. British Gas Trading (BGT) supports the principle behind the modification but do not wish to comment on the detail of the proposal at this stage in light of modification proposal P36 raised by Innogy.

As P36 is so closely related to P34 we believe it should be considered in parallel. If the Panel decide to take this approach at the Panel meeting being held on Thursday a further consultation should be undertaken to allow Parties to consider both modifications. We are uncomfortable with responding to a consultation that would effectively prejudge our response to Modification P36.

I hope this clarifies our position, if however, you require further details on either Modification Proposal, please let me know.

Regards
Danielle Lane
Transportation Analyst
Centrica

P34_ASS_008 – NGC

The Transmission Company response to the Initial Written Assessment consultation is provided in ANNEX 5 (a) of this Assessment Report.

P34_ASS_009 – Innogy

Consultation Questions:

With respect to the **Modification Proposal P34 and each of the Options**, please respond to the following questions by completing the table:

Question		YES	NO
Q1	Do you Agree with the Principle that “ <i>The Provider of Balancing Services should not be exposed to the consequence of imbalance for the portion of energy attributable to the provision of that Balancing Service, subject to the volume calculation and the delivery of the service.</i> ”	Yes	
Additional Comment: Whilst we believe this to be an appropriate principle, the term "Balancing Services" should be explicitly defined rather than giving the System Operator discretion in their choice.			
Q2	In consideration of Modification P34, the Modification Group identified the following issues. Do you agree with each of issues below?	YES	NO
Issue 1	Should the definition of “applicable” balancing services include only mandatory or all Balancing Services (mandatory and commercial balancing services)		
Additional Comment: As a minimum P34 should cover the mandatory Frequency Response services. It would also obviously extend to other Frequency Response provided by generation outside the Grid Code requirements. It may be extended to other Frequency Response sources such as demand side response - bu the scope should be explicit in the BSC.			
Issue 2	Should the removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code?	Yes	
Additional Comment: The removal of the imbalance exposure for those services designated within the BSC should fall under the BSC. However, this should not preclude other arrangements that might lie outside the BSC and where the imbalance risk could be assumed by either the SO or the provider.			
Issue 3	If removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code, should the definition of the “applicable balancing services” and calculation of the associated volume fall under the Balancing and Settlement Code.	Yes	

Additional Comment: Both the definition of the services and the methodology for the calculation of the associated imbalance volumes should be codified within the BSC.		
Issue 4	Should the proposal be made retrospective (as per the proposal 23 rd August 2001) or only prospective?	
Additional Comment: Generally we are uneasy about retrospection where it involves a change of rule that may have led to different behaviour by market participants had it been known that the new rule would have applied at the time.		

Q3. With respect to the **Modification Proposal P34 and each of the Options**, please indicate your support (or otherwise) for each Option.

Please also state your view on whether the Modification and / or Options better facilitates the BSC Objectives, as defined in the Transmission Licence Condition 7A 3 (a), (b), (c), (d), as follows?

The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;

The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;

Promoting effective competition in the generation and supply of electricity, and (so far as is consistent therewith) promoting such competition in the sale and purchase of electricity;

Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

Modification / Option	View For/Against
Modification Proposal P34	
Option 1 – P34, No Retrospection	Against
Rational/ BSC Objective : P34 makes no mention of how delivered energy should be paid for. While it removes some imbalance risk, no price is attached to the energy. Without this, Balancing Services contracts will need to duplicate the volume calculation and pay for the delivered energy.	

Option 2 – Mandatory Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	
Rational/ BSC Objective:	
Option 3 – Mandatory and Commercial Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	
Rationale/ BSC Objective:	
Option 4 - P34, No Retrospection, methodology under the Code	Against
Rationale/ BSC Objective:	
Option 5 – Mandatory Balancing Services Volumes as BOAs, methodology under the Code⁷	For
Rationale/ BSC Objective:	
Option 6 – Mandatory and Commercial Balancing Services Volumes as BOAs, methodology under the Code	For
Rational/ BSC Objective: BSC Objectives B, C and D are promoted by this option by treating all balancing energy in the same way. This will promote competition and allow the Transmission Company to make efficient, economic decisions in a transparent way that is readily administered within the BSC.	
Additional Comments on Options: We believe that Option 6 is the preferred option although Options 2, 3 and 5 also have some merit in that they go some way toward meeting the BSC objectives.	

⁷ It should be noted that subsequent to the Modifications Group meeting a separate Modification Proposal has been submitted by Innogy (P36) based on Option 5. This will be presented separately to the Panel meeting on 20th September 2001.

Q4. With respect to the **Modification Proposal and each of the Options**, please provide an indication of a preferred “effective from” date:

Modification Proposal P34 (note that P34 proposes a retrospective effective from date):
Other Options Proposed “Effective from” Date: Date of approval by the Authority
Additional comment:

Any Additional Comments on the attached Initial Written Assessment:

Additional comment:

P34_ASS_010 – Enron Europe**Modification Proposal P34: Transfer of Imbalances Caused by Balancing Services to the Transmission Company Energy Account**

Response by Enron Europe

18 September 2001

Enron Europe welcomes the opportunity to respond to the consultation on proposed modification P34. Enron supports this modification in principle. However, we have concerns about the specific details of the proposal.

The methodology for determining Deemed Balancing Services Volumes should be subject to the same governance as the BSC. By subjecting the volume calculation to BSC governance Parties are reassured that the volume calculation, and any future changes to the calculation, will better achieve the Applicable BSC Objectives. Transparency and regulatory certainty are important in reducing the underlying risk of NETA and promoting the efficient implementation and administration of the BSC (Applicable BSC Objective (d)).

Unless the volume calculation is fully specified in the BSC, it is impossible to determine unequivocally that modification P34 would better meet the Applicable BSC Objectives. If the calculation is specified outside the BSC, one can merely say that P34 would better meet the Applicable BSC Objectives, if NGC and Ofgem agree an appropriate volume calculation outside the BSC.

We strongly oppose the modification Options that propose Deemed Balancing Services Volumes be treated as BOAs under the BSC (ie, Options 2, 3, 5 and 6). Ofgem has consistently said that system balancing actions should be excluded from imbalance price calculations. If treated as BOAs, tagging (including P18's CID) will not remove all Deemed Balancing Services Volumes from imbalance price calculations. The most effective method for ensuring Deemed Balancing Services Volumes are excluded from imbalance price calculations is not to treat them as BOAs. This would better meet the Applicable BSC Objective of efficient implementation and administration of the balancing and settlement arrangements.

The remainder of this response answers the specific consultation questions.

Q1 Do you agree with the principle that "The provider of Balancing Services should not be exposed to the consequence of imbalance for the portion of energy attributable to the provision of that Balancing Service, subject to the volume calculation and the delivery of the service."

Yes. The provider of balancing services should not be exposed to the consequence of imbalance to the extent that the balancing service is provided in accordance with SO instructions. In order to give financial incentives to perform, it is important to expose the provider to volume risk when it does not

follow instructions. This reinforces Grid Code obligations, and better meets the Applicable BSC Objective of efficient, economic and co-ordinated operation of the Transmission System.

Q2 In consideration of Modification P34, the Modification Group identified the following issues. Do you agree with each of the issues below?

Issue 1. Should the definition of applicable balancing services include only the mandatory or all balancing services (mandatory and commercial)

The definition of applicable balancing services should include both mandatory and commercial balancing services. There is little difference between the two types of service, except for price, and the principles of P34 apply equally to both. In addition, it is impossible to replicate P34 contractually because it is impossible to replicate the impact of P34 on RCRC and BSUOS charges. Including both mandatory and commercial balancing services better achieves the Applicable BSC Objective of efficient implementation and administration the balancing and settlement arrangements.

Issue 2. Should the removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the BSC?

Yes. To ensure the methodology for removing exposure to the consequence of imbalances better meets the Applicable BSC Objectives, it must be specified in the BSC.

Issue 3. If removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the BSC, should the definition of the applicable balancing services and calculation of the associated volume fall under the BSC?

Yes. The methodology for determining Deemed Balancing Services Volumes should be subject to the same governance as the BSC. By subjecting the volume calculation to BSC governance Parties are reassured that the volume calculation, and any future changes to the calculation, will better achieve the Applicable BSC Objectives. Transparency and regulatory certainty are important in reducing the underlying risk of NETA and promoting the efficient implementation and administration of the BSC (Applicable BSC Objective (d)).

Unless the volume calculation is fully specified in the BSC, it is impossible to determine unequivocally that modification P34 would better meet the Applicable BSC Objectives. If the calculation is specified outside the BSC, one can merely say that P34 would better meet the Applicable Objectives, if NGC and Ofgem agree an appropriate volume calculation outside the BSC.

Issue 4. Should the proposal be made retrospective (as per the proposal 23rd August 2001) or only prospective?

No. If P34 was in place at Go-Live, it would have incentivised Parties to act differently. Parties would have been more willing to provide balancing services, and this would have had flow on effects on BSUOS charges, and RCRC. P34 would not only have impacted those Parties who had provided balancing services to NGC, it would also have impacted third parties – ie, anyone who had received RCRC and /or paid BSUOS charges. Therefore, in the

case of P34, retrospective implementation would render the BSC inherently uncertain and therefore would not promote efficiency in the implementation and administration of the balancing and settlement arrangements.

Q3. With respect to the Modification Proposal P34 and each of the Options, please indicate your support (or otherwise) for each Option.

Modification Proposal P34

Against. As discussed, governance should be inside the BSC (see Q2 Issue 3) and P34 should not be retrospective because retrospection does not better meet the Applicable BSC Objectives (see Q2 Issue 4).

Option 1 – P34, No Retrospection

Against. As discussed, governance should be inside the BSC (see Q2 Issue 3).

Option 2 – Mandatory Balancing Services Volumes as BOAs

Against. (i) Governance should be inside the BSC (see Q2 Issue 3); (ii) the arrangements should apply to both mandatory and commercial services (see Q2 Issue 1); and (iii) Ofgem has consistently said that system balancing actions should be excluded from imbalance price calculations. If treated as BOAs, tagging (including P18's CID) will not remove all Deemed Balancing Services Volumes from imbalance price calculations. The most effective method for ensuring Deemed Balancing Services Volumes are excluded from imbalance price calculations is not to treat them as BOAs, thereby better meeting the Applicable BSC Objective of efficient implementation and administration of the balancing and settlement arrangements.

Option 3 – Mandatory and Commercial Balancing Services Volumes as BOAs

Against. (i) Governance should be inside the BSC (see Q2 Issue 3); and (ii) Deemed Balancing Services Volumes should not be treated as BOAs (see Q3 Option 2).

Option 4 – P34, No Retrospection, methodology under the Code

Support. (i) Governance should be inside the BSC (see Q2 Issue 3); (ii) the arrangements should apply to both mandatory and commercial services (see Q2 Issue 1); (iii) Deemed Balancing Services Volumes should not be treated as BOAs (see Q3 Option 2); and (iv) P34 should not be retrospective because retrospection does not better meet the Applicable BSC Objectives (see Q2 Issue 4).

Option 5 – Mandatory Balancing Services Volumes as BOAs, methodology under the Code

Oppose. (i) The arrangements should apply to both mandatory and commercial services (see Q2 Issue 1); and (ii) deemed Balancing Services Volumes should not be treated as BOAs (see Q3 Option 2).

Option 6 - Mandatory and Commercial Balancing Services Volumes as BOAs, methodology under the Code

Oppose. Deemed Balancing Services Volumes should not be treated as BOAs (see Q3 Option 2).

Q4. With respect to the Modification Proposal and each of the Options, please provide an indication of a preferred effective from date:

The effective date of P34 should not be retrospective. The effective date should be the date when Ofgem approves the proposed modification. This will expedite the benefits of reducing the financial risks of providing balancing services.

P34_ASS_011 – NRG Energy

Consultation Questions:

With respect to the **Modification Proposal P34 and each of the Options**, please respond to the following questions by completing the table:

Question		YES	NO
Q1	Do you Agree with the Principle that <i>“The Provider of Balancing Services should not be exposed to the consequence of imbalance for the portion of energy attributable to the provision of that Balancing Service, subject to the volume calculation and the delivery of the service.”</i>	Yes	
Additional Comment:			
Q2	In consideration of Modification P34, the Modification Group identified the following issues. Do you agree with each of issues below?	YES	NO
Issue 1	Should the definition of “applicable” balancing services include only mandatory or all Balancing Services (mandatory and commercial balancing services)	Mandatory and Commercial	
Additional Comment: Once this principle has been established we see no problem with this applying to all services provided.			
Issue 2	Should the removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code?	Yes	
Additional Comment:			
Issue 3	If removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code, should the definition of the “applicable balancing services” and calculation of the associated volume fall under the Balancing and Settlement Code.	Yes	

Additional Comment:		
Issue 4	Should the proposal be made retrospective (as per the proposal 23 rd August 2001) or only prospective?	Yes
Additional Comment:		
Otherwise this is unfair to those who have historically provided these services in the past		

Q3. With respect to the **Modification Proposal P34 and each of the Options**, please indicate your support (or otherwise) for each Option.

Please also state your view on whether the Modification and / or Options better facilitates the BSC Objectives, as defined in the Transmission Licence Condition 7A 3 (a), (b), (c), (d), as follows?

The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;

The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;

Promoting effective competition in the generation and supply of electricity, and (so far as is consistent therewith) promoting such competition in the sale and purchase of electricity;

Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

Modification / Option	View For/Against
Modification Proposal P34	
Option 1 – P34, No Retrospection	Against
Rational/ BSC Objective :	
This provides no incentive on the Transmission company to be efficient and economic	
Option 2 – Mandatory Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	For

Rational/ BSC Objective: Acceptance of most economic bids and offers furthers condition 7A 3(b)	
Option 3 – Mandatory and Commercial Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	For
Rationale/ BSC Objective: As above, but even more so.	
Option 4 - P34, No Retrospection, methodology under the Code	Against
Rationale/ BSC Objective: As for option 1 for the code. Unfair to providers of this service in the past	
Option 5 – Mandatory Balancing Services Volumes as BOAs, methodology under the Code⁸	For
Rationale/ BSC Objective:	
Option 6 – Mandatory and Commercial Balancing Services Volumes as BOAs, methodology under the Code	For
Rational/ BSC Objective:	
Additional Comments on Options: We agree with the idea of bids and offers for ancillary services, but have no strong feeling as to whether the relevant calculation is carried out under the code or not, as long as it occurs and is to an agreed formula.	

Q4. With respect to the **Modification Proposal and each of the Options**, please provide an indication of a preferred “effective from” date:

⁸ It should be noted that subsequent to the Modifications Group meeting a separate Modification Proposal has been submitted by Innogy (P36) based on Option 5. This will be presented separately to the Panel meeting on 20th September 2001.

Modification Proposal P34 (note that P34 proposes a retrospective effective from date):

Other Options Proposed "Effective from" Date:

Additional comment:

Any Additional Comments on the attached Initial Written Assessment:

Additional comment:

P34_ASS_012 – London Electricity

Thank you for the opportunity to comment on Modification Proposal P34. I would like to apologise for not meeting the lunchtime deadline. I have attached our response in the form of the matrix that you provided, below

Yours sincerely

Liz Anderson

(London Electricity, Lenco, South Western Electricity, Jade Power and Sutton Bridge Power)

Question		YES	NO
Q1	Do you Agree with the Principle that <i>“The Provider of Balancing Services should not be exposed to the consequence of imbalance for the portion of energy attributable to the provision of that Balancing Service, subject to the volume calculation and the delivery of the service.”</i>	YES	
Yes, but there are several reservations on the methodology used – see bullet points under Mod 34 section of email.			
Q2	In consideration of Modification P34, the Modification Group identified the following issues. Do you agree with each of issues below?		
Issue 1	Should the definition of “applicable” balancing services include only mandatory or all Balancing Services (mandatory and commercial balancing services)		NO
Only mandatory.			
Issue 2	Should the removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code?	YES	
Falling under the direct governance of NGC would mean that their interests could influence decisions too much.			
Issue 3	If removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code, should the definition of the “applicable balancing services” and calculation of the associated volume fall under the Balancing and Settlement Code.	YES	
Falling under the direct governance of NGC would mean that their interests could influence decisions too much.			

Issue 4	Should the proposal be made retrospective (as per the proposal 23 rd August 2001) - or only prospective?	YES	
We would support retrospection as per the proposal, with some caution; there is no effect on cashout prices themselves.			

Q3. With respect to the **Modification Proposal P34 and each of the Options**, please indicate your support (or otherwise) for each Option.

Modification / Option	View For/Against
Modification Proposal P34	
Option 1 – P34, but with No Retrospection	AGAINST
Rationale : (see issue 4 above – would support P34 with retrospection, as proposed)	
Option 2 – Mandatory Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	FOR DEBATE
Not supported – no need to amend the proposal	
Option 3 – Mandatory and Commercial Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	AGAINST
Not supported – no need to amend the proposal	
Option 4 - P34, No Retrospection, methodology under the Code	AGAINST
Rationale : (see issue 4 above)	
Option 5 – Mandatory Balancing Services Volumes as BOAs, methodology under the Code⁹	FOR DEBATE

Rationale

This essentially describes mod P36. It could encourage or facilitate “gaming” of frequency response earnings, and it would be difficult for NGC to economically despatch frequency response due to the complexities that would be entailed. We are provisionally not in favour of this – it would be likely to increase balancing costs to all participants.

P34_ASS_013 – Powergen

Consultation Questions:

With respect to the **Modification Proposal P34 and each of the Options**, please respond to the following questions by completing the table:

Question		YES	NO
Q1	Do you Agree with the Principle that <i>“The Provider of Balancing Services should not be exposed to the consequence of imbalance for the portion of energy attributable to the provision of that Balancing Service, subject to the volume calculation and the delivery of the service.”</i>	Yes	
Additional Comment: These services are providing energy which is contributing to system balancing and therefore should not be treated as imbalance energy.			
Q2	In consideration of Modification P34, the Modification Group identified the following issues. Do you agree with each of issues below?	YES	NO
Issue 1	Should the definition of “applicable” balancing services include only mandatory or all Balancing Services (mandatory and commercial balancing services)		No
Additional Comment: The definition of “applicable” balancing services should include mandatory services only as suppliers of these services are participants in the BM. In the case of commercial balancing services all suppliers may not be participants in the BM and the treatment of the imbalance may need to be different to that of BM participants.			
Issue 2	Should the removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code?	Yes	
Additional Comment: The energy supplied through the mandatory balancing service contributes to balancing the system and therefore should be treated as any energy bought through the balancing mechanism. Thus it follows that the removal of the exposure should fall under the governance of the Balancing and Settlement Code			

Issue 3	If removal of exposure to the consequence of imbalances as a result of the volumes attributable to the provision of that Balancing Service fall under the governance of the Balancing and Settlement Code, should the definition of the “applicable balancing services” and calculation of the associated volume fall under the Balancing and Settlement Code.	Yes	
Additional Comment: The volume calculated is required for the balancing mechanism settlement calculations, but the underlying parameters are derived from contracts governed by the CUSC. If P34, as proposed, is implemented then the volume should be calculated outside of the governance of the BSC to prevent duplicate calculations inside and outside of the BSC. If options 2 or 3 (P36) are implemented then the volume should be covered by the Governance of the BSC.			
Issue 4	Should the proposal be made retrospective (as per the proposal 23 rd August 2001) or only prospective?		No
Additional Comment: The proposal should not be retrospective.			

Q3. With respect to the **Modification Proposal P34 and each of the Options**, please indicate your support (or otherwise) for each Option.

Please also state your view on whether the Modification and / or Options better facilitates the BSC Objectives, as defined in the Transmission Licence Condition 7A 3 (a), (b), (c), (d), as follows?

The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;

The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;

Promoting effective competition in the generation and supply of electricity, and (so far as is consistent therewith) promoting such competition in the sale and purchase of electricity;

Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

Modification / Option	View For/Against
Modification Proposal P34	
Option 1 – P34, No Retrospection	Against

Rational/ BSC Objective : This proposal only addresses the issue of imbalance resulting from delivery of balancing service energy, it ignores the payment for the energy delivered which in principle is no different to energy delivered through Bid/offer acceptances. Thus this is not the ideal solution for mandatory balancing services.	
Option 2 – Mandatory Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	Against
Rational/ BSC Objective: The governance should be within the BSC as the energy is delivered and settled through the balancing mechanism.	
Option 3 – Mandatory and Commercial Balancing Services Volumes as Bid – Offer Acceptances (BOAs)	Against
Rationale/ BSC Objective: The governance should be within the BSC as the energy is delivered and settled through the balancing mechanism.	
Option 4 - P34, No Retrospection, methodology under the Code	Against
Rationale/ BSC Objective: As option 1	
Option 5 – Mandatory Balancing Services Volumes as BOAs, methodology under the Code¹⁰	For
Rationale/ BSC Objective: This proposal enables NGC to economically accept Bid/Offers to balance the system taking into account both the value of the balancing service and the value of the energy. The provider receives payment for the balancing service energy delivered in the same way as if the energy was delivered as a conventional bid offer.	
Option 6 – Mandatory and Commercial Balancing Services Volumes as BOAs, methodology under the Code	Against
Rational/ BSC Objective: Generally providers of commercial balancing services are not participants in the balancing mechanism.	
Additional Comments on Options:	

¹⁰ It should be noted that subsequent to the Modifications Group meeting a separate Modification Proposal has been submitted by Innogy (P36) based on Option 5. This will be presented separately to the Panel meeting on 20th September 2001.

Q4. With respect to the **Modification Proposal and each of the Options**, please provide an indication of a preferred “effective from” date:

Modification Proposal P34 (note that P34 proposes a retrospective effective from date):

Other Options Proposed “Effective from” Date: Without an impact assessment it is impossible to define a meaningful effective date.

Additional comment:

Any Additional Comments on the attached Initial Written Assessment:

Additional comment:

b Responses from P34 and P36 Impact Assessment (CPC077)

Representations were received from the following parties:

No	Company	File Number
1.	IMServ	P34&P36_IA_01
2.	Bridge of Cally Energy Investments Ltd	P34&P36_IA_02
3.	Siemens Metering Services	P34&P36_IA_03
4.	Siemens Metering Datacare	P34&P36_IA_04
5.	SEEBOARD	P34&P36_IA_05
6.	GPU Power Networks (UK) plc	P34&P36_IA_06
7.	Scottish & Southern Energy	P34&P36_IA_07
8.	British Energy Group	P34&P36_IA_08
9.	TXU Europe	P34&P36_IA_09
10.	London Electricity	P34&P36_IA_10

P34&P36_IA_01 - IMServ

CPC00077: Detailed Level Impact Assessment (DLIA) for MP34 - Transfer of imbalances caused by Balancing Services to the Transmission Company Energy Account

CPC00077: Detailed Level Impact Assessment (DLIA) for MP36 - The generation of Bid-Offer Acceptances relating to energy delivered as a result of providing Applicable Balancing Services.

I agree/disagree* with the change proposed for the original Modification.

Do the changes stated impact your organisation *Yes/No.

How much notification do you require? _____ No. Of days.

I agree/disagree* with the change proposed for the Alternative Modification.

Do the changes stated impact your organisation No.

How much notification do you require? _____ No. Of days.

Comments:

NO IMPACT

Name: _____CORRINA HARVEY_____

BCA/PACA* _____SVA HHDC HHDA_____

Organisation: _____IMSERV EUROPE_____

Date: _____19/11/01_____

P34&P36_IA_02 - Bridge of Cally Energy Investments Limited

Original Modification: Impact – No.

Notification required – 0 days.

Alternative Modification: Impact – No.

Notification required – 0 days.

Stephen Mooney

Bridge of Cally Energy Investments Ltd

P34&P36_IA_03 - Siemens Metering Services

No impact or interest for Siemens Metering Services (Nottingham)

Roger Grew

Siemens Metering Services

P34&P36_IA_04 - Siemens Metering Datacare

CPC00077: Detailed Level Impact Assessment (DLIA) for MP34 - Transfer of imbalances caused by Balancing Services to the Transmission Company Energy Account

I agree with the change proposed for the original Modification.

Do the changes stated impact your organisation * **Yes**

How much notification do you require? **1 month minimum**

Comments: Will require a minor modification to our software.

Name: Roger Grew

BCA/PACA* _____

Organisation: Siemens Metering DataCare (Ruddington - Nottingham)

Date: 22nd November 2001

P34&P36_IA_05 - SEEBOARD

CPC00077: Detailed Level Impact Assessment (DLIA) for MP34 - Transfer of imbalances caused by Balancing Services to the Transmission Company Energy Account

I disagree with the change proposed for the original Modification.

Do the changes stated impact your organisation Yes

How much notification do you require? ___90_____ No. Of days.

I disagree with the change proposed for the Alternative Modification, but see comments.

Do the changes stated impact your organisation Yes

How much notification do you require? ___90_____ No. Of days.

Comments:

We consider P36 approach to be a more appropriate solution to issues being addressed by modification proposals P34 and P36. However if P36 were to be much more expensive than P34 our view could change. In this case we would support P34 alternative. We would not support original P34 due to its retrospective elements and that we feel its alternative provides better long-term governance.

CPC00077: Detailed Level Impact Assessment (DLIA) for MP36 - The generation of Bid-Offer Acceptances relating to energy delivered as a result of providing Applicable Balancing Services.

I agree with the change proposed for the original Modification.

Do the changes stated impact your organisation Yes.

How much notification do you require? ___90_____ No. Of days.

I disagree with the change proposed for the Alternative Modification.

Do the changes stated impact your organisation Yes.

How much notification do you require? ___90_____ No. Of days.

Comments:

We feel that P36 original modification provides a better solution to this issue than any of the others. We would support this above all others unless the costs associated with any changes are much higher than for other changes.

Name: ___Dave Morton_____

BCA/PACA _____

Organisation: ___SEEBOARD_____

Date: ___29th November 2001_____

P34&P36_IA_06 - GPU Power Networks (UK) plc

Please find that GPU POWER UK response for CPC 77 is 'No Comment'.

Thanks

Rachael Gardener

Deregulation Control Group & Distribution Support Office

GPU POWER.NETWORKS (UK) plc

P34&P36_IA_07 - Scottish and Southern Energy

CPC00077: Detailed Level Impact Assessment (DLIA) for MP34 - Transfer of imbalances caused by Balancing Services to the Transmission Company Energy Account

I agree with the change proposed for the original Modification.

Do the changes stated impact your organisation Yes.

How much notification do you require? 3 months

I agree with the change proposed for the Alternative Modification.

Do the changes stated impact your organisation Yes.

How much notification do you require? 3 months

Comments: I would say that P36 Alternative proposal would be my preference (reasons being BSC provides majority of governance, ii) BOAs separately cashed out at bid/offer price; iii) Energy imbalances caused by Ancillary Services delivery are separately neutralised)

Name: Sue Macklin_____

BCA/PACA* _____

Organisation: _____ Scottish and Southern Energy
plc_____

Date: 29/11/01

P34&P36_IA_08 - British Energy Group

CPC00077: Detailed Level Impact Assessment (DLIA) for MP34 - Transfer of imbalances caused by Balancing Services to the Transmission Company Energy Account

I agree/disagree* with the change proposed for the original Modification . See response to Modification Group

Do the changes stated impact your organisation Yes

How much notification do you require? 4 months minimum

I agree/disagree* with the change proposed for the Alternative Modification . See response to modification Group

Do the changes stated impact your organisation Yes

How much notification do you require? _4 months minimum.

Comments:

CPC00077: Detailed Level Impact Assessment (DLIA) for MP36 - The generation of Bid-Offer Acceptances relating to energy delivered as a result of providing Applicable Balancing Services.

I agree/disagree* with the change proposed for the original Modification. See response to modification group

Do the changes stated impact your organisation Yes

How much notification do you require? _4 months minimum_

I agree/disagree* with the change proposed for the Alternative Modification. See response to modification group

Do the changes stated impact your organisation Yes.

How much notification do you require? _4 months minimum_

Comments:

Name: __Rachel Ace_____

BCA/PACA* _____

Organisation: _British Energy Generation, British Energy Power and Energy Trading, Eggborough Power Ltd_____

Date: _29/11/01_____

P34&P36_IA_09 - TXU Europe

CPC00077: Detailed Level Impact Assessment (DLIA) for MP34 - Transfer of imbalances caused by Balancing Services to the Transmission Company Energy Account

I disagree* with the change proposed for the original Modification.

Do the changes stated impact your organisation *Yes

How much notification do you require? _____ No. Of days.

I disagree* with the change proposed for the Alternative Modification.

Do the changes stated impact your organisation *Yes

How much notification do you require? _____ No. Of days.

Comments:

CPC00077: Detailed Level Impact Assessment (DLIA) for MP36 - The generation of Bid-Offer Acceptances relating to energy delivered as a result of providing Applicable Balancing Services.

I agree with the change proposed for the original Modification.

Do the changes stated impact your organisation *Yes

How much notification do you require? __800_____ No. Of days.

I disagree* with the change proposed for the Alternative Modification.

Do the changes stated impact your organisation *Yes

How much notification do you require? __830_____ No. Of days.

Comments:

Name: __Edward Coleman_____

BCA_____

Organisation: __TXU_____

Date: __29/11/01_____

P34&P36_IA_10 - London Electricity Group

We will require six months notice to implement this CPC.

We currently have no preference as to which option is implemented on p34 or p36.

Ian Dunn

London Electricity Group

c Responses from P34 & P36 Assessment Consultation

The following is a copy of the questionnaire that was sent for consultation on the Assessment of Modification Proposal P34 and Modification Proposal P36:

Explanatory table for Modification options

Functionality	Modification option			
	P34	P34 Alternative	P36	P36 Alternative
Prospective only	✗	✓	✓	✓
Definition under Code (Services & Volm. Calc.)	✗	✓	✓	✓
Remove exposure	✓	✓	✓ - all defined	✓ - all
Payment for Energy (obligatory)	✗	✗	✓ - all defined	✗ - Class A ✓ - Class B

Class A

- 1) Fast Reserve for Lead parties that are either BSC or non BSC Parties
- 2) Standing Reserve for Lead parties that are not BSC Parties
- 3) Commercial Frequency Response
 - i) Governor Action
 - ii) Relay Initiated

Class B (note only available for Lead parties that are BSC Parties)

- 1) Mandatory Frequency Response

N.B Acceptance of Bid/Offer for Standing Reserve from BSC Parties is currently available under the existing version of the BSC.

P34/P36 Consultation Questions –

		Yes /No
Q1	Please indicate whether you support the P34 Alternative	
Rationale:		
Q2	Please Indicate whether you support P36 as drafted	
Rationale:		
Q3	Please indicate whether you support the P36 Alternative	
Rationale:		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	
Rationale/Alternative Proposal:		
Q5	Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.	
Rational/View:		

Consultation issued 14 November 2001

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	Williams Energy	P34&P36_ASS_001	1
2.	SEEBOARD	P34&P36_ASS_002	2
3.	TXU	P34&P36_ASS_003	12
4.	BOC Gases	P34&P36_ASS_004	1
5.	Dynegy	P34&P36_ASS_005	1
6.	Ineos Chlor	P34&P36_ASS_006	1
7.	Powergen UK plc	P34&P36_ASS_007	4
8.	British Gas Trading	P34&P36_ASS_008	8
9.	London Electricity plc	P34&P36_ASS_009	4
10.	Alcan Smelting and Power Limited	P34&P36_ASS_010	1
11.	Innogy plc	P34&P36_ASS_011	6
12.	Slough Energy Supplies Ltd	P34&P36_ASS_012	2
13.	British Energy	P34&P36_ASS_013	3
14.	NGC	P34&P36_ASS_014	1
15.	Conoco U.K. Limited	P34&P36_ASS_015	1
16.	ScottishPower	P34&P36_ASS_016	2
17.	TotalFinaElf	P34&P36_ASS_017	1

P34&P36_ASS_001 – Williams Energy

P34/P36 Consultation Questions –

Respondent: Tim Hammond, Williams Energy		
Representing: (Please list all parties the respondent is replying on behalf of)		
		Yes /No
Q1	Please indicate whether you support the P34 Alternative	Yes
Rationale: Should increase number of parties prepared to offer balancing services to NGC, reducing cost of service provision.		
Q2	Please Indicate whether you support P36 as drafted	Yes
Rationale: Increases incentives for balancing service providers to accurately fulfil obligations, bringing down system balancing costs.		
Q3	Please indicate whether you support the P36 Alternative	Yes
Rationale: Creates a fairer system for distributing costs, as mandatory frequency response is beyond reasonable control of individual market participants so should not penalise them. For the purposes of this I am assuming that mandatory response refers to obligations imposed under the grid code, as opposed to any commercial service provision.		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	Yes
Rationale/Alternative Proposal: Agree that mandatory frequency response should not penalise provider.		
Q5	Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.	Yes, but only for Offers
Rational/View: I think that where a Mandatory Frequency instruction results in a net reduction in generation, there should be no compensation beyond an immunity for the relevant imbalance charges. However, where the instruction results in a net increase in generation output, the offer level should be accepted so as to cover any related costs incurred by the provider.		

P34&P36_ASS_002 – SEEBOARD**P34/P36 Consultation Questions –**

Respondent: Dave Morton, SEEBOARD		
Representing: (Please list all parties the respondent is replying on behalf of)		
SEEBOARD Energy Limited and SEEBOARD Power Networks plc		
		Yes /No
Q1	Please indicate whether you support the P34 Alternative	No
Rationale: We feel that this modification is not the most appropriate solution to this issue. We would support this modification, and only in its alternate form, if changes centrally to implement P36 solution are much higher than those for P34. Irrespective of costs we would not support the original P34 modification.		
Q2	Please Indicate whether you support P36 as drafted	Yes
Rationale: We feel that this option is the most appropriate method to resolve this issue.		
Q3	Please indicate whether you support the P36 Alternative	No
Rationale: We do not feel that this provides a more appropriate way forward than that specified in the original proposal.		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	Yes
Rationale/Alternative Proposal: This option is supported at present, as we cannot see a more appropriate alternate.		
Q5	Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.	
Rational/View: No comments, we do not support this option.		

P34&P36_ASS_003 – TXU

P34/P36 Consultation Questions –

Respondent:		
Representing: (Please list all parties the respondent is replying on behalf of)		
		Yes /No
Q1	Please indicate whether you support the P34 Alternative	No
Rationale: P34 specifically addresses the issue of the quantity of energy that is provided for a subset of Balancing Services. The issue of the price that should be applied to such Services is also under consideration, albeit a different Mod proposal. Given that P36 also addresses the quantity issue as well as the price issue it seems more sensible to concentrate on this Mod.		
Q2	Please Indicate whether you support P36 as drafted	Yes
Rationale: This is the only option that resolves the pricing issue applicable to all Balancing Services. However, as currently drafted it would appear to make it an obligation that Balancing Service Providers had to be active participants in the BM ?		
Q3	Please indicate whether you support the P36 Alternative	No
Rationale: This option appears to fail to address the issue of Price in respect of Mandatory Services ?		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	
Rationale/Alternative Proposal:		
Q5	Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.	
Rational/View:		

P34&P36_ASS_004 – BOC Gases

From: Mortlock,Dave[SMTP:Dave.Mortlock@uk.gases.boc.com]

Sent: 30 November 2001 14:14

To: 'Justin Andrews'

Cc: 'Modifications@elexon'; Mortimer,Hugh

Subject: P34/P36 Consultation Response

Having discussed the issues with you and having read through the Consultation Document I feel that I am still not able to complete the Consultation Questionnaire.

I do however agree that any modification(s) should be prospective only. I also believe that a demand side provider of Balancing (Ancillary) Services should neither expose itself nor its electricity supplier to Imbalance Charges as a result of providing the Balancing (Ancillary) Services. I am unable to say how this should be achieved other than to hope that it is done in the most simple and cost efficient manner.

Dave

P34&P36_ASS_005 – Dynegy

P34/P36 Consultation Questions –

Respondent: Dynegy		
Representing: (Please list all parties the respondent is replying on behalf of)		
		Yes /No
Q1	Please indicate whether you support the P34 Alternative	Yes
Rationale: Dynegy supports modification P34 alternative, as it better fulfils the relevant BSC objective, through enabling an efficient, economic and co-ordinated operation by NGC of its Transmission System.		
Q2	Please Indicate whether you support P36 as drafted	No
Rationale: Dynegy do not support P36 as the proposal transforms the delivered balancing service into a bid/offer acceptance and thus paid at the bid offer price. P34 deals sufficiently with the concerns of providers of balancing services through the elimination of imbalance risk.		
Q3	Please indicate whether you support the P36 Alternative	No
Rationale:		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	No
Rationale/Alternative Proposal:		
Q5	Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.	
Rational/View:		

P34&P36_ASS_006 – Ineos Chlor

Rather than respond in detail to the specific proposals, can I outline the principals which we see as important.

Ineos Chlor offer demand reduction services through Standing Reserve contracts with NGC.

We do not believe that offering such contracts, and providing what is in effect assistance to the system at times of stress, should lead to the imposition of penalties on the provider.

In the pre-neta world, providing such assistance simply meant that we failed to purchase energy.

In the Neta world, we have pre-bought such energy, which we now spill when called.

Not only is this spill price almost invariably less than our contract price, it can be negative. Perversely, spill prices have been least well behaved often when the system is short on energy as so few actions are taken.

When contracts were offered to NGC, the poor behaviour of spill could not be factored in (logically of course, it might be assumed that when the system is short of energy, spill prices might even be attractive – logic unfortunately seems to be lacking in the operation of the BM). Consequently, NGC taking on the imbalance only partly solves a problem. It will remove the risk of negative prices (I note strongly negative prices occurred last night), but we will still lose £20/MWh on each MWh of action we take. Further we have to recover to our original position once the reserve call is ended, costing more.

This is most unsatisfactory.

Consequently, we broadly support the principles of P34 /P36 where they remove risk. More fundamentally however the operation of the balancing mechanism remains fundamentally flawed. A properly operating mechanism which properly valued imbalance as well as penalising it, would immediately remove the need for such modifications.

Mark Fitchett
Utilities Buying Manager

P34&P36_ASS_007 – Powergen UK plc

P34/P36 Consultation Questions –

Respondent: Piers Anthony		
Representing: (Please list all parties the respondent is replying on behalf of) 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.		
		Yes /No
Q1	Please indicate whether you support the P34 Alternative	No
Rationale: P34 addresses the issue of balancing mechanism imbalance from the supply of balancing services, but does not address the issue of remuneration for the volume of energy supplied by the balancing service. Energy supplied through the balancing service contracts have equal value to energy obtained through Bid or Offer acceptance.		
Q2	Please Indicate whether you support P36 as drafted	No
Rationale: As drafted does not differentiate between different types of balancing service contracts.		
Q3	Please indicate whether you support the P36 Alternative	Yes
Rationale: P36 addresses the issue out of balance volume incurred through balancing services contracts and values the energy supplied through balancing services contracts equally with bid offer acceptances. We believe that this better achieves the BSC objectives.		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	Yes
Rationale/Alternative Proposal: No Comment		
Q5	Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.	Yes
Rational/View: No Comment		

P34&P36_ASS_008 – British Gas Trading**P34/P36 Consultation Questions –**

Respondent: Danielle Lane		
Representing: (Please list all parties the respondent is replying on behalf of) British Gas Trading, Accord, CKL and CPB		
		Yes /No
Q1	Please indicate whether you support the P34 Alternative	YES
Rationale: The proposal improves management of the energy element of Ancillary Services. The alternative is preferable to the original modification as it removes the retrospective element of the modifications.		
Q2	Please Indicate whether you support P36 as drafted	YES
Rationale: Improves Management of the energy element of Ancillary Services.		
Q3	Please indicate whether you support the P36 Alternative	YES
Rationale: This is the preferred option. It allows a market in Ancillary Service energy while allowing non BMU services to be dealt with and improves management of the energy element of Ancillary Services.		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	YES
Rationale/Alternative Proposal: Free choice for parties might be considered, although this might be complicated and confusing and there will be limitations on the extent to which payments to non BMUs can be linked to BOAs.		
Q5	Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.	YES
Rational/View: By linking the price paid for Mandatory Response to BOAs a market in Ancillary Service energy will be allowed to develop and a market price to be placed on these services. This will improve transparency and means all providers of Mandatory Response will dealt with on an equal basis. Allowing some providers of Mandatory Response to opt out of Class B would undermine the market and decrease transparency in the arrangements. This would fail to better facilitate BSC Objective c) in promoting effective competition in the generation and supply of electricity.		

P34&P36_ASS_009 – London Electricity plc

P34/P36 Consultation Questions –

Respondent: Liz Anderson		
Representing: (Please list all parties the respondent is replying on behalf of) London Electricity plc on behalf of itself, SWEB Ltd, Sutton Bridge Power and Jade Power Generation.		
Q1	Please indicate whether you support the P34 Alternative	See Rationale
<p>Rationale:</p> <p>Yes – only if the applicable services are restricted to commercial services. Currently when trading parties provide these services they may not be compensated for exposure to imbalance prices (subject to their contracts with NGC), thus deterring them to provide these services.</p> <p>Additionally we do not support the part of this modification that proposes trading parties have the option to nominate whether Balancing Service Energy volumes are not exposed to imbalance charges. This would introduce unnecessary complication.</p>		
Q2	Please Indicate whether you support P36 as drafted	See Rationale
<p>Rationale:</p> <p>Yes – only if the alternative Mod 36 is not implemented and if the applicable services are only mandatory.</p>		
Q3	Please indicate whether you support the P36 Alternative	Yes
<p>Rationale:</p> <p>Yes. But we would prefer that the applicable services are restricted to Class B services only.</p>		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	Yes
<p>Rationale/Alternative Proposal:</p> <p>The distinction is needed so that the appropriate Balancing services can be reimbursed in the appropriate manner, i.e. services in Class A by transfer to the NGC energy volume account and payment made under the CUSC contract with NGC, and services in Class B through bid/offer acceptances.</p>		

Q5	<p>Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.</p>	Yes
<p>Rational/View:</p> <p>As part of balancing actions, the energy element for Class B services should be treated in the same way as any other payment for balancing actions, that is via bid/offer acceptances. Many commercial service providers are not BM units and thus can not be reimbursed for providing class A services via bid/offer acceptances. Therefore class A services should not be paid for in this manner.</p> <p>It can not be optional that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B for the same reasons as put forward in Qu.1.</p>		

P34&P36_ASS_010 – Alcan Smelting and Power Limited

P34/P36 Consultation Questions –

Respondent: Wyn Jones		
Representing: (Please list all parties the respondent is replying on behalf of) Alcan Smelting and Power Limited (Non-Party Licence Exempt Generator)		
		Yes /No
Q1	Please indicate whether you support the P34 Alternative	Yes
Rationale: The removal of imbalance costs from Balancing Services provision is crucial if non-BSC parties such as Alcan are to be able to participate in Balancing Services provision. At present Lead Party reluctance to accept the associated imbalance costs hampers that provision. Provided that the P34 Alternative extends to Commercial services (not clear from the documentation), this would assist non-Party generators to participate in the balancing markets.		
Q2	Please Indicate whether you support P36 as drafted	No
Rationale: The payment for Balancing Services through Bid Offer Acceptances is detrimental to Parties and Non-Party participants that do not actively participate in the Balancing Mechanism. It could require all Parties obliged to provide to Mandatory services to participate directly in the Balancing Mechanism, which runs counter the NETA principal of voluntary markets.		
Q3	Please indicate whether you support the P36 Alternative	Yes
Rationale: Alcan supports the treatment of Class A (Commercial) services through the P34 methodology, as this does not require active Balancing Mechanism Participation.		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	Yes
Rationale/Alternative Proposal: It is important that commercial Balancing Services, such as Fast Reserve can be available without active Balancing Mechanism participation. The definition of Class A assists this.		
Q5	Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.	No
Rational/View: Obligatory would require all Parties obliged to provide mandatory balancing services to actively participate in the Balancing Mechanism, and this should not be encouraged.		

P34&P36_ASS_011 – Innogy plc

P34/P36 Consultation Questions

Respondent: <i>Innogy plc</i>		
Representing: (Please list all parties the respondent is replying on behalf of) <i>Innogy plc, npower Limited, Innogy Cogen Trading Limited, npower Direct Limited, npower Northern Limited, npower Yorkshire Limited</i>		
		Yes /No
Q1	Please indicate whether you support the P34 Alternative	No
Rationale: P34 transfers energy from parties providing Balancing Services at zero value. If P34 were adopted alternative arrangements to pay for such energy would then be needed and it is not clear on what basis these payments would be derived. Making payment for this energy outside of the BSC would seem "a priori" not to be capable of better facilitating the BSC objectives. Specifically it runs the risk of discriminatory treatment between energy delivered under the provision of a balancing service and that provided through the Balancing Mechanism. In the case of Mandatory Frequency Response, CUSC allows for an Imbalance Exposure compensation payment, but if imbalance were removed from the BSC this compensation would no longer apply.		
Q2	Please Indicate whether you support P36 as drafted	Yes
Rationale: We support P36 as drafted for Applicable Balancing Services. Generally we assume that Applicable Balancing Services would be those services where automatically delivered balancing energy can be quantified from the terms of a contract or in some other defined manner. This energy should be excluded from imbalance exposure and valued in the same way as any other balancing energy; namely by the means of Bids and Offers.		
Q3	Please indicate whether you support the P36 Alternative	Yes (qualified)
Rationale: We believe that the P36 alternative better facilitates the BSC objectives by more precisely defining the boundary for those services where the application of the P36 approach would be obligatory, and those services for which it would be appropriate to exclude the imbalance exposure by the transfer of the associated volume of balancing energy. However, our support for this alternative is conditional upon an appropriate distinction being made between Class A and Class B services.		

Q4	<p>Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose</p>	No
<p>Rationale/Alternative Proposal: <i>Our view is that the distinction between Class A and Class B services should depend upon:</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> <i>The ability to calculate the volume of delivered energy precisely (for example by reference to a matrix as is the case for mandatory frequency response), and</i> <input type="checkbox"/> <i>The existence of relevant and Bid and Offer prices.</i> <p><i>If both criteria are satisfied then the service should be defined as a <u>Class B</u> service, although for services that are not mandatory under the Grid Code it should be possible for the service provider and National Grid to agree that the service could be re-categorised as Class A. <u>Class A</u> services would naturally be those where Bids and Offers do not exist.</i></p> <p><i>Under this approach the energy delivered under a Class B service will be treated in a consistent fashion with any other balancing action, and non delivery exposed to imbalance payments as is the case for all other energy under the BSC. Class A services are also exposed to imbalance charges as for any other Bid Offer acceptance. It is therefore appropriate that the associated energy should be also be priced in a consistent manner wherever possible.</i></p> <p><i>It is not clear what is implied by “NGC Witness Testing”. If it is intended that these refer to tests conducted under the provision of OC5 of the Grid Code then the provisions of these Modifications should most definitely not apply to these arrangements. OC5 testing is not a balancing service. The treatment of testing should be covered under the terms of any associated agreement or by NGC utilising the normal processes within the Balancing Mechanism. We do <u>not</u> support the extension of either P34 or P36, or their alternatives, to encompass testing which is a much wider issue and has ramifications for CUSC and the Grid Code.</i></p>		
Q5	<p>Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support “Obligatory”, please state your reasons and identify any other approaches you would prefer.</p>	Yes
<p>Rationale/View: As noted above it is our view that payment on the basis of Bid/Offer acceptances for Balancing Services Energy should be obligatory under the P36 Alternative, and should be the default for any commercial service where volume can be defined and Bid/Offer prices exist. Only if this approach is taken will the treatment of balancing energy under balancing services be consistent with the treatment of balancing energy obtained through the Balancing Mechanism. Unless this consistency is achieved a proper economic choice between the various alternatives available to the System Operator will not be possible, and competition in the provision of balancing energy stifled. For this reason we believe that only if this approach is taken can the BSC objectives be facilitated.</p>		

P34&P36_ASS_012 – Slough Energy Supplies Ltd**P34/P36 Consultation Questions –**

Respondent: S P Garrett		
Representing: (Please list all parties the respondent is replying on behalf of) Slough Energy Supplies Ltd, Fibrepower (Slough) Ltd		
		Yes /No
Q1	Please indicate whether you support the P34 Alternative	Yes, but see below
<p>Rationale: It is reasonable that service providers should not be out of balance for providing services which assist the overall system balance. However, it is not clear why if this modification is to be supported that energy account imbalances which are in the general position of helping system balance are penalised rather than being paid a price which is reflective of the support which they are providing to the system.</p> <p>In particular, the original modification states that <i>"Risk of exposure to high imbalance charges is making service providers (in particular, smaller demand side providers) reluctant to provide services, and some services are being withdrawn."</i> It is therefore not appropriate to make a retrospective change. Neither should there be different treatment of BM participants and non-BSC signatories.</p>		
Q2	Please Indicate whether you support P36 as drafted	No
<p>Rationale: There is no reason that BM participants should be treated differently than non-BM participants in providing ancillary services to NGC. This would be discriminatory.</p>		
Q3	Please indicate whether you support the P36 Alternative	NO
<p>Rationale: There is no reason that BM participants should be treated differently than non-BM participants in providing ancillary services to NGC</p>		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	N/A
<p>Rationale/Alternative Proposal: See above – do not support P36/P36A</p>		
Q5	Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.	No, see above
<p>Rational/View: See above – do not support P36/P36A</p>		

P34&P36_ASS_013 – British Energy**P34/P36 Consultation Questions –
Responses due back by 8a.m. 3rd December 2001**

Respondent:		
Representing: (Please list all parties the respondent is replying on behalf of) British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd		
Q1	Please indicate whether you support the P34 Alternative	Yes
<p>Rationale: BM Units should not be exposed to potential imbalance through the actions of NGC Balancing Services, and P34 Alternative provides the simplest method of avoiding such imbalance, whilst avoiding retrospective change to commercial arrangements and providing transparency in how balancing services volumes are calculated and governed. BSC Governance for the volume calculation methodology would provide a convenient independent and transparent governance, compared to other governances which have not yet demonstrated these features. A single governance for all balancing services involving energy volumes (including bids and offers and other balancing services) would be convenient and efficient for all interested parties.</p>		
Q2	Please Indicate whether you support P36 as drafted	No
<p>Rationale: P36 proposes that energy volumes associated with all balancing services should be settled at bid-offer prices. Whilst in principle all energy has the same value at any given point in time, in practice we have concerns that the combination of a simple banded bid-offer price structure and non-transparent balancing services contract trades, combined with the limited number of current service providers, may not achieve effective transparency and competition. Increased competition and transparency in balancing service provision would provide more confidence that this modification would better achieve the BSC Objectives.</p>		
Q3	Please indicate whether you support the P36 Alternative	Yes
<p>Rationale: P36 alternative proposes that a flexible arrangement should be created whereby energy volumes associated with balancing services may be settled at bid-offer prices or at balancing service contract prices. This flexibility allows decisions on which prices are used to be deferred or altered at a later date as the market develops. BSC governance is proposed for treatment of individual services and volume calculations. This provides the advantages of independence and transparency and a single point of governance for all balancing mechanism energy volumes, but we believe that alternative governance is possible, for example under the CUSC, provided similar independence and transparency is assured.</p>		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	
<p>Rationale/Alternative Proposal: At the current time, we would prefer to see all balancing services priced at balancing service contract price, ie. Class A. However, proposal P36 Alternative does not preclude future re-classification of particular services for particular providers, and our view may change as experience of the new trading arrangements develops and the market evolves.</p>		

<p>Q5</p>	<p>Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.</p>	
<p>Rationale/View: We do not support the inclusion of any balancing services as Class B at the current time (see above). Provided there is transparency over which balancing service trades are treated as Class B and which are Class A, it seems unnecessary to enforce the same treatment for all trades in a particular balancing service. However, in the case of mandatory balancing services, the absence of choice in provision of the service suggests that obligatory treatment in the same way would not be unreasonable.</p>		

Other comments:

1. We believe that competition and efficiency would be improved by increasing transparency in timely reporting of all balancing trades, not just balancing mechanism bids and offers. Provision of more information would allow actual and potential participants to identify competitive opportunities, and help prevent exploitation of market niches by providers of services to NGC. Faster and more comprehensive reporting of Balancing Service, on the BMRS or otherwise, would assist in this.
2. The P34 & P36 Requirement Specifications issued for consultation in November suggest that a Balancing Service Service Provider can "opt-out" of having balancing service volumes excluded from BSC imbalance calculations. We believe that the registrant of the BM Unit which contains the Service Provider site should have control over the "opt-out", it being the party which is directly affected by the potential imbalance. Ambiguity in the documents should be removed.
3. It is suggested in the specification documents in relation to balancing services volumes notified by the system operator that "it is not intended that they be defaulted". It is not clear exactly what is meant by this, but we suggest that the default volume for a BM Unit in the absence of a value notified by the SO should be zero.
4. The suggested format for a data flow from the system operator for BM Unit balancing services data should include a data datetime, version or run number identifier.
5. P34 (original and alternative) requirement specification suggests using a net figure for balancing services half-hourly BM Unit volume (QASij). We believe it is short-sighted to use a net half-hourly parameter, and would prefer to see volumes in either direction within a half-hour, if only for reporting purposes. Eg. QASOij and QASBij as under the P36 proposal.
6. P36 requirement specification section 5.1 first bullet refers to "system balancing", but this could be misinterpreted and would be better expressed as "system operator balancing".

P34&P36_ASS_014 – NGC

The Transmission Company Analysis is provided in ANNEX 5 (b) of this Assessment Report.

P34&P36_ASS_015 – Conoco U.K. Limited

P34/P36 Consultation Questions –

Respondent: Hannah McKinney - Conoco U.K. Limited		
Representing: (Please list all parties the respondent is replying on behalf of) Immingham CHP Limited		
		Yes /No
Q1	Please indicate whether you support the P34 Alternative	Yes
Rationale: Should increase the number of parties prepared to offer balancing (Ancillary) services to NGC and reduce balancing service costs.		
Q2	Please Indicate whether you support P36 as drafted	Yes
Rationale: Shouldn't disincentivise providers of balancing services		
Q3	Please indicate whether you support the P36 Alternative	Yes
Rationale: As above, doesn't disincentivise providers of Mandatory Frequency response		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	N/A – see note
Rationale: Require further clarification of Class A balancing services , i.e., are they restricted those balancing services listed under Class A?		
Q5	Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.	Yes
Rational/View: It seems reasonable that Class B should receive payment for energy volumes as bid/offer acceptance given that this service is 'obligatory'.		

P34&P36_ASS_016 – ScottishPower**P34/P36 Consultation Questions –**

Respondent:		
Representing: (Please list all parties the respondent is replying on behalf of) ScottishPower / Manweb		
		No
Q1	Please indicate whether you support the P34 Alternative	
Rationale:		
Q2	Please Indicate whether you support P36 as drafted	No
Rationale:		
Q3	Please indicate whether you support the P36 Alternative	Yes
<p>Rationale: This option provides a greater degree of flexibility to Balancing Services providers than any of the other options. It ensures that the methodology for calculating those 'deemed' bid-offer volumes to be provided by Balancing Services, which are to be excluded from the imbalance price calculation, sits within BSC governance. It allows BS providers who are neither Lead Parties nor active players in the Balancing Mechanism to provide those services and have those 'deemed' bid-offer volumes included in the methodology if they so wish. It also allows BS providers to opt out of the process and deal directly with the System Operator for payment for providing services if they so wish.</p> <p>While in principle, we support this option in terms of the fuller functionality provided to all Parties who wish to make use of it, we would qualify that view if it was shown that P36 alternative was not deliverable within a reasonable cost or time framework. As neither the cost nor time for implementing each option has been provided in the Requirement Specifications, we would reserve judgement on this point.</p>		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	yes
Rationale/Alternative Proposal:		
Q5	Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.	yes
Rational/View:		

P34&P36_ASS_017 – TotalFinaElf

P34/P36 Consultation Questions –

Respondent: Sharif Islam		
Representing: (Please list all parties the respondent is replying on behalf of) TotalFinaElf Gas and Power Ltd		
		Yes /No
Q1	Please indicate whether you support the P34 Alternative	No
<p>Rationale: TFE G&P consider the principles underlying P36 facilitate better operation of the market. The creation of BM acceptances, for the provision of mandatory frequency response, should enable the providers of those services to better reflect the risks associated with its provision.</p> <p>Although, it does not create a market of itself, P36 does introduce an element of competition in the provision of response and therefore moves the industry a step closer towards it's implementation. This could result overall in a more economic and efficient market, since NGC will be able to select those plants where it is more economic and efficient to do so.</p> <p>P36 also has the complementary benefit of being in accord with one of the stated objectives in moving away from the Pool to NETA i.e. to move away from centrally based algorithms to market based arrangements for determining the price of electricity.</p>		
Q2	Please Indicate whether you support P36 as drafted	No
<p>Rationale: TFE G & P prefer the payment mechanism within the P36 alternative whereby the remuneration is dependent upon the type and class of balancing service. We consider this is appropriate for the reasons outlined in our response to question 4.</p>		
Q3	Please indicate whether you support the P36 Alternative	Yes
<p>Rationale:</p>		
Q4	Please indicate whether you support the definition of Class A and Class B Balancing Services and if not what alternative would you propose	Yes
<p>Rationale/Alternative Proposal: This facilitates the distinction between the provision of mandatory and commercial balancing services. The mandatory balancing service providers are currently price-takers since they have little opportunity to reflect their specific costs associated with the provision of these services. One would expect the commercial providers of these services would already have assessed the risk associated with the provision of their services and have contracted on that basis.</p>		

Q5	Please indicate whether (and why) you support the position in P36 Alternative that payment for Balancing Services Energy as Bid Offer/Acceptance is obligatory for Class B. If you do not support "Obligatory", please state your reasons and identify any other approaches you would prefer.	
Rational/View: We have no strong view upon this issue, in principle it may be preferable to allow complete optionality with regard to the payments associated with mandatory response.		