

## **ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

### **Responses from P15 & P18B Urgent Report Consultation**

Representations were received from the following parties:

<b>No</b>	<b>Company</b>	<b>File Number</b>
1.	NGC	P15P18B_UMR_001
2.	Williams Energy Marketing and Trading Europe Ltd	P15P18B_UMR_002
3.	TXU Europe Energy Trading Ltd	P15P18B_UMR_003
4.	Conoco	P15P18B_UMR_004
5.	SEEBOARD	P15P18B_UMR_005
6.	British Energy Power & Energy Trading	P15P18B_UMR_006
7.	British Gas Trading	P15P18B_UMR_007
8.	Enron Europe	P15P18B_UMR_008
9.	Powergen UK plc	P15P18B_UMR_009
10.	Slough Energy Supplies Ltd	P15P18B_UMR_010
11.	Scottish & Southern	P15P18B_UMR_011
12.	Innogy	P15P18B_UMR_012
13.	Scottish Power	P15P18B_UMR_013
14.	Dynegy	P15P18B_UMR_014
15.	TotalFinaElf	P15P18B_UMR_015
16.	London Electricity	P15P18B_UMR_016

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**P15/P18B\_UMR\_001 – NGC**

**Industry Consultation– Pro Forma for Responses**

**P15**

	Question	Yes/No
Q1	Do you believe that this definition “P15 Increasing P18A” better separates Energy Balancing Actions from System Balancing Actions?	No
Q2	Do you believe that this definition “P15 Increasing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q3	Do you believe that this definition “P15 Reducing P18A” better separates Energy Balancing Actions from System Balancing Actions?	No
Q4	Do you believe that this definition “P15 Reducing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q5	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?	No
<b>Rationale</b>  The "P15 Reducing P18A" option is not P15 added to a P18A baseline because part of the P18A functionality is undone. On this basis this option should be rejected. This leaves the "P15 Increasing P18A" option which should also be rejected as it is likely to significantly increase the number of BOAs being removed and the number of periods requiring default pricing.		

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**P18B**

		Yes/No
Q6	Do you believe that P18B is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q7	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P18B on the current baseline in order for you to form a clearer view with respect to Question 6? If so what further analysis do you believe is necessary?	No
<b>Rationale:</b>  Now that P18A is in place, there is no case to consider P18B, before we have at least 6 months experience of P18A.		

**Way forward**

Q8	A) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?  B) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?	No   Yes
<b>Rationale</b>		
Q9	A) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?  B) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?	No   Yes
<b>Rationale</b>		
Q10	Do you have any further views with respect to either Modification Proposal P15/P18B?	No
Please state views:		

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**P15/P18B\_UMR\_002 – Williams Energy Marketing and Trading Europe Ltd**

**Industry Consultation– Pro Forma for Responses**

**P15**

	Question	Yes/No
Q1	Do you believe that this definition “P15 Increasing P18A” better separates Energy Balancing Actions from System Balancing Actions?	Yes
Q2	Do you believe that this definition “P15 Increasing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	Yes
Q3	Do you believe that this definition “P15 Reducing P18A” better separates Energy Balancing Actions from System Balancing Actions?	No
Q4	Do you believe that this definition “P15 Reducing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q5	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?	No
<b>Rationale</b>  The “Increasing” option I feel will exclude more of the system balancing measures and be more effective in reducing SBP thereby making the market more efficient by promoting with-in day liquidity.		

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**P18B**

		Yes/No
<b>Q6</b>	<b>Do you believe that P18B is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	No
<b>Q7</b>	<b>Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P18B on the current baseline in order for you to form a clearer view with respect to Question 6? If so what further analysis do you believe is necessary?</b>	Yes
<b>Rationale: I prefer the methodology used in 18A.</b>		

**Way forward**

<b>Q8</b>	<b>C) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?</b>	No
	<b>D) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b>	No
<b>Rationale I think that P15 provides a useful mechanism to separate the system balancing actions from energy balancing actions.</b>		
<b>Q9</b>	<b>C) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?</b>	Yes
	<b>D) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b>	
<b>Rationale. I think that more information would be useful with regard to assessing how 18B would impact balancing prices</b>		
<b>Q10</b>	<b>Do you have any further views with respect to either Modification Proposal P15/P18B?</b>	
<b>Please state views:</b>		

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**P15/P18B\_UMR\_003 – TXU Europe Energy Trading Ltd**

Please find attached pro forma from TXU Europe Energy Trading Ltd. on behalf of all TXU Europe companies.

**Industry Consultation– Pro Forma for Responses**

**P15**

	Question	Yes/No
Q1	Do you believe that this definition “P15 Increasing P18A” better separates Energy Balancing Actions from System Balancing Actions?	No
Q2	Do you believe that this definition “P15 Increasing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q3	Do you believe that this definition “P15 Reducing P18A” better separates Energy Balancing Actions from System Balancing Actions?	No
Q4	Do you believe that this definition “P15 Reducing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q5	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?	No
Rationale As per statistical analysis		

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**P18B**

		Yes/No
Q6	Do you believe that P18B is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q7	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P18B on the current baseline in order for you to form a clearer view with respect to Question 6? If so what further analysis do you believe is necessary?	No
Rationale: As per Elexon analysis		

**Way forward**

Q8	E) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?	No
	F) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?	Yes
Rationale		
Q9	E) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?	No
	F) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?	Yes
Rationale		
Q10	Do you have any further views with respect to either Modification Proposal P15/P18B?	No
Please state views:		

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**P15/P18B\_UMR\_004 – Conoco**

**Industry Consultation– Pro Forma for Responses**

**P15**

	Question	Yes/No
Q1	Do you believe that this definition “P15 Increasing P18A” better separates Energy Balancing Actions from System Balancing Actions?	Yes
Q2	Do you believe that this definition “P15 Increasing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	Yes
Q3	Do you believe that this definition “P15 Reducing P18A” better separates Energy Balancing Actions from System Balancing Actions?	No
Q4	Do you believe that this definition “P15 Reducing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q5	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?	No
<b>Rationale</b>  Should have a significant effect on reducing imbalance prices (SBP), thereby improving market transparency and promoting within-day liquidity.		

**P18B**

		Yes/No
Q6	Do you believe that P18B is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q7	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P18B on the current baseline in order for you to form a clearer view with respect to Question 6? If so what further analysis do you believe is necessary?	Yes
<b>Rationale:</b>		



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**Way forward**

Q8	<p><b>G) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?</b></p> <p><b>H) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b></p>	<p>No</p> <p>No</p>
<p><b>Rationale P15 offers a useful mechanism to reduce SBP and separate System Balancing Actions from Energy Balancing Actions</b></p>		
Q9	<p><b>G) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?</b></p> <p><b>H) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b></p>	<p>Yes</p>
<p><b>Rationale More information/details of how it would work in practise</b></p>		
Q10	<p><b>Do you have any further views with respect to either Modification Proposal P15/P18B?</b></p>	
<p><b>Please state views:</b></p> <p><b>Overall 'P15 Increasing P18A' appears to offer a clear and more transparent mechanism for separating System Balancing Actions from Energy balancing Actions.</b></p>		

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**P15P18B\_UMR\_005 – SEEBOARD**

**Industry Consultation– Pro Forma for Responses**

**P15**

	Question	Yes/No
Q1	Do you believe that this definition “P15 Increasing P18A” better separates Energy Balancing Actions from System Balancing Actions?	No
Q2	Do you believe that this definition “P15 Increasing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q3	Do you believe that this definition “P15 Reducing P18A” better separates Energy Balancing Actions from System Balancing Actions?	No
Q4	Do you believe that this definition “P15 Reducing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q5	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?	No
<b>Rationale</b>  We would agree with the findings of this analysis. As a starting point in any of its forms we would question whether delivery notice set to what amounts to an arbitrary limit is a suitable determinant of what BOA constitute system balancing. Further the analysis contradicts an underlying assumption that system balancing should have short lead times.  We would also agree with this analysis that there could be a greater incidence of default pricing and volatility.		

**P18B**

		Yes/No
Q6	Do you believe that P18B is capable of better facilitating the achievement of the Applicable BSC Objectives?	See below
Q7	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P18B on the current baseline in order for you to form a clearer view with respect to Question 6? If so what further analysis do you believe is necessary?	Yes

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### Rationale:

We cannot make a judgement from this analysis as to whether P18B better facilitates the achievement of BSC objectives. It is not clear to us whether post P18A there is still a significant issue with cash out prices being unduly influenced by high priced BOA sufficient to justify implementation of this modification. We are also unclear as to whether this issue is better and more correctly addressed by reducing BRL.

### Way forward

Q8	<p>I) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?</p> <p>J) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</p>	<p>No</p> <p>Yes</p>
<p><b>Rationale</b></p>		
Q9	<p>I) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?</p> <p>J) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</p>	<p>Yes</p> <p>N/A</p>
<p><b>Rationale</b></p> <p>See comments under rationale for questions 6 and 7.</p>		
Q10	<p>Do you have any further views with respect to either Modification Proposal P15/P18B?</p>	<p>No</p>
<p>Please state views:</p>		

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**P15/P18B\_UMR\_006 – British Energy Power & Energy Trading**

**Industry Consultation– Pro Forma for Responses**

Response from:

British Energy Power & Energy Trading, British Energy Generation & Eggborough Power

**P15**

	Question	Yes/No
Q1	Do you believe that this definition “P15 Increasing P18A” better separates Energy Balancing Actions from System Balancing Actions?	NO
Q2	Do you believe that this definition “P15 Increasing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	NO
Q3	Do you believe that this definition “P15 Reducing P18A” better separates Energy Balancing Actions from System Balancing Actions?	NO
Q4	Do you believe that this definition “P15 Reducing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	NO
Q5	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?	NO
Rationale: We do not believe P15 assists in distinguishing “energy” and “system” balancing actions. If “tuning” of imbalance prices is considered necessary, then a review of the value of CADL introduced with implemented proposal P18A would be preferable.		

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**P18B**

		Yes/No
Q6	Do you believe that P18B is capable of better facilitating the achievement of the Applicable BSC Objectives?	NO
Q7	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P18B on the current baseline in order for you to form a clearer view with respect to Question 6? If so what further analysis do you believe is necessary?	NO
Rationale: We do not believe the volume of acceptances is useful in distinguishing "system" and "energy" balancing actions. If "tuning" of imbalance prices is considered necessary, then a review of the value of CADL introduced by P18A would be preferable.		

**Way forward**

Q8	K) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?	NO
	L) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?	YES
Rationale: See above.		
Q9	K) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?	NO
	L) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?	YES
Rationale: See above.		
Q10	Do you have any further views with respect to either Modification Proposal P15/P18B?	NO
Please state views:		

## **ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

### **P15/P18B\_UMR\_007 – British Gas Trading**

Please find attached British Gas Trading's response to the P15/P18B consultation. We would like to bring your attention to the rationale behind our answers to the questions raised (see below).

We do not support the implementation or further development of either P15 or 18B as we believe they will not better achieve the Applicable BSC Objectives.

The implementation of P18A has had an effect on imbalance prices and we suggest the impact of P18A must be fully assessed before further changes are made to the regime. We welcome the proposed review of P18A which will be undertaken in conjunction with the development of P38.

Further change to the imbalance regime before this review has been completed is unacceptable. The piecemeal approach that has been seen so far in the development of the imbalance regime will not see the development of the most efficient solution. We believe there is a need to return to first principles and examine how imbalance prices should be calculated.

This rationale is additionally included in our response.

If you require any further information with regard to this response, please contact me on the number below.

Regards,  
Sarah Grimes  
Commercial Manager

### **Industry Consultation– Pro Forma for Responses**

#### **P15**

	<b>Question</b>	<b>Yes/No</b>
<b>Q1</b>	<b>Do you believe that this definition “P15 Increasing P18A” better separates Energy Balancing Actions from System Balancing Actions?</b>	No
<b>Q2</b>	<b>Do you believe that this definition “P15 Increasing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	No
<b>Q3</b>	<b>Do you believe that this definition “P15 Reducing P18A” better separates Energy Balancing Actions from System Balancing Actions?</b>	No

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<b>Q4</b>	<b>Do you believe that this definition “P15 Reducing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	No
<b>Q5</b>	<b>Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?</b>	No
<b>Rationale</b>		

**P18B**

## Way forward

Q8	<p><b>M) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?</b></p> <p><b>N) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b></p>	<p>No</p> <p>Yes</p>
Rationale		
Q9	<p><b>M) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?</b></p> <p><b>N) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b></p>	<p>No</p> <p>Yes</p>
Rationale		
Q10	Do you have any further views with respect to either Modification Proposal P15/P18B?	Yes



**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

**Please state views:**

**We do not support the implementation or further development of either P15 or 18B as we believe they will not better achieve the Applicable BSC Objectives.**

**The implementation of P18A has had an effect on imbalance prices and we suggest the impact of P18A must be fully assessed before further changes are made to the regime. We welcome the proposed review of P18A which will be undertaken in conjunction with the development of P38.**

**Further change to the imbalance regime before this review has been completed is unacceptable. The piecemeal approach that has been seen so far in the development of the imbalance regime will not see the development of the most efficient solution. We believe there is a need to return to first principles and examine how imbalance prices should be calculated.**

## **ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

### **P15/P18B\_UMR\_008 – Enron Europe**

#### **Response by Enron Europe**

**29 October 2001**

#### **Introduction**

Enron Europe advocates that both P15 and P18B go to the Report Stage with a recommendation to reject.

Lead time is not a good method of distinguishing system balancing actions from energy balancing actions. This means P15 will arbitrarily eliminate balancing actions from price calculations. P18B is also arbitrary since it aims at attaining a “reasonable” imbalance price. This is not transparent since “reasonable” is an arbitrary concept and what is a reasonable price for one party is unreasonable for another.

P15 and P18B will result in imbalance prices that bear little resemblance to the underlying fundamentals of supply and demand. We therefore conclude that neither P15 nor P18B will better meet the Applicable BSC Objective of promoting effective competition in the generation and supply of electricity.

#### **Response to Questionnaire**

##### **P15**

	<b>Question</b>	<b>Yes/No</b>
<b>Q1</b>	<b>Do you believe that this definition “P15 Increasing P18A” better separates Energy Balancing Actions from System Balancing Actions?</b>	No
<b>Q2</b>	<b>Do you believe that this definition “P15 Increasing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	No
<b>Q3</b>	<b>Do you believe that this definition “P15 Reducing P18A” better separates Energy Balancing Actions from System Balancing Actions?</b>	No
<b>Q4</b>	<b>Do you believe that this definition “P15 Reducing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	No
<b>Q5</b>	<b>Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?</b>	No

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### **Rationale**

Lead time is not a good method of distinguishing system balancing actions from energy balancing actions. Therefore, depending upon the lead-time chosen () many system balancing actions will be included in the calculation of Imbalance Prices, and / or (ii) many energy balancing actions will be excluded from the calculation. The resultant imbalance prices will bear little resemblance to the underlying fundamentals of supply and demand. Therefore, P15 will not better meet the Applicable BSC Objective of promoting effective competition.

Lead time would also allow NGC to de facto choose which BM actions are included in the calculation of Imbalance Prices. This increases NGC's discretion over Imbalance Price calculation, reducing transparency and conflicting with the BSC Objective of efficient operation of the transmission system and promotion of effective competition.

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**P18B**

		Yes/No
<b>Q6</b>	<b>Do you believe that P18B is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	No
<b>Q7</b>	<b>Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P18B on the current baseline in order for you to form a clearer view with respect to Question 6? If so what further analysis do you believe is necessary?</b>	No
<b>Rationale:</b>  We reject Option 18B on the grounds that it does not attempt to differentiate between system and energy balancing actions. This option aims at attaining a “reasonable” imbalance price. This is non-transparent since a reasonable price is an arbitrary concept and what is a reasonable price for one party is unreasonable for another. The resultant Imbalances Prices would be arbitrary and would not reflect the underlying fundamentals of supply and demand. This conflicts with the Applicable BSC Objectives of promoting competition and the efficient, economic and co-ordinated operation of the transmission system.		

**Way forward**

<b>Q8</b>	<b>O) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?</b>  <b>P) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b>	Report and Reject
<b>Rationale</b>  P15 has already been assessed and rejected. Therefore, P15 should go to the Report Stage with a recommendation to reject.		
<b>Q9</b>	<b>O) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?</b>  <b>P) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b>	Report and Reject
<b>Rationale</b>  P18B has already been assessed and rejected. Therefore, P18B should go to the Report Stage with a recommendation to reject.		
<b>Q10</b>	<b>Do you have any further views with respect to either Modification Proposal P15/P18B?</b>	No

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Responses**

Please state views:

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**P15/P18B\_UMR\_009 – Powergen UK plc**

**Proposed Variation to BSC – Modification Proposal No: P15 / 18B**

Powergen UK plc ('Powergen') welcomes the opportunity to comment on the consultation for modification P15 / 18B. Powergen provides this response on behalf of itself and the following BSC Parties: Powergen Energy plc, Diamond Power Generation Limited, and Cottam Development Centre Limited.

Powergen do not believe that P15 / P18B better facilitate the separation of "system" and energy balancing actions. Powergen believes that the introduction of P15 / P18 B would create arbitrary selection of BOA's that do not reflect "system" and "energy" actions. Powergen also believe that the introduction of either P15 / P18 B would further complicate the calculation of prices.

Powergen do not believe that proposals P15 / P18B warrant further analysis in view of the analysis carried out previously in selecting P18A as, modification P18A has already been approved and implemented.

Please see attached consultation Pro Forma response from Powergen.

Yours Sincerely  
James Hawkins  
Strategy & Regulation  
Energy Trading  
Powergen  
02476 42 4737.

**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

**Elexon Consultation questions**

**P15**

	Question	Yes/No
Q1	Do you believe that this definition "P15 Increasing P18A" better separates Energy Balancing Actions from System Balancing Actions?	No
Q2	Do you believe that this definition "P15 Increasing P18A" is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q3	Do you believe that this definition "P15 Reducing P18A" better separates Energy Balancing Actions from System Balancing Actions?	No
Q4	Do you believe that this definition "P15 Reducing P18A" is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q5	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?	No
<b>Rationale</b> <b>As Above Consultation Response</b>		

**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

**P18B**

		Yes/No
Q6	Do you believe that P18B is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q7	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P18B on the current baseline in order for you to form a clearer view with respect to Question 6? If so what further analysis do you believe is necessary?	No
<b>Rationale:</b> <b>As Above Consultation Response</b>		

**Way forward**

Q8	Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?  If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?	No  Yes
<b>Rationale</b> <b>As Above Consultation Response</b>		
Q9	Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?  If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?	No  Yes
<b>Rationale</b> <b>As Above Consultation Response</b>		
Q10	Do you have any further views with respect to either Modification Proposal P15/P18B?	No



**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

**P15/P18B\_UMR\_010 – Slough Energy Supplies Ltd**

**Industry Consultation– Pro Forma for Responses**

**P15**

	Question	Yes/No
Q1	Do you believe that this definition “P15 Increasing P18A” better separates Energy Balancing Actions from System Balancing Actions?	Yes
Q2	Do you believe that this definition “P15 Increasing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	Yes
Q3	Do you believe that this definition “P15 Reducing P18A” better separates Energy Balancing Actions from System Balancing Actions?	No
Q4	Do you believe that this definition “P15 Reducing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	Could be
Q5	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?	Please implement P15
<b>Rationale</b>  In our view work towards P15 should proceed, but some other parties may require additional analysis first.		

**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

**P18B**

		<b>Yes/No</b>
<b>Q6</b>	<b>Do you believe that P18B is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	
<b>Q7</b>	<b>Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P18B on the current baseline in order for you to form a clearer view with respect to Question 6? If so what further analysis do you believe is necessary?</b>	
<b>Rationale:</b>  P15 is preferable		

**Way forward**

<b>Q8</b>	<b>Q) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?</b>  <b>R) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b>	<b>Yes</b>
<b>Rationale</b>  P15 provides a mechanism for removing system actions. At some point between gate closure and real time it is quite clear that actions cease to be taken for energy purposes but for system purposes. We suggest that after the start of the half hour period they are not energy actions but to ensure system security.		
<b>Q9</b>	<b>Q) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?</b>  <b>R) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b>	Only if P15 is rejected  Only in the event that P15 is rejected
<b>Rationale</b>		
<b>Q10</b>	<b>Do you have any further views with respect to either Modification Proposal P15/P18B?</b>	

## **ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

### **Please state views:**

P15 increasing would enable the BSC objectives to be better met by facilitating more prompt price reporting. Effectively all actions after the P15 “gate” would be deemed system actions, but any longer term system actions would also be caught by the P18A methodology. This promotes better efficiency in the operation and administration of the system, which helps NGC better meet their Transmission Licence objectives in respect of implementing a BSC. Increased price certainty will also help facilitate the trading of electricity and so increase competition in supply/generation, and also provide signals which give signals to parties which are more likely to encourage them to balance, rather than to consistently be out of balance in one direction, thus facilitating efficient and co-ordinated operation of the system.

ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses

P15/P18B\_UMR\_011 – Scottish & Southern

Industry Consultation– Pro Forma for Responses

P15

	Question	Yes/No
Q1	Do you believe that this definition that “BOAs which meet <i>either</i> the criteria of P15 <i>or</i> P18A” better separates Energy Balancing Actions from System Balancing Actions?	No
Q2	Do you believe that this definition that “BOAs which meet <i>either</i> the criteria of P15 <i>or</i> P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q3	Do you believe that this definition that “BOAs which meet <i>both</i> the criteria of P15 <i>and</i> P18A” better separates Energy Balancing Actions from System Balancing Actions?	No
Q4	Do you believe that this definition that “BOAs which meet <i>both</i> the criteria of P15 <i>and</i> P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q5	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?	No
<b>Rationale</b>  I see only a very poor relationship between notice period and the purpose of issued BOAs or the price.		

**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

**P18B**

		<b>Yes/No</b>
<b>Q6</b>	<b>Do you believe that P18B is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	<b>Yes</b>
<b>Q7</b>	<b>Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P18B on the current baseline in order for you to form a clearer view with respect to Question 6? If so what further analysis do you believe is necessary?</b>	<b>No</b>
<b>Rationale:</b>		

**Way forward**

<b>Q8</b>	<b>S) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?</b>	<b>No</b>
	<b>T) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b>	<b>Yes</b>
<b>Rationale</b>		
<b>Q9</b>	<b>S) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?</b>	<b>No</b>
	<b>T) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b>	<b>No</b>
<b>Rationale</b>		
<b>Q10</b>	<b>Do you have any further views with respect to either Modification Proposal P15/P18B?</b>	<b>No</b>
<b>Please state views:</b>		

## **ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

### **P15/P18B\_UMR\_012 – Innogy**

#### **Innogy's Response to BSC Consultation P15/18B**

Innogy believes that the issues raised by these modification proposals must be addressed in a wider context of Balancing Mechanism pricing issues. Generally, it would be helpful if a clear distinction between system and energy balancing was defined. Currently, the BRL is designed to identify and remove actions taken to alleviate constraints. Running in tandem is the P18A approach that identifies and excludes intra half-hour system balancing actions on a temporal basis.

Whilst the P18A approach requires a somewhat arbitrary distinction between energy and system balancing actions, it offers a pragmatic solution. However, we believe that the P18A CADL needs to be reduced. In excluding all BM actions sustained for less than 15minutes, the current CADL removes a significant number of energy balancing actions from system price calculations. In order to prevent this, we have previously argued for a reduction in CADL to 5 mins, which we believe represents the optimum cut-off in differentiating between system and energy actions on a temporal basis.

We believe that a temporal distinction between energy and system balancing is far superior to one based on time between instruction and delivery such as P15. We therefore do not believe that P15 in any of its forms would be better at distinguishing between energy and system balancing actions than P18A alone.

The Data Analysis for P15/18B shows that over 75% of all acceptances are made at two minutes or less notice to deliver. Although Notice to Deliver is a dynamic parameter, the Grid Code obligates all main generating units to have a Notice to Deliver of no more than 2mins. This encourages NGC to use just-in-time despatch and results in plant being run less efficiently. If the P15 approach were adopted, then for there to be any form of meaningful distinction, generators would need to be able to increase a unit's NTO or NTB beyond the Grid Code restriction.

Once a clear distinction has been drawn between system and energy balancing actions, then imbalance prices should be calculated from all energy balancing BOAs in the settlement period irrespective of the number. A lower CADL could achieve an adequately accurate distinction between system and energy balancing to make the risk of a single "system" balancing BOA setting an imbalance price extremely low. We therefore believe that 18B is superfluous given the existing 18A baseline.

#### **Industry Consultation– Pro Forma for Responses**

##### **P15**

	<b>Question</b>	<b>Yes/No</b>
<b>Q1</b>	<b>Do you believe that this definition "P15 Increasing P18A" better separates Energy Balancing Actions from System Balancing Actions?</b>	No

**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

<b>Q2</b>	<b>Do you believe that this definition “P15 Increasing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	<b>No</b>
<b>Q3</b>	<b>Do you believe that this definition “P15 Reducing P18A” better separates Energy Balancing Actions from System Balancing Actions?</b>	<b>No</b>
<b>Q4</b>	<b>Do you believe that this definition “P15 Reducing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	<b>No</b>
<b>Q5</b>	<b>Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?</b>	<b>No</b>
<b>Rationale</b>  <b>We do not believe that P15 in any of its forms is better at performing the “system”/“energy” balancing distinction than 18A.</b>		

**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

**P18B**

		Yes/No
Q6	Do you believe that P18B is capable of better facilitating the achievement of the Applicable BSC Objectives?	No
Q7	Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P18B on the current baseline in order for you to form a clearer view with respect to Question 6? If so what further analysis do you believe is necessary?	No
<b>Rationale:</b>  Once a clear distinction has been drawn between system and energy balancing actions, then imbalance prices should be calculated from all energy balancing BOAs in the settlement period irrespective of the number. A lower CADL could achieve an adequately accurate distinction between system and energy balancing to make the risk of a single "system" balancing BOA setting an imbalance price extremely low. We therefore believe that 18B is superfluous given the existing 18A baseline.		

**Way forward**

Q8	U) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?	No
	V) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?	Yes
<b>Rationale</b> N/A		
Q9	U) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?	No
	V) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?	Yes
<b>Rationale</b> N/A		
Q10	Do you have any further views with respect to either Modification Proposal P15/P18B?	



**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation  
Responses**

**Please state views:**

**We would welcome a wider review of the basis for BM prices so that all relevant aspects could be considered at the same time.**

**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

**P15/P18B\_UMR\_013 – Scottish Power**

With reference to your request for views on the above, we found the consultation document inconclusive in what will best achieve the objectives of BSC.

From the data analysis in the document, the proposed P15 would appear to remove some of the benefits of P18 and could result in some of the removed price spikes re-entering the price calculation. P15 therefore appears to make the matter worse. We therefore do not support the inclusion of P15.

I would also refer you to we previous response in June when we indicated that we recognised the problem with imbalance pricing, but did not want a quick fix, and agreed for a wider discussion on the issues.

I hope our comments are helpful.

Please give me a call if you have any queries.

Regards  
Man Kwong Liu  
Design Authority, Deregulation Services  
Calanais Ltd.

**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

**P15/P18B\_UMR\_014 – Dynegy**

Dynegy's response concerning modification proposal P15: "Removal of price spikes associated with system balancing from system prices" and P18B: "Removing/mitigating the effect of system balancing actions in the imbalance price calculations".

**P15**

	Question	Yes/No
Q1	<b>Do you believe that this definition "P15 Increasing P18A" better separates Energy Balancing Actions from System Balancing Actions?</b>	No. The data analysis states that "P15 increasing P18A" excludes 55% of BOA. However, it is questionable whether these BOA are related to "system balancing". There is little evidence to prove that P15 is better identifying BOA made for "system balancing" rather than "energy", than P18A on its own.
Q2	<b>Do you believe that this definition "P15 Increasing P18A" is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	No. The promotion of competition and the efficient operation of the transmission system would only be achieved through removing additional "system balancing" actions from the energy imbalance price calculation. It is not clear whether P15 increasing P18A actually achieves this.
Q3	<b>Do you believe that this definition "P15 Reducing P18A" better separates Energy Balancing Actions from System Balancing Actions?</b>	No. The data analysis describes P15 as a "blunt instrument" to identify "system balancing" actions therefore the "P15 reducing P18A" may provide little added benefit.
Q4	<b>Do you believe that this definition "P15 Reducing P18A" is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	No. The promotion of competition and the efficient operation of the transmission system would only be achieved through targeting the specific "system balancing" actions from the energy imbalance price calculation. It is not clear whether P15 reducing P18A actually achieves this.
Q5	<b>Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?</b>	No.

**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

<b>Rationale</b>
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**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

**P18B**

		Yes/No
<b>Q6</b>	<b>Do you believe that P18B is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	No.
<b>Q7</b>	<b>Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P18B on the current baseline in order for you to form a clearer view with respect to Question 6? If so what further analysis do you believe is necessary?</b>	No.
<b>Rationale:</b>		

**Way forward**

<b>Q8</b>	<b>W) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?</b>  <b>X) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b>	No.    Yes.
<b>Rationale</b> P15 may provide little added benefit when the development effort for what would be seen as a significant development has been taken into account.		
<b>Q9</b>	<b>W) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?</b>  <b>X) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</b>	No.    Yes.
<b>Rationale</b>		
<b>Q10</b>	<b>Do you have any further views with respect to either Modification Proposal P15/P18B?</b>	
<b>Please state views:</b>  Elxon's published material concerning the "Review of P15 and P18B" did not deal with the important issue of the costs of implementation and the estimated implementation date.  These material issues are important in determining whether "P15 reduces P18A" or "P15 increasing P18A" should be implemented. It is difficult to stress how important it is for the industry to be made aware of cost and time in order to make their decisions.		

**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

Please do not hesitate to contact me on 020 8334 7267 should you wish me to expand further on any of the above.

Yours sincerely,  
Rekha Patel  
Power Regulatory Analyst

**ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

**P15/P18B\_UMR\_015 – TotalFinaElf**

**Industry Consultation– Pro Forma for Responses**

**P15**

	<b>Question</b>	<b>Yes/No</b>
<b>Q1</b>	<b>Do you believe that this definition “P15 Increasing P18A” better separates Energy Balancing Actions from System Balancing Actions?</b>	No
<b>Q2</b>	<b>Do you believe that this definition “P15 Increasing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	No
<b>Q3</b>	<b>Do you believe that this definition “P15 Reducing P18A” better separates Energy Balancing Actions from System Balancing Actions?</b>	No
<b>Q4</b>	<b>Do you believe that this definition “P15 Reducing P18A” is capable of better facilitating the achievement of the Applicable BSC Objectives?</b>	No
<b>Q5</b>	<b>Do you believe that there is any merit in undertaking any further detailed analysis of the effect of P15 on the current baseline in order for you to form a clearer view with respect to Questions 1-4? If so what further analysis do you believe is necessary?</b>	No
<b>Rationale</b>		
The analysis clearly identifies the application of P15 independently and alongside that of P18a would provide limited additional benefits. It does not achieve it’s intended objective and fails to satisfactorily remove costs associated with system balancing action from the derivation of energy imbalance prices		

**P18B**

## Way forward

Q8	<p>Y) Do you believe further assessment of P15 is necessary? If so please state your rationale and areas of further assessment required?</p> <p>Z) If NOT Do you believe that P15 should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</p>	<p>No</p> <p>Yes</p>
Rationale		
Q9	<p>Y) Do you believe further assessment of P18B is necessary? If so please state your rationale and areas of further assessment required?</p> <p>Z) If NOT Do you believe that P18B should be taken to the Report Stage with a recommendation to Reject the Modification Proposal?</p>	<p>Yes</p> <p>No</p>
Rationale		
Q10	Do you have any further views with respect to either Modification Proposal P15/P18B?	No
Please state views:		



## ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses

### P15/P18B\_UMR\_016 – London Electricity

Thank you for the opportunity to comment on Modification Proposals P15 and P18B.

We would like to make the point that we are concerned that these modifications would both represent quite detailed changes to particular aspects of the cashout price calculation mechanism, and that this consultation exercise is being carried out on the basis of just 14 days' cashout price data.

We are also concerned by the general point made in section 3 of your analysis, that the number of acceptances comprising the SBP calculation is already in the low single figures range for most of the time (with some periods having up to 30% of SBPs set on default pricing rules with significant known drawbacks). This implies that the route to the improvement of the cashout price calculation process as a whole may not lie in modifications that rule out still further acceptances or increase reliance on prices calculated as defaults, and that a more holistic look at the cashout price calculation mechanism - in the context of NGC's acceptance methodology and its incentives scheme – would be more likely to have a beneficial result.

Taking modification 15 first :

We note the conclusion in your own summary of analysis that “the analysis shows that there is little evidence to prove that the Modification Proposal P15, in any of its forms, is better at identifying Bid-Offer Acceptances assumed to be made for “system” balancing, rather than “energy” balancing purposes, than P18A on its own”. We further note from your background analysis that 75% of acceptances (taking bids and offers together) are made with only two minutes' notice to the commencement of the **actual** delivery time. This implies to us that mod 15, which in fact would rule out all acceptances of less than 30 minutes' notice to the **start of the period within which the acceptance starts having effect**, would rule out virtually all acceptances as stated, leaving cashout prices (especially System Buy Price) on default for a very high proportion of the time. For this reason we do not favour mod 15 with the currently-envisaged parameter of 30 minutes. We also note from Elexon's supplementary analysis that fast response plant, which we understand that the proposer intended the modification to “target”, tends to have longer acceptance notice times than other BM Units. All of this leads us to the conclusion, based on very limited data, that mod 15 is not likely to have the effect intended by the proposer (in turn, a proxy for an attempt to discriminate between “system”- and “energy”-related acceptances) and, through increasing the reliance of cashout price calculation on a “default” price calculation process which is very widely agreed to be poor, would not be capable of better facilitating the achievement any of the BSC Objectives.

As to the question of mod 15 “increasing” or “reducing” the effect of mod 18A : the “reducing” interpretation had not been discussed at the pricing modifications group and its provenance seems to lie in a realisation that if mod 15 were applied in series with 18A, as had been the original intent, there would be no, or very few, acceptances left for the purposes of calculating the cashout price. The “reducing” option would seem likely to have almost no effect on the effect of modification 18A, in that it would affirm the rejections of acceptances that mod 18A was already “recommending” to it, and would therefore simply add complexity to the code to no real effect.

## **ANNEX D: Urgent Modification Report to Authority P15 & P18B Consultation Responses**

Modification 15 will also interact to a significant extent with any alterations to gate closure, as is currently intended at some stage over the next year or two. With the current parameter of 30 minutes and the current acceptance timings for bids and offers, it would be likely that a large proportion of even the very small number of acceptances not ruled out by Mod 15 with a 3.5 hour gate closure, would additionally be ruled out by Mod 15 following a move to a one hour or similar gate closure.

However, we would like to repeat that we would support a wider review of the imbalance cashout calculation process (including the effect of NGC's incentives scheme), and we would certainly be willing for the concept of mod 15 to be considered as part of that fuller review.

### Modification 18B

Modification 18B raises particular concerns because of the complexity that it would introduce into the settlements calculation process, and the increased reliance that it would introduce on the default cashout price calculation rules - which are known to be currently flawed.

The effect of modification 18B will vary significantly as the BRL parameter is varied. There is some suggestion that the volume of offsetting acceptances of bids and offers overnight, for NGC's purposes of generating more "regulating reserve", is growing, and that therefore the re-consideration of BRL in the spring may not necessarily lead to a lower figure than the current one.

To the extent that the volume of relevant acceptances lies between 0 and BRL, mod 18B leads to the calculation of two relevant cashout prices, one on the default basis (if there were zero acceptances) and one on an "as now" (with 18A and, possibly, 15 in effect) basis. The cashout price published and issued is then interpolated between these two in accordance with where the total volume of relevant acceptances lies between 0 and BRL.

It is not at all clear to us how this modification would lead to an economically rational cashout price calculation. Given the "gameability", at least in principle, of the default cashout price calculations, this would seem to lead to a less robust cashout price calculation, due to the increased influence of default prices. The increased complexity would be likely to deter potential new participants / market entrants, thereby damaging competition. For this reason, our provisional conclusion would be that modification 18B does not better facilitate the achievement any of the BSC Objectives. Our concerns could be alleviated by the improvement of the default price calculation rules, which will no doubt happen in due course; the concerns about complexity would, however, remain, and it would be necessary for the proposers to show significant and clear benefits to justify the additional complexity.

Yours sincerely

Liz Anderson

(London Electricity plc on behalf of itself, SWEB Ltd, Sutton Bridge Power and Jade Power Generation)