MODIFICATION REPORT for Modification Proposal P226
'Improving Large Combustion Plant Directive Information Disclosure'

Prepared by: ELEXON on behalf of the BSC Panel

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Proposed Modification P226 seeks to enhance the visibility of key Large Combustion Plant Directive (LCPD) emission limit/allocations and operating hours data by publishing such data on the Balancing Mechanism Reporting System (BMRS). In addition the proposal requires relevant BSC Parties to promptly inform the market (again via the BMRS) whenever they request changes to emission limits/allocations or subsequently have such changes granted under the relevant Emission Limit Value (ELV) or National Emission Reduction Plan (NERP).

Alternative Modification P226 is similar to the Proposed Modification, except that it focuses instead on the publication of information on the BMRS relating to cumulative operating hours and derogations applied for and granted. It does not require the submission or publication of details on emission limits/allocations. As such the Alternative Modification does not contain all of the reporting requirements detailed in the Proposed Modification.

BSC PANEL'S RECOMMENDATIONS

Having considered and taken into due account the content of the P226 Modification Report, the BSC Panel recommends:

- That Proposed Modification P226 **should** be made; and
- That Alternative Modification P226 **should not** be made.

The rationale for this recommendation can be found in Section 7 and 9 of this document.

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1 HIGH LEVEL SUMMARY OF THE MODIFICATION REPORT

Background

P226 has been raised in order to enhance the visibility of key Large Combustion Plant Directive (LCPD) emission limit/allocations and operating hours data, which affects how BSC parties make such plants available to the market. It seeks to do this through the publication of such data on the Balancing Mechanism Reporting System (BMRS) in a form that is readily understandable to the market.

Summary of Proposal

Objective of P226:

- To publish LCPD data that is considered market critical in a clear and transparent format, so that participants can easily access the information to assist thier forecasting and ultimately improve competition.

Proposed Solution:

- To require BSC Parties (as defined in the scope of P226) to submit relevent LCPD data to the BSCCo so that it can be published on the BMRS in an efficient, effective and timely manner.

Assessment Approach:

- Use Modification Group meetings to develop solutions to the issues described in P226 and to identify and troubleshoot any critical areas and any potential problems in the solution;
- Issue an impact assessment to identify the P226 implementation costs and lead times to the industry;
- Issue a consultation to elicit views from the industry;
- Provide a report to the Panel on the findings of the Modification Group as to whether P226 (Proposed and Alternate Modifications) better facilitates the achievement of Applicable BSC Objectives; and
- Put finalised obligations in the Balancing and Settlement Code (BSC) and Code Subsidiary Documents (CSDs) subject to P226 being recommended by the Modification Group and Panel, and approved by the Authority.

Impacts

Industry:

- **BSC Parties that are responsible for registering BM units associated with LCPs** (under the terms of the LCPD) will be obligated to report the relevant data items to BSCCo in the timescales descibed in the document (see section 3)
- BSCCO
- BMRA

Documentation:

- Sections Q, V and X of the Balancing and Settlement Code ('the Code'); and
- Development of a new BSC Procedures document.

Please refer to the IWA for additional comments: P226 IWA

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Costs (more detailed estimates can be found in Section 5)

Central Implementation Costs:

	Alternative/Proposed
	Manual
Demand Led	£ 45,500
BSCCo	£ 7,700
Total	**£ 53,200**

Operational Costs:

Operational costs remain the same for both the Proposed and Alternative. The total operational costs for the BMRA and BSCCo would amount to £ 9,400 per annum.

BSC Panel and Modification Group member(s) identified Benefits and Drawbacks under Applicable BSC Objectives (b) (c) and/or (d)

Benefits:

- Timely publication of LCPD data in a central repository that is easily accessible and transparent to all Parties would create effective competition;
- A marginal benefit would be realised by smaller parties who would have easier access to information;
- If data was made more transparent and accurate the operation of the transmission system would potentially improve in terms of efficiency.

Drawbacks:

- The scope of P226 (Proposed and Alternative) creates certain forms of discrimination within the industry;
- Some of the information reported under P226 (Proposed and Alternative) is already published and accessible on other websites;
- Reporting obligations are being placed on BSC Parties that would create the necessity for new processes and procedures which may involve time and costs;
- Implementation and running costs incurred are high and would outweigh the benefits of reporting information that is on the whole already published elsewhere;
- P226 (Alternative and Proposed) would create publishing issues (inconsistent publishing of data) that would create confusion within the industry;
- P226 (Proposed) calls for the publication of data that is not deemed 'Market Critical';
- BSC Parties should not be required to provide information that may not be within their control. Creating obligations that cannot be easily met by all Parties would be detrimental to competition;

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	• Additional procedures and ongoing administrative costs (verification and validation) will be placed upon the BSCCo. This will be detrimental to efficiency (objective (d)).

Quantifiable benefits

Potential benefits to BSC Parties:

The Group believed that although there were marginal benefits associated with P226 (Proposed and Alternative), the benefit to Parties was unquantifiable, as placing a value on publishing data that is predominantly available elsewhere was extremely difficult.

Implementation approach (Further detail can be found in section 5)

The BSC Panel recommends the following Implementation Dates:

Manual Solution:

- **25 June 2009** if P226 (Alternative or Proposed) is approved by the 26 March 09.
- **05 November 2009** if P226 (Alternative or Proposed) is approved by the 06 August 09.

Panel's Final Recommendation to the Authority

The views of the BSC Panel are:

- **Majority** view that the Proposed Modification **is** better than the current arrangements;
- **Unanimous** view that the Alternative Modification **is not** better than the current arrangements;

The BSC Panel's recommendation is therefore that **P226 Proposed should be made and P226 Alternative Modification should not be made**.

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2 BACKGROUND

The Large Combustion Plant Directive (LCPD) aims to reduce acidification, ground level ozone and particulates by controlling the emissions of sulphur dioxide (SO_2), oxides of nitrogen ('NOx') and dust from large combustion plants (LCPs).

The LCPD stipulates that:

1. New combustion plants must meet emission limit values (ELVs) given in the LCPD; and
2. Existing plants (those in operation pre-1987), can choose to meet the LCPD obligations by either:
   - Complying with ELVs for NOx, SO_2, and particles; or
   - Operating within a 'National Plan'. That would set an annual national level of emissions calculated by the average actual operating hours, fuel used and thermal input of those plants. The National Emissions Reduction Plan (NERP) is the national plan for the UK.

In January 2008 the NERP introduced the National Trading Scheme. This scheme ensures that "existing" LCPs (See point 2 above) are able to trade their annual allowances of SO_2, NOx and particulates with other LCPs within the Scheme.

Operators of existing LCPs were given the option by the Department for Environment, Food and Rural Affairs (Defra) to decide whether to:

1. "Opt In" under the annual mass-based NERP; or
2. "Opt In" under the concentration based Emission Limit Values (ELVs); or
3. "Opt Out" by taking the limited life Derogation.

Ultimately 92 LCPs (operated by 40 different operators) have chosen to Opt into the NERP; 18 LCPs in Scotland, 1 in Northern Ireland and the remaining 73 in England and Wales. The remaining LCPs either "Opted In" under the ELV scheme or "Opted Out" of both the NERP or ELV schemes.

Currently, NERP data for all LCPs is submitted to the Environment Agency (EA), who produce a NERP report and publish it on their website. Data relating to LCPs that have "Opted Out" of both the ELV and NERP schemes and LCPs that have "Opted In" to the ELV scheme report to their respective Environment Agencies, e.g. Scottish LCPs report to the Scottish Environment Protection Agency (SEPA).

P226 aims to ensure that data relating to the LCPD is made available to all interested parties in a manner that is efficient, effective and economically acceptable to all.

2.1 The Issue

Although the information detailed above is currently supplied to and published by the respective Environmental Agencies[1] (EA's), the Proposer believes that the data is not published in a format suitable for participants wanting to understand the supply/demand fundamentals of the wholesale electricity market.

Issues highlighted by the Proposer include:

- Market critical data is incomplete and not always in a form that is readily accessible or easy for BSC Parties or customers to understand;
- Data is not published in a timely manner; and
- Information relating to derogations applied for by 'Opted In' LCPs is not provided.

[1] Environmental Agencies will refer to the Environment Agency and Scottish Environmental Protection Agency

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3 DESCRIPTION OF MODIFICATION

This section outlines the solution for the Proposed and Alternative Modifications as developed by the Modification Group.

For a full description of the original Modification Proposal as submitted by the Proposer, please refer to the following link: P226 IWA.

3.1 Proposed Modification

P226 seeks to enhance the visibility of current and applied for emission limits/allocations and operating hours data for all LCPs through the publication of such data on the BMRS.

The intent is to ensure that data is published in:

- A timely manner;
- A form that is readily understandable to the market; and
- A place that is readily available to BSC Parties.

To achieve this, P226 proposes the following 8 data items are published on the BMRS:

1. A register of BM Units that are part of an LCP under the terms of the LCPD;
2. The status of each LCP:
    a. Opted Out Plant;
    b. Opted In Plant under NERP; or
    c. Opted In Plant under ELV.
3. The cumulative operational hours for Opted Out LCPs and LCPs with derogations under Article 5(1), 7(1), 7.1 (a) of LCPD;
4. The remaining operational hours for each LCP for Opted Out Plants;
5. A summary of NERP and ELV (B specific limit) allowances bought and sold since 1 January 2008 and over the last month;
6. Details of any derogation applications for each Opted In LCP applied for but awaiting a decision, (including both applications for operation under Article 5(1) resulting from a delay in fitting Flue Gas Desulphurisation (FGD) equipment, and from breakdown of existing FGD equipment (Article 7(1));
7. Details of any derogation applications for each Opted In LCP that have been granted;
8. The latest emission limits for each Opted In LCP.

Further details on each of these data items and the surrounding requirements can be found in the Assessment Report (Please see: P226 Assessment Report)

3.2 Alternative Modification

The solution for P226 Alternative Modification is similar to the Proposed Modification solution, except that it focuses on publishing those data items that provide information on operating hours and derogations. The Modification Group believed that it would be this type of information that would be more useful to Participants.

As such the Alternative Modification solution proposes to publish the following 4 data items:

3. The cumulative operational hours for Opted Out LCPs and LCPs with derogations under Article 5.1 of LCPD;
4. The remaining operational hours for each LCP for Opted Out Plant;

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6. Details of any derogation applications for each Opted In LCP applied for but awaiting a decision, (including both applications for operation under Article 5(1) resulting from a delay in fitting FGD equipment, and from breakdown of existing FGD equipment);
7. Details of any derogation applications for each Opted In LCP that have been granted;

These data items are similar to the data items expressed in points 3, 4, 6 and 7 of the P226 Proposed Modification Solution. The only difference is that the Alternative Modification does not call for the submission or publication of derogations under Article 7(1). (Please refer to section 6.1.3 for further clarification) Again, further details on each of these data items and their requirements can be found in the Assessment Report. For the avoidance of doubt the requirements and timescales for data items remaining part of the Alternative solution, will be the same as those in the Proposed solution.

As with the Proposed Modification, for a detailed outline of the reporting requirements for P226 please click on the following link: P226 Requirement Specification.

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4 SCOPE

P226 (both the Proposed and Alternative) seeks to place an obligation on those **BSC Parties that are responsible for registering BM units associated with LCPs** (under the terms of the LCPD) to report the relevant data items to BSCCo. Neither P226 nor the Alternative would apply to demand BM Units, or to generators whose power stations fall outside the scope of the Directive (e.g. gas turbines licensed before 27 November 2002).

The P226 Modification Group (the Group) further clarified the scope by determining that P226 would only apply to BM units that have the following characteristics:

- Comprises all or part of an LCPD plant;
- Is a Production BM Unit;
- Is registered in CVA; and
- Is connected to the Transmission System.

The Group performed an analysis of BM Units that are associated to LCPs in an attempt to ascertain which BM Units would be impacted by the scope as defined above. The analysis was conducted by cross-referencing the publicly available list of CVA registered BM Units with the LCPD data published on the EA website.

The Group's analysis revealed that 22 plants would be impacted by the scope of P226. For further information regarding the Groups rationale for the scope, please refer to the following link: P226 Assessment Report.

4.1 Support for the Scope

The majority of the Group believed that the scope represented a pragmatic set of BM units.

A Group member noted that by excluding BM units that are not connected to the Transmission System, embedded plants would not be included in the Scope of P226 and felt there were large embedded plants that should be required to report data. The Group member believed that if these embedded plants did not report data then it may impact the transparency of market data and be potentially discriminatory giving a competitive advantage to LCPs that were excluded and therefore not reporting data.

After discussing this point the majority of the Group concluded that if the scope was refined to include embedded plants various issues would arise that would exceed the benefit of including them. The majority of the Group felt that:

- The objective of P226 (Proposed and Alternative) was to seek market critical data, which focussed on larger generators exporting on a regular basis. The Group believed that if the scope was broadened to include embedded plants this could result in smaller plants (that did not have a large impact on the industry) having to provide data.
- To place an obligation on embedded BM units to provide this data would be too burdensome. The Group believed that it would be difficult for the BM unit to provide LCPD data if it was not the operator of the LCP, and that Parties may have to enter into new contractual agreements with the associated LCP in order to obtain the data. It was also noted that Parties would be in breach of the Code if the operator refused to issue the required data.

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5 IMPLEMENTATION

5.1 Implementation Method

During the P226 assessment procedure the Group developed a Manual Reporting solution that will introduce a system whereby data will be extracted from emails received, via a manual process, and a spreadsheet of consolidated LCP data will be updated accordingly. Validation of the information will require a manual process of ensuring that the data is accurate and within reasonable ranges.

This solution would report LCP related data items in a similar way to that reported by the EA. Excel type spreadsheets will be published that will include:

- Consolidated LCP data as defined within the Proposed and Alternative Modifications;
- Archives of previous versions of the reports.

5.2 Rationale for the Manual Solution

The Group noted that the balance of responses received during the consultation supported the manual option and agreed that a manual solution would be more cost effective, particularly as it was felt any benefits of P226 would be marginal. The majority of the Group also believed that the manual reporting system should include an alert service to inform BSC Parties of changes to LCPD information. In addition the Group believed that monthly LCPD data should be archived in an accessible place in order for Parties to make use of historical information.

5.3 Implementation Timescales

The BSC Panel recommends the following Implementation Dates:

- **25 June 2009** if P226 (Alternative or Proposed) is approved by the 26 March 09.
- **05 November 2009** if P226 (Alternative or Proposed) is approved by the 06 August 09

5.4 P226 Costs

The 'Implementation Costs' represent the cost and effort of delivering P226 as part of a BSC Systems Release, whilst the 'Operational Costs' represents the annual cost to maintain the reporting requirements of P226.

	Implementation Costs	Operational Costs
Demand Led	£ 45,500	£ 5,000
BSCCo	£ 7,700	£ 4,400
Total	**£ 53,200**	**£9,400**

A Panel Member noted that although the costs associated with P226 were relatively low in comparison to other Modifications, the costs were not insignificant.

5.5 Legal Text

BSCCo developed the draft legal text for P226 and provided an explanation of this to the Modification Group at the final P226 meeting. The Group reviewed the draft legal text by correspondence and unanimously agreed that the draft Legal text delivered the intended solution.

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6 RATIONALE FOR MODIFICATION GROUP'S RECOMMENDATIONS TO THE PANEL

6.1 Conclusion

The majority of the Group felt that both the Proposed and Alternative Modifications did not improve the current baseline, as the benefits of publishing data that was currently available elsewhere did not match or exceed the costs and effort involved. When comparing the Proposed and Alternative modifications the majority of the Group felt that the Alternative provided a better solution than the Proposed, as it removed some of the burden on Parties and focussed on market critical data.

The tables on the following page shows the Group's initial views expressed for and against P226 when compared with the current arrangements. The Group agreed that the relevant Applicable BSC Objectives for P226 were Objectives (b), (c) and (d), and that P226 would have no impact on Objectives (a). To summarise the Group's views:

BSC Objective (b) a Group member felt that there may be a marginal benefit for the GB transmission system. It was felt that if data was made more transparent and accurate the operation of the transmission system would potentially improve in terms of efficiency.

BSC Objective (c) the majority of the Group felt that there may be a marginal benefit for smaller parties when publishing the data freely and transparently on the BMRS. However, the Group queried whether or not smaller parties would actively use this data. The Group felt that if the Proposed or Alternative was approved and the data was ultimately published on the BMRS, parties may find it hard to rely on the data being presented and subsequently refer to the EA or SEPA websites in order to confirm that the data is accurate. If this were the case, the Group felt that there would be no benefit in publishing the data on the BMRS.

BSC Objective (d) the Group believed that the ongoing agency costs and BSCCo validation costs would be detrimental to the efficient administration of the BSC arrangements.

Note that not all of the arguments shown were necessarily shared by all members. Arguments apply to both Proposed and Alternative, unless stated.

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BSC Objective (b): The efficient, economic and co-ordinated operation of the GB transmission system	
For	**Against**
• If market participants gain a greater understanding of LCP, this may marginally enhance market efficiency and assist the System Operator in efficiently operating the transmission system.	• N/A

BSC Objective (c): Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	
For	**Against**
• Publication of LCPD data in a central repository that is easily accessible and transparent to all Parties would create effective competition; • There may be marginal benefit for smaller parties.	• The Proposed modification, and to an extent the Alternative modification, would introduce discrimination as it excludes certain BM units. This means similar BSC Parties would be treated materially different if P226 was implemented. There would be discrimination as P226 only applies to: 1) a sub set of the total number of BM Units; 2) BM Units connected to the Transmission System, this would exclude all embedded plants. 3) generation BM Units and not demand BM Units; 4) larger generators exporting on a regular basis, not to smaller generators; 5) 'Opted in' and not 'Opted Out' BM Units (regarding some data items in the proposed modification); and 6) LCP that are impacted by FGD breakdown. P226 ignores those LCPs that are impacted by other forms of breakdown; • Publication of data on the BMRS would not align to the websites that currently report this data. This could lead to confusion within the market over the

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BSC Objective (c): Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	
For	**Against**
	accuracy of information published; • The LCPD information is currently available to all Parties on other free websites and in a similar format. Market participants would still refer to existing resources (EA and SEPA) in order to validate or confirm that data was correct requiring additional resource and the potential for confusion or misinterpretation where these differ; • P226 may prove to be a disincentive for Participants to submit data sooner, particularly with reference to derogations. This could create a situation whereby participants would refrain from submitting data in a timely manner in order to ensure a competitive advantage over their competitors; • BSC parties should not be required to publish information that they are not responsible for providing. Having such requirements within the BSC does not provide for fair and appealing arrangements that facilitate new entry and competition;

BSC Objective (D): Promoting efficiency in the implementation and administration of the balancing and settlement arrangements	
For	**Against**
N/A	• High ongoing BSCCo and Agency costs involved in the implementation and operation of P226 (Proposed and Alternative) reduce BSC efficiency. It was felt that it would be easier to provide links and pointers to the EA/SEPA website; • BSCCo will be responsible for publishing data that is not within the BSC. This will not promote efficiency in the administration of the BSC; • Legislative changes that occur outside of the BSC would have a ripple effect on the reporting requirements established by P226. This may result in changes to

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BSC Objective (D): Promoting efficiency in the implementation and administration of the balancing and settlement arrangements	
For	**Against**
	reporting requirements and ultimately impact on the BSC processes; • BSC Parties that fall within the scope of P226 would be required to develop new processes and procedures in order to address the new reporting obligations that would be imposed by P226; • The practicality of obtaining and validating data that may ultimately change retrospectively will have a detrimental effect on facilitation of the BSC arrangements; • Additional procedures and ongoing administrative costs (verification and validation) will be placed upon the BSCCo. This will be detrimental to BSC objective (d).

6.2 Proposed vs. Alternative

The table below indicates the Groups views regarding the Proposed vs. the Alternative.

Proposed	Alternative
• Provides a more comprehensive list of data items	• Less effort to implement and would have less ongoing BSCCo costs due to less information required to be verified. This would therefore be more efficient for the administration of the arrangements and better facilitate BSC Objective (d); • Focuses on the key elements ; • More market critical; • Simplistic; • Smarter Proposition.

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6.3 Modification Group Recommendations

An assessment of Modification Proposal P226 (Alternative and Proposed) has highlighted certain data elements associated with the LCPD that may impact on a parties ability to make strategic decisions. The Group noted that although there were marginal benefits associated with the publication of this data on the BMRS, the perceived benefits did not exceed the additional time and costs associated with this change. In addition the Group questioned the merit of publishing data that was currently available on the EA website.

With this in mind the majority of the Group believed that P226 was not the correct vehicle for driving this change. Following discussions with the EA, the Group were of the opinion that the correct mechanism for improving transparency and accuracy of LCPD information would be to address issues directly to the EA and for Parties to highlight these issues through their representatives on the Joint Environmental Programme (JEP). This view was shared by the EA who has expressed a willingness to improve the format of their LCPD data.

The Group noted that the EA had made various attempts at improving the timeliness of LCPD data. The Group believes that this is a positive step in improving current issues associated with the LCPD information and welcomed the involvement from Ofgem. Finally the Group wish to make the P226 report available to the EA and SEPA so that the discussions and analysis undertaken by the Group can be used in order to improve the existing LCPD publication on the EA/SEPA websites. This will ensure that the work of the Group is not lost and improvements are carried out should P226 be rejected in line with the Group's recommendations.

Within the Modification Group there is currently a:

- **Majority** view that the Proposed Modification is not better than the current arrangements;
- **Majority** view that the Alternative Modification is not better than the current arrangements; and
- **Majority** view that the Alternative is better than the Proposed Modification;

The Group's recommendation (by majority) is therefore that both **P226 Proposed and Alternative Modifications SHOULD NOT be made**.

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7 PANEL'S INITIAL RECOMMENDATIONS

7.1 Panel's Consideration of Assessment Report

The Panel considered the P226 Assessment Report (Please see: P226 Assessment Report) at its meeting on 11 December 2008. This section summarises the Panel's discussions in formulating its provisional recommendation for inclusion in the draft Modification Report.

7.1.1 Access to LCPD data

Within the P226 Assessment Report the Group highlighted that BSC Parties may find it difficult to obtain LCPD information. The rationale for this assertion was that in certain instances the BM unit and the LCP were not one entity i.e. the BM unit may not be the operator of the plant and therefore may not currently report the LCPD data. In this situation the BSC Party who controlled the BM unit would be required to obtain the information from the LCP. The Group believed that this may create issues for BSC Parties as they would be responsible for providing data that was ultimately out of their control.

The Panel considered this rationale but believed that, although there may be some merit to the above argument, BSC Parties should be able to obtain this data without to much difficulty as the relationship between the BSC Party and the LCP should ensure that this information is easily accessible. In terms of the 22 Parties within the scope of P226, the Panel did not believe that they would find it difficult to obtain the information.

7.1.2 Duplication of LCPD data

The Panel agreed with the Groups view that duplication of LCPD data on the BMRS would create confusion within the industry. They believed that by publishing data that was only relevant to a subset of LCP's within the scope of the LCPD one would create disparity of information within the market.

In addition, Panel members believed that there were risks associated with publishing data on the BMRS prior to it being validated by the relevant regulatory body. Concerns were raised that if data published on the BMRS was subject to change once it had been validated by the regulatory body, there would be further confusion as to which information was correct.

The Panel believed that it was important to maintain data consistency and accuracy and that P226 would be detrimental to this.

7.1.3 Improvements in LCPD data Transparency

In order to improve data transparency and timeliness, Ofgem has formulated an agreement with the EA to use its electronic notification service to inform the industry of updates relating to article 5(1) derogations in England and Wales.

The Panel noted that this was a positive step towards improving the current level of transparency within the market.

In addition to the above improvements, the Panel noted that there had been proactive steps by the EA to improve its website. This was indicative in the fact that there had been various positive responses by industry in order to ensure that market participants have easier access to LCPD data.

The Panel noted the progress that had been made in relation to discussions between the BSCCo, Ofgem and the EA, however, they questioned whether SEPA had made any progress in this regard. Initial discussions between the BSCCo and SEPA had revealed that SEPA were in the process of improving their current systems, however, to date there has been no obvious changes. The BSCCo has indicated that it will initiate discussions with SEPA in order to highlight issues arising from P226.

7.1.4 Mechanism for Change

The Panel shared the Groups views that P226 was not the correct vehicle for this change. The view from the Panel was that any change pertaining to transparency and accuracy of LCPD data should be initiated within the relevant regulatory body i.e. the Panel believed that issues should be addressed within the EA and SEPA. The Panel believed that although there may be marginal benefits realised from publishing LCPD data on the BMRS the adverse effects associated with this change would outweigh any benefits gained.

In addition, the Panel agreed with the Group's view that the industry should approach the EA/SEPA via their Joint Environment Program (JEP) representatives.

Certain Panel members suggested that links be placed on the BSCCo website to direct parties to the relevant LCPD data.

7.1.5 In Conclusion

The Panel noted that P226 had gone some way in transforming the current level of data transparency within the industry. With this in mind the Panel have recommended that the P226 final report be made available to the EA and SEPA in order to ensure that the work undertaken by the Group is used proactively to improve the current baseline.

Based upon the findings and recommendations of the Group, the Panel's initial view was that:

- The Proposed Modification P226 **should not** be made;
- The Alternative Modification P226 **should not** be made; and
- Alternative Modification P226 **is better** than the Proposed Modification.

8 REPORT PHASE CONSULTATION

The BSCCo issued a consultation (Please see: Report Phase Consultation Responses) on behalf of the Panel on the 15 December 2008. The consultation was aimed at obtaining views from industry regarding the Panel's initial recommendation that **P226 Proposed and Alternative Modifications should not be made**.

8 responses were received in relation to the P226 Report Phase consultation. The table below provides a summary of the responses received.

Ref	Consultation Question	Responses	
		Yes	No
1	Do you agree with the Panel's provisional recommendation to the Authority that Proposed Modification P226 should not be made?	4	4
2	Do you agree with the Panel's provisional recommendation to the Authority that Alternative Modification P226 should not be made?	4	4
3	Do you believe that there would be issues/problems associated with obtaining the relevant LCPD data?	3	3
4	Do you agree with the Panel's provisional recommendation concerning the Implementation Date(s) for P226?	7	1
5	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solution agreed by the Modification Group?	8	0

8.1 Panel's Recommendation

Respondents did not provide any new arguments when compared to those received as part of the Assessment Report consultation. Yet the number of respondents agreeing with the recommendation to reject both the Proposed and Alternative differed.

Responses received from the Assessment Report are reflected in the table below:

Ref	Assessment Consultation Question	Responses	
		Yes	No
1	Do you believe Proposed Modification P226 would better facilitate the achievement of the Applicable BSC Objectives?	3	6
2	Do you believe Alternative Modification P226 would better facilitate the achievement of the Applicable BSC Objectives when compared to the current baseline?	3	6

As noted above, no new arguments were brought forward as part of the consultation. Respondents views also remained the same. The reason for the difference in opinion is that a different set of respondents replied. A number of Parties who had previously agreed with the decision to reject P226 did not respond.

8.2 Access to LCPD Information

The Panel queried whether there would be issues/problems associated with BSC Parties being able to obtain relevant LCPD data for reporting purposes. Respondents were divided. Some respondents highlighted issues relating to additional processes and procedures that would place an undue burden. They believed this extra process would outweigh any perceived benefits associated with P226. Other

respondents highlighted that additional requirements placed upon them via P226 would not unduly effect their current processes as they were in a position to obtain the relevant LCPD data easily.

8.3 Implementation Dates

The majority of respondents agreed with the Panel's recommendations concerning the provisional implementation dates. One respondent did believe that it was possible to implement the solution sooner than proposed. However, this does not take into account the lead times of the BSCCo and the BMRA who would require at a minimum 3 months to implement P226.

9 PANEL'S RECOMMENDATION TO THE AUTHORITY

9.1 Report Phase Consultation Responses

ELEXON presented the draft report to the Panel on the 15 January 2009. The following section highlights the Panels discussion.

9.1.1 Panel Discussions

Panel members noted the progress made by the EA in developing their website. The collaboration between the EA and Ofgem in producing 'alert messages' when derogations are granted was also noted. It was hoped that this relationship would continue to exist in the future. Participants had discussed the changes to the EA website with a Panel Member and highlighted a number of issues which were believed to be teething problems.

A Panel Member queried the situation in respect of the Scottish Environment Protection Agency (SEPA) website. It was noted that SEPA had been contacted and was in the process of investigating how their procedures could be aligned with those of the EA.

Some Panel members believed that the information to be published via P226 was of fundamental importance to the industry, as it was used for strategic development and would have an impact on security of supply, As such an intermittent service, as experienced on the EA website, was not ideal. If this change would add transparency to the Industry then it would be advisable to publish the data on the BMRS in addition to the EA website, as the associated costs would not be significant.

Other Panel members believed that whilst transparency of information is important to the Industry it should not be introduced at the expense of clarity. Lack of clarity would undermine any benefit of transparency. Panel members also expressed a desire to see the issue resolved at the root cause of the problem, the EA website, rather than creating a parallel process. Such a parallel process would not resolve the fundamental concerns raised and would lead to duplication of data, confusion and increased effort to report and maintain.

A Panel Member expressed concern that, whilst they did not doubt the importance of this information, it was still not clear as to whether it should be made into a BSC obligation. A Panel member noted that even though the EA and SEPA websites were not up to the mark as yet, those agencies were custodians of the LCPD with responsibility for publishing the information.

The Panel as a whole agreed with the unanimous view of the Modification Group that in principle greater transparency was vital for the Industry. However, there was a difference of opinion as to whether the data should be made more transparent at the source or on the BMRS.

9.2 Summary of Panel Members Views

P226 has raised many questions and turned many heads during the past few months and this was highlighted by the fact that the Panel had split views over the progression of P226.

Some Panel members believed that the balanced arguments, received as part of the report phase consultation, had influenced them into re-assessing their initial views. Transparency is key and should be addressed through P226 was the view of these Panel members.

Some Panel members also felt that relying on the EA and SEPA websites would not be preferable to publishing this information on the BMRS.

A Panel member reinforced their support of P226 by stating that:

- P226 would better facilitate **Objective (B)** as an improvement in data transparency would result in an improvement in the operation of the Transmission System.

Other Panel members confirmed their initial recommendation that P226, proposed and Alternative, should be rejected. They noted that no new arguments had been raised that had not previously been discussed. It was reiterated that although transparency is important in the market, the introduction of duplication and confusion would mitigate any perceived benefits. It was also noted that P226 was not the correct vehicle to rectify the identified concerns and that this should be addressed directly by the EA/SEPA with support if necessary.

9.3 Implementation Date/Legal Text

The Panel's views have not changed as a result of Report Phase consultation and they unanimously support both

9.4 Panel's Final Recommendation to the Authority

On the basis of the above discussions, the Panel therefore agreed:

A **MAJORITY** recommendation to the Authority that:

- The Proposed Modification **SHOULD** be made; and

A **UNANIMOUS** recommendation to the Authority that:

- The Alternative Modification **SHOULD NOT** be made.

The Panel agreed the following recommended implementation approach for P226:

- An Implementation Date for the Proposed Modification of **25 June 2009** if P226 Proposed is approved by the 26 March 09; or
- **05 November 2009** if Authority decision is received after the 26 March 2009 but before 06 August 2009 P226 Proposed is approved by the 06 August 09

The Panel agreed the legal text for modifying the Code in respect of the Proposed Modification as provided in Appendix 5.

10 TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

Acronym/Term	Definition
BMRS	Balancing Mechanism Reporting System
ELV	Emission Limit Value
LCPD	The Large Combustion Plant Directive (LCPD) (2001/80/EC)
NERP	National Emission Reduction Plan
IWA	Initial Written Assessment
BMRA	Balancing Mechanism Reporting Agent
JEP	Joint Environmental Programme

10.1 References

Ref.	Document Title	Owner	Issue Date	Version
1	Modification Proposal P226	N/A	01/09/08	1.0
2	P226 IWA	ELEXON	05/09/08	1.0
3	P226 Requirement Specification	ELEXON	03/10/08	1.0
4	P226 Impact Assessment Responses	ELEXON	03/10/08	1.0
5	P226 Assessment Consultation	ELEXON	05/11/08	1.0
6	P226 Assessment Consultation Responses	ELEXON	18/11/08	1.0
7	P226 Assessment Report	ELEXON	11/12/08	1.0
8	P226 Report Phase Consultation Responses	ELEXON	09/01/09	1.0

APPENDIX 1: APPLICABLE BSC OBJECTIVES

For reference the Applicable BSC Objectives, as contained in the Transmission Licence, are:

(a) The efficient discharge by the licensee [i.e. the Transmission Company] of the obligations imposed upon it by this licence [i.e. the Transmission Licence];

(b) The efficient, economic and co-ordinated operation of the GB transmission system;

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

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

APPENDIX 2: PROCESSES FOLLOWED

Copies of all documents referred to in the table below can be found on the BSC Website at:

ELEXON - Modification Proposal P226

Date	Event
01/09/08	Modification Proposal raised by E.ON
11/09/08	IWA presented to the Panel
16/09/08	First Assessment Procedure Modification Group meeting held

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Date	Event
25/09/08	Second Assessment Procedure Modification Group meeting held
03/10/08	Requirements Specification issued for Impact assessment
16/10/08	Impact Assessment responses received
21/10/08	Third Assessment Procedure Modification Group meeting held
05/11/08	Assessment Procedure consultation issued
24/11/08	Assessment Procedure Modification Group meeting
11/12/08	Assessment Report presented to the Panel
15/12/08	Draft Modification Report consultation issues
15/01/09	Draft Modification Report presented to the Panel

APPENDIX 3: ESTIMATED COSTS

ESTIMATED vs. ACTUAL COSTS OF PROGRESSING MODIFICATION PROPOSAL[2]		
Activity	**Estimate**	**Actual**
Meeting Cost	£1500	£2000
Legal/Expert Cost	£0	£0
Impact Assessment Cost	£15,000	£7,000
ELEXON Resource	75 man days £20,000	82 man days £19,000

The above costs have changed from the IWA phase, reflecting the additional Modification Group meeting during the P226 Assessment Procedure.

APPENDIX 4: MODIFICATION GROUP MEMBERSHIP & TERMS OF REFERENCE

Please refer to the Assessment Report in relation to the above: P226 Assessment Report.

APPENDIX 5: LEGAL TEXT

Legal text for both the Proposed and Alternative Modification can be found in attachment A and B respectively.

APPENDIX 6: ASSESSMENT REPORT

The P226 Assessment Report can be found at the following link: P226 Assessment Report.

APPENDIX 7: REPORT PHASE CONSULTATION RESPONSES

The P226 report phase consultation responses can be found in Attachment C.

[2] Clarification of the meanings of the cost terms in this appendix can be found on the BSC Website at the following link: P226_IWA_Final.

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