

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

Prepared by: P226 Modification Group

**Date of Issue:** 05 December 2008  
**Reason for Issue:** For Panel Decision

**Document Reference:** P226AC  
**Version Number:** 1.0

**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.

### MODIFICATION GROUP'S RECOMMENDATIONS

The P226 Modification Group invites the Panel to:

- **AGREE** a provisional recommendation that P226 Proposed and Alternative Modifications **should not** be made;
- **AGREE** a provisional Implementation Date for both the Proposed and Alternative Modifications of:
  - **25 June 2009** if an Authority decision is received on or before 26 March 2009; or
  - **05 November 2009** if an Authority decision is received after 26 March 2009 but on or before 06 August 2009;
- **AGREE** the draft legal text for Proposed and Alternative Modifications;
- **AGREE** that Modification Proposal P226 should be submitted to the Report Phase, with a draft Modification Report being submitted for consideration at the Panel meeting on 8<sup>th</sup> January 2009; and
- **AGREE** that the P226 Modification Report be made available to the relevant Environmental Agencies.

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# 1 HIGH LEVEL SUMMARY OF THE ASSESSMENT 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 their forecasting and ultimately improve competition.

### Proposed Solution:

- To require BSC Parties (as defined in the scope of P226) to submit relevant 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 described 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](#)

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

#### Central Implementation Costs:

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

#### 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.

### 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.

#### 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;

	<ul style="list-style-type: none"> <li>• Additional procedures and ongoing administrative costs (verification and validation) will be placed upon the BSCCo. This will be detrimental to efficiency (objective (d)).</li> </ul>
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### Quantifiable benefits (summary of cost-benefit analysis in Section 7)

#### 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 Modification Group 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.

### Modification Group's initial Recommendation

The final views of the Modification Group are:

- **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;
- **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.**

## 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<sub>2</sub>), 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<sub>2</sub>, 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<sub>2</sub>, 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<sup>1</sup> (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.

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<sup>1</sup> Environmental Agencies will refer to the Environment Agency and Scottish Environmental Protection Agency

### 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 section 3.2 below.

#### 3.2 Proposed Modification Solution Requirements

The proposal will make it mandatory for BSC Parties (i.e. BSC Parties responsible for BM units associated with LCPs)<sup>2</sup> to supply specific information to BSCCo every month and not later than 28 days after the end of each calendar month, by electronic means.

The BMRA will update the appropriate pages of the BMRS within a specified number of days and maintain an accessible archive of past months' reports. Any corrections must be submitted, by the relevant BSC Party, within a specified number of days after the discovery of an error.

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<sup>2</sup> Refer to section 4, 'Scope', for clarification of BSC Parties impacted by P226

The following table summarises the P226 requirements:

Ref	Reporting Requirement	Obligation	Frequency of Reporting
1.	A register of BM Units that are part of a LCP under the terms of the Directive.	BSC Party / BMRA	To be submitted by the relevant BSC Party during the P226 implementation phase. BSC Parties will be required to inform BSCCo of any subsequent changes.  The BMRA will develop and publish the register (on the BMRS) using data received.  The BMRA will update the BMRS within 2 working days of receiving notifications of errors or changes to the register.
2.	The status of each LCP: a) Opted Out Plant b) Opted In Plant under NERP c) Opted In Plant under ELV.	BSC Party / BMRA	To be submitted by the relevant BSC Party during the P226 implementation phase. BSC Parties will be required to inform BSCCo of all subsequent changes.  The BMRA will update the BMRS within 2 working days of receiving notifications.
3.	The cumulative operational hours for Opted Out LCPs (as from 1 January 08) and LCPs with derogations under Article 5.1, 7.1, 7.1 (a) of LCPD (from start of derogation)	BSC Party	BSC Parties will report within 28 days after the end of each calendar month.  The BMRA will update the BMRS within 2 working days of receiving this notification.
4.	The remaining operational hours for each LCP for Opted Out Plant.	BMRA	The BMRA will update the BMRS with this information within 2 working days of receiving reporting requirement 3 (see above).
5.	A summary of NERP and ELV 'B specific limit' allowances bought and sold since 1 January 2008 and over the last month.	BMRA	The BMRA will produce a monthly report on the BMRS for this requirement.
6.	Details of any derogation applications (Article 5.1, 7.1, 7.1 (a)) for each Opted In LCP applied for but awaiting a decision.	BSC Party	BSC Parties will report within 1 working day of submitting an application.  The BMRA will update the BMRS within 2 working days of receiving this notification.
7.	Details of any derogation applications (Article 5.1, 7.1, 7.1 (a)) for each Opted In LCP that have been granted.	BSC Party	BSC Parties will report within 1 working day after receiving notification of a derogation being granted.  The BMRA will update the BMRS within 2 working days of receiving this notification.
8.	The latest emission limits for each Opted In LCP.	BSC Party	BSC Parties will report within 28 days after the end of each calendar month, or within 1 working day of a change to emission limits.  The BMRA will update the BMRS within 2 working days of receiving this notification.

For a detailed outline of the reporting requirements for P226 please click on the following link: [P226 Requirement Specification](#).



### 3.3 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;
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 table above. 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](#).

## 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.

Based upon the definition above, the following analysis clarifies who is in and who is out of the proposed scope:

### 4.1 Who's in

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, which are listed below.

It is important to note that this table is only indicative and that under P226 the responsibility for determining which LCPs fall within scope would lie with the BM Unit registrants, not with BSCCo.

No	LCP Unit	BM Unit Registrant	LCP Status
1	Grain Power Station	E.ON UK plc (POWERGEN)	Opt out (i.e. limited life derogation)
2	Ironbridge Power Station	E.ON UK plc (POWERGEN)	Opt out (i.e. limited life derogation)
3	Kingsnorth Power Station	E.ON UK plc (POWERGEN)	Opt out (i.e. limited life derogation)
4	Ratcliffe Power Station	E.ON UK plc (POWERGEN)	ELV
5	Cottam Power Station	Jade Power Generation Ltd (COTPOWER)	ELV
6	West Burton	West Burton Limited (TXUWBUR)	ELV
7	Rugeley	Rugeley Power Generation Ltd (TXURUGE)	ELV with 5(1) derogation
8	Aberthaw	RWE NPOWER PLC (INNOGY01)	ELV with 5(1) derogation
9	Didcot A	RWE NPOWER PLC (INNOGY01)	Opt out (i.e. limited life derogation)
10	Fawley	RWE NPOWER PLC (INNOGY01)	Opt out (i.e. limited life derogation)
11	Littlebrook	RWE NPOWER PLC (INNOGY01)	Opt out (i.e. limited life derogation)
12	Tilbury LCP 1 Boilers 7&8	RWE NPOWER PLC (INNOGY01)	Opt out (i.e. limited life derogation)
13	Tilbury LCP 2 Boilers 9&10	RWE NPOWER PLC (INNOGY01)	Opt out (i.e. limited life derogation)
14	Ferrybridge C Unit 1 & 2	Keadby Generation (KGL)	Opt out (i.e. limited life derogation)
15	Ferrybridge C Unit 3 & 4	Keadby Generation (KGL)	ELV with 5(1) derogation
16	Fiddlers Ferry	Keadby Generation (KGL)	ELV with 5(1) derogation
17	Uskmouth Power Station	Uskmouth Power Company Limited (USKMOUTH)	ELV
18	Cockenzie	SP Generation Ltd (SPGEN01)	Opt out (i.e. limited life derogation)

No	LCP Unit	BM Unit Registrant	LCP Status
19	Drax Power Station	Drax Power Ltd (DRAX)	NERP (ref 1)
20	Eggborough Power Station	Eggborough Power Limited (EPL001)	NERP (ref 2)
21	Peterhead Power Station	SSE Generation Ltd (SSEGEN)	NERP (ref 3)
22	Longannet Power Station	SP Generation Ltd (SPGEN01)	NERP (ref 4)

## 4.2 Who's Out

### 4.2.1 Power Stations Excluded Due to Fuel Type

The P226 scope only includes combustion plant to which the Directive applies. The Modification would therefore exclude non-combustion power stations (e.g. nuclear, wind, hydro). The Directive also excludes certain gas turbines. To quote from Defra's Environmental permitting guidance:

*2.12 Gas turbines which are permitted or the subject of a full request for a "licence" before 27 November 2002 are excluded from the main requirements of the LCPD. However, they are still subject to Article 7(1) and Annex VIII(A) and (B).*

On the basis of this, all CCGT and OCGT power stations (including those that can also run on distillate) have been excluded from the above table.

### 4.2.2 SVA-Registered Power Stations

Only embedded power stations can be registered in SVA, so these will fall outside the proposed scope of P226. We don't have any information on which SVA-registered power stations would potentially come within scope if the Group were to include embedded power stations.

## 4.3 Support for the Scope

Using the above scoping exercise and responses received as part of the Industry impact assessment and consultation, the Group discussed whether the proposed scope was suitable.

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.

## 5 IMPLEMENTATION

### 5.1 How and When

#### 5.1.1 Implementation Method

Two types of approach were developed by the Group, 'full reporting' and 'manual reporting':

- **Full Reporting** will introduce a system whereby data will be extracted from emails received, via a manual process, and entered into the BMRS. The process of validating the information will be automated at the point that data is entered into the system.

This solution would report LCP related data items in a similar way to existing BMRS data items.

In particular:

- The BMRS would generate and publish a TIBCO Rendezvous message for each item of LCPD data at the point that it was loaded into the database, providing automatic notification to High Grade BMRS Users of the new data.
- The BMRS would make both current and historic LCPD data available to Low Grade and High Grade BMRS Users in tabular and CSV format.
- **Manual Reporting** 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.

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.

A Group member expressed the view that although more expensive full reporting would be more robust, and since the data requested under P226 was market critical it should be published in the most robust manner possible.

For a graphical representation of the manual system please refer to attachment 4 or refer to the following link [ELEXON - Modification Proposal P226](#).

#### 5.1.2 Implementation Timescales

The Modification Group 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

The Group noted the timescales and expressed a concern that some of the benefits of reporting LCPD information would be negated by the time the solution is implemented. This was based upon the understanding that there would be no LCPs operating under 5(1) derogation by the time that P226 is implemented i.e. all FGD equipment would have been successfully installed at this stage.

## 5.2 P226 Costs

The Group reviewed the impact assessments from the BMRA and BSCCo, which are detailed below. The 'Implementation Costs' represent the cost and effort of delivering P226 as part of a BSC Systems Release, whilst the 'Operational Costs' represents the cost to maintain the reporting requirements of P226.

### 5.2.1 Implementation Costs:

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

### 5.2.2 Operational Costs:

	Proposed/Alternative
	Manual
Demand Led	£ 5,000
BSCCo	£ 4,400
<b>Total</b>	<b>£ 9,400</b>

The Group noted the costs and commented that they were high in relation to the potential benefits that would be realised. The majority of the Group agreed that if the costs remained the same they would outweigh any benefit that P226 would introduce.

## 6 ASSESSMENT OF P226

An impact assessment and consultation were issued to BSC parties on the 08 October 2008 and 05 November 2008 respectively. Full responses to both the impact assessment and consultation can be found in Attachment 2.

The Consultation responses together with the Groups views are summarised below:

### 6.1.1 Impact on Organisations

Of the responses received the majority of organisations indicated that they would have to develop new procedures in order to ensure that the reporting requirements were fulfilled. Respondents indicated that although new systems and procedures would have to be implemented, the implementation timescales and costs would be minimal. One respondent suggested a set up cost of around £10,000.

The Group agreed that the main impact would be on the development of new procedures to ensure the correct data was sent within the correct timescales. A Group member stated that a lot of the current LCPD reporting took place at the power station level and that this would need to be centralised. The Group noted that P226 could create an obligation on BSC Parties to obtain data that was not theirs to provide, this could potentially lead to BSC parties not being able to fulfil their BSC obligations.

### 6.1.2 Is the Data Market Critical?

The majority of the Group felt that not all of the data published under P226 was 'Market critical data' in particular those items relating to emission limits. It was felt that due to the nature of the current trading arrangements associated with emissions, i.e. they can be traded retrospectively, there would be no benefit in publishing this data in a different format to that being published on the EA website. Discussion of this issue at previous Group meetings had led to the drafting of the Alternative Modification which focuses on operating hours and derogations, data items that the majority of the Group believe are Market Critical Data.

The views of the Group were reflected in the impact responses by a number of respondents.

Group members believed that if parties were required to submit emission data, a burden would be created that would provide no clear benefit, and stressed that any data items requested in terms of the Proposed or Alternative should not create an unclear obligation on BSC Parties. A Group member noted that the key issue was not the provision of emission data, which is already available via the EA, but in the reporting of derogations to all Parties to ensure they can make informed and strategic decisions in the short term market. The Group member believed that the notification from Ofgem regarding derogations go some way to address this issue (see section below).

Some Group members believed that there should be a more comprehensive disclosure of SO<sub>2</sub> and NO<sub>x</sub> emissions within the market. These views were based upon the fact that emissions for Scottish plants were not being published within a timely manner i.e. latest reports reflect figures up to 2006 only, this created data asymmetry within the market.

### 6.1.3 Derogations

A respondent expressed concerns relating to the procedures associated to a derogation application. The respondent believed that market participants may form faulty assumptions based upon the presumption that an application will automatically lead to an acceptance. The respondent highlighted that the acceptance of a derogation application will only occur once the generators local environment agency inspector grants the application. The Group noted these comments and further indicated that the requirement to publish applications could potentially incentivise participants to delay their applications until the latest possible date; this would be an unintentional consequence of P226.

The usefulness of requesting data relating to plants operating under derogated hours (derogation 5(1)) was also questioned. A respondent believed that although this information was valuable, the expectation is that plants operating under derogation 5(1) may not be in the process of installing FGD equipment when P226 was implemented, and hence the reporting requirement would fall away.

The Group noted the recent announcement by Ofgem that it intends to provide an email notification service, on behalf of the EA, whenever article 5(1) derogation details are updated on their website. The Group believed that this was a positive step and would go some way to resolve the issues raised by P226.

In addition the Group stressed that any data items requested in terms of the Proposed or Alternative should not create an unclear obligation on BSC Parties. With this in mind the Group questioned the inclusion of derogation applications under article 7(1). The Group felt that the procedures associated with an article 7(1) application were not clear and transparent and as such should not be included unless a more defined process could be clarified. As far as the Group could ascertain, an article 7(1) application would take the form of a notification from the relevant LCP to the EA stating that the plant was operating under article 7(1). The approval/acceptance process has not been clearly defined (there have been no previous occurrences of a 7(1) notification) and as such the Group believed that the inclusion of article 7(1) may pose issues for Parties to comply with BSC obligations in this area.

Based upon consultation responses received the majority of the Group believed that the article 7(1) requirement should be removed from the Alternative Modification. The Group believed that the BSC should not include obligations that were not clearly defined. The Group also noted that if this requirement was included within the Alternative Modification it may impose an obligation on Parties that may not be able to be fulfilled.

#### **6.1.4 Timescales/Validation**

A respondent raised a concern that data published by the BMRA prior to it being validated by the relative Regulatory Bodies may change retrospectively i.e. once the data has been validated, leading to market participants making decisions based upon incorrect data. Parties would thus find it hard to rely on data being published on the BMRS, this would undermine any benefits associated with P226.

The Group highlighted the potential impacts of publishing data that would potentially change retrospectively, based upon the verification of data by the relevant Regulatory Bodies. The Group believed that this would create confusion within the market.

The Group agreed that the publication of data on the BMRS would provide a benefit to Parties; however, this benefit would be marginal in relation to the costs involved in implementing the proposed solution.

A Group member raised a concern that the Proposed Modification calls for the submission of data pertaining to emissions traded and/or received during a specific period. The Group member highlighted that a trade is only approved once the regulatory body has received a notification of the trade from both the entity purchasing the emissions and that selling the emissions. The Group believed that only once the relevant LCP had received a receipt back from the regulator would the trade be valid. The BM Unit would have to notify the BSCCo of this within one day of this receipt.

The majority of respondents felt that the reporting timescales were reasonable and achievable. A respondent indicated that reporting timescales should be reduced in order to ensure that the BMRS publishes data that is timelier than that of the EA.

The Group expressed a concern regarding the BSCCo's ability to validate data received within 1 day. The Group believed that a reasonable timescale for validating the data would be a minimum of 2 days.

The Group also believed that the reporting requirements should align to existing requirements of the EA and SEPA in order to reduce the reporting impacts on parties. The Group believed that although there would be a marginal benefit in publishing data in a timelier manner, the costs involved in developing processes and procedures to address these additional reporting timescales would outweigh the potential benefits.

### **6.1.5 Scope of Proposed Modification**

Some Group members believed that the wording within the Proposed Modification may lead one to believe that Scottish LCPs are not included within the scope. Based upon this view, The Group requested ELEXON's legal team to consider whether Proposed Modification P226, as drafted, includes large combustion plants in Scotland or is limited to England and Wales.

ELEXON's legal team considered the above issue and believed that the proposed should be construed to include Scotland. ELEXON's full response to the above issue can be found in Attachment 1.

### **6.1.6 Additional Comments**

A respondent commented that even where the information covered by P226 (Proposed and Alternative) is already in the public domain, more prompt publication in one clear source on the BMRS would be a notable improvement on current partial and disjointed coverage given by the present reporting via Environment Agency/SEPA websites (especially the latter merely referring to the former).

A Group member questioned whether this was the correct mechanism for ensuring that market participants obtain accurate and timely data relating to the LCPD. The Group member felt that this data was currently available elsewhere and that the effort and associated costs involved in publishing data on the BMRS far outweighed the benefits. The Group member stressed that the requested data was not BSC related and that we should not be placing obligations on BSC Parties that was outside of the BSC. The Group member further noted that this matter should be addressed outside of the BSC, and that the correct process for addressing the issues would be to highlight the current inefficiencies, associated with the publication of data, to the respective Regulatory Bodies. This view was shared by the majority of the Group.

## **7 P226 BENEFIT ANALYSIS**

### **7.1 Cost Benefit Analysis**

In accordance with its Terms of Reference, the Group agreed that it was important to try and quantify the potential benefits of publishing LCPD data on the BMRS. The Group attempted to develop an analysis based upon those that were developed for P219 and P220; however, the Group felt that the particular situations differed in that the information being published in terms of P226 was currently published elsewhere. After numerous discussions the Group agreed that although there were various marginal benefits associated with the publication of data on the BMRS i.e. transparency and accuracy, it was extremely difficult to quantify how publishing this on the BMRS added value over and above its publication elsewhere.

Whilst noting the attempt, the Group felt that the benefits were too marginal. The analysis presented to the Group is included in Attachment 3.

### **7.2 P226 vs. Green House Emissions**

By their very nature the use of Large Combustion Plants will have an impact on greenhouse emissions. Consequently, regulations and obligations have been set in place that will limit their running hours. The impact on SO<sub>2</sub> and NO<sub>x</sub> will have been considered separately when establishing these obligations.

These regulations and obligations sit outside the BSC, P226 does not seek in any way to amend those current regulations or obligations surrounding LCPs and will have no direct impact on the running hours of LCPs.

P226 merely seeks to increase transparency and accuracy of data pertaining to the LCPD. The key rationale behind P226 is to provide market participants with a level of data accuracy and transparency that will allow them to make clear and informed decisions. The question therefore arises as to whether there is an impact on greenhouse emissions arising from publication of the data.



A Group member noted that emission values were fixed and that the publication of emission data on the BMRS would not raise or lower emission levels.

After much discussion regarding the potential impacts of P226 on greenhouse emissions, the Group agreed that P226 would not have an impact on greenhouse emissions.

The Groups attempts at quantifying the potential benefits of P226 on greenhouse emissions can be found in Attachment 3.

## 8 ASSESSMENT OF P226 AGAINST THE APPLICABLE BSC OBJECTIVES

### 8.1 Summary of Groups Initial views

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.

**BSC Objective (b): The efficient, economic and co-ordinated operation of the GB transmission system**

For	Against
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>

**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
<ul style="list-style-type: none"> <li>Publication of LCPD data in a central repository that is easily accessible and transparent to all Parties would create effective competition;</li> <li>There may be marginal benefit for smaller parties.</li> </ul>	<ul style="list-style-type: none"> <li>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:                         <ol style="list-style-type: none"> <li>1) a sub set of the total number of BM Units;</li> <li>2) BM Units connected to the Transmission System, this would exclude all embedded plants.</li> <li>3) generation BM Units and not demand BM Units;</li> <li>4) larger generators exporting on a regular basis, not to smaller generators;</li> <li>5) 'Opted in' and not 'Opted Out' BM Units (regarding some data items in the proposed modification); and</li> <li>6) LCP that are impacted by FGD breakdown. P226 ignores those LCPs that are impacted by other forms of breakdown;</li> </ol> </li> </ul>

**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
	<ul style="list-style-type: none"> <li>• 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 accuracy of information published;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> </ul>

**BSC Objective (D): Promoting efficiency in the implementation and administration of the balancing and settlement arrangements**

For	Against
N/A	<ul style="list-style-type: none"> <li>• 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;</li> <li>• BSCCo will be responsible for publishing data that is not within the BSC. This will not promote efficiency in the administration of the BSC;</li> <li>• Legislative changes that occur outside of the BSC would have a ripple effect on</li> </ul>

**BSC Objective (D): Promoting efficiency in the implementation and administration of the balancing and settlement arrangements**

For	Against
	<p>the reporting requirements established by P226. This may result in changes to reporting requirements and ultimately impact on the BSC processes;</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• The practicality of obtaining and validating data that may ultimately change retrospectively will have a detrimental effect on facilitation of the BSC arrangements;</li> <li>• Additional procedures and ongoing administrative costs (verification and validation) will be placed upon the BSCCo. This will be detrimental to BSC objective (d).</li> </ul>

**8.2 Proposed vs. Alternative**

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

Proposed	Alternative
<ul style="list-style-type: none"> <li>• Provides a more comprehensive list of data items</li> </ul>	<ul style="list-style-type: none"> <li>• 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);</li> <li>• Focuses on the key elements ;</li> <li>• More market critical;</li> </ul>

Proposed	Alternative
	<ul style="list-style-type: none"> <li>• Simplistic;</li> <li>• Smarter Proposition.</li> </ul>

### 8.3 In Conclusion

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
- **Majority** view that the Alternative is better than the Proposed Modification;

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

## 9 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

### 9.1 References

Ref.	Document Title	Owner	Issue Date	Version
1	<a href="#">Modification Proposal P226</a>	N/A	01/09/08	1.0
2	<a href="#">P226 IWA</a>	ELEXON	05/09/08	1.0
3	<a href="#">P226 Requirement Specification</a>	ELEXON	03/10/08	1.0
4	<a href="#">P226 Impact Assessment Responses</a>	ELEXON	03/10/08	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
25/09/08	Second Assessment Procedure Modification Group meeting held
03/10/08	Requirements Specification issued for Impact assessment

Date	Event
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	Provisional Assessment Procedure Modification Group meeting

### APPENDIX 3: ESTIMATED COSTS

#### ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL<sup>3</sup>

Meeting Cost	£1500
Legal/Expert Cost	£0
Impact Assessment Cost	£15,000
ELEXON Resource	75 man days £20,000

The above costs have changed from the IWA phase, reflecting the one month extension to the P226 Assessment Procedure.

### APPENDIX 4: MODIFICATION GROUP MEMBERSHIP

Member	Organisation	16/09/08	25/09/08	21/10/08	24/11/08
Adam Lattimore	ELEXON (Chairman)	√	√	√	√
Stuart Holmes	ELEXON (Lead Analyst)	√	√	√	√
John Lucas	ELEXON (Design Authority)	√	√	√	√
Peter Bolitho	(Proposer)	X	X	X	X
Esther Sutton	(Proposer's representative)	√	√	√	√
Neil Rowley	National Grid	X	X	√	√
Gary Henderson	SAIC	√	√	√	√
Garth Graham	Scottish and Southern	√	√	√	√
Chris Stewart	Centrica	X	√	√	√
Lisa Waters	Waterswye	√	X	X	X

<sup>3</sup> 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](#).



Member	Organisation	16/09/08	25/09/08	21/10/08	24/11/08
Andrew Rimmer	International Power	√	√	√	X
Stuart Cotton	Drax	√	√	√	√
Bill Reed	Npower	√	√	√	√
Attendee	Organisation				
Diane Mailer	ELEXON (Lawyer)	X	X	√	√
Richard Holmwood	Ofgem	X	X	X	X
Alessandro Rubino	Ofgem	√	√	√	√
Scott Mcfarlane	Environment Agency	X	√	X	√ (Telephonically)
Phil Hewitt	Enappsys	X	√	X	X
Paul Auckland	National Grid	X	√	X	X

## APPENDIX 5: MODIFICATION GROUP TERMS OF REFERENCE

**Modification Proposal P226 will be considered by the P226 Modification Group, formed from the Settlement Standing Modification Group and members with Distribution and exemptable generating experience, in accordance with the SSMG Terms of Reference and the Appendix attached.**

### **P226 – Improving Large Combustion Plant Directive Information Disclosure**

#### **ASSESSMENT PROCEDURE:**

- 1.1 The Modification Group will carry out an Assessment Procedure in respect of Modification Proposal P226 pursuant to section F2.6 of the Balancing and Settlement Code.
- 1.2 The Modification Group will produce an Assessment Report for consideration at the BSC Panel Meeting on 11 December 2008.
- 1.3 The Modification Group shall consider and/or include in the Assessment Report as appropriate:
  - Development and confirmation of the P226 solution to include:
    - What data will be submitted to BSCCo;
    - Which party/parties will be responsible for submitting data;
    - How will the data be presented on the BMRS; and
    - The timing of publications on the BMRS;
  - The effects of publishing data not required under the LCP Directive, and any BSC obligations necessary to collect said data;

- Any new BSC obligations that are introduced, shall be consistent and in proportion to the burden that each participant faces within the industry. Anticipated benefits of the new BSC obligations need to be clearly outlined;
- The benefits of publishing data on the BMRS that is already supplied to the Environment Agency via the LCPD;
- Implications for BSC Parties associated with LCPs (under the terms of the Directive);
- Implications for the Environment Agency;
- Identify system impact (including reporting implications for the BMRS) – for participants, Party Agents and BSC Agents;
- Identify impacts on any other codes or documentation (e.g. BSCPs);
- Quantification of the benefits/disadvantages P226 (including cost implications to the BMRS, BSCCo and BSC Parties);
- Environmental considerations i.e. qualitative assessment regarding the impact of P226 on industry participants;
- Consideration on whether the requirements to submit data will unfairly discriminate large or small parties, opted-in or opted-out parties;
- Impacts of Data inconsistency between the Environment Agency and the BMRS;
- Any alternative solution.

## **APPENDIX 6: LEGAL TEXT**

Legal text for both the Proposed and Alternative Modification can be found in Attachment 6.