

## **P226 Assessment Consultation Responses**

#### **Consultation Issued on 5 November 2008**

#### Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	Drax Power Limited	P226_AR_01	1	0
2.	RWE Trading	P226_AR_02	10	0
3.	International Power	P226_AR_03	5	0
4.	SAIC Ltd. (for and on behalf of ScottishPower)	P226_AR_04		
5.	Centrica	P226_AR_05	10	0
6.	E.ON UK	P226_AR_06	7	0
7.	<b>Uskmouth Power</b>	P226_AR_07	1	0
8.	British Energy	P226_AR_08	5	0
9.	Nexen Energy Marketing London Limited	P226_AR_09	1	0

## **Question 1: Views against Objectives:**

Do you believe Proposed Modification P226 would better facilitate the achievement of the Applicable BSC Objectives? Summary

Yes	No	Neutral/Other
3	6	-

Respondent	Response	Rationale
Drax Power	No	Drax believes that there is a need to improve accessibility of LCPD related information; however, we believe (overall) that it is better for the Environment Agency to improve their capability rather than to set up new systems
RWE Trading	No	The information provided by P226 is already in the public domain through the EA (and SEPA) and therefore P226 will result in duplicate information provision at considerable cost. We are also concerned about imposing obligations on BSC parties with respect to information requirements that are outside the BSC. Finally we note the costs associated with implementation (£50k - £150k for central systems) which outweigh any benefits. Consequently we do not believe the modification better meets

Respondent	Response	Rationale	
		objective D.	
International Power	No	The data is already published elsewhere and is easily accessible (after it has been located for the first time).	
		Any benefits will be small and of questionable value (publication will only be 8 WD faster than the EA). Since the data is published ~ 6 weeks after the event, any implied short term restrictions will have already been factored into the short term market; therefore, data published 8 days early will be of limited interest to the short term market. Publication of the data is of principal interest to the long term market: publication 8 days earlier offers little advantage in this respect.	
		It is unlikely that any stations will be operating under 5.1 derogations by the time of any implementation which will remove one of the supposed benefits of the modification.  There are significant implementation costs for what are, at best, very minor benefits.	
		The modification does not better facilitate either objective (c) or objective (d).	
SAIC Ltd. (for and on behalf of ScottishPower)	No	ScottishPower do not believe that the Proposed Modification will better facilitate the BSC Objectives. Mainly this stems from our belief that none of the LCPD data is market critical. This information is already, in the main, freely available on either the EA or SEPA websites, or from other industry sources. The data is historical, and can only be used as a very crude aid to predicting market activity. The costs seem to be large, and far outweigh any of the miniscule benefits.	
		<ul> <li>Objective a) No impact</li> <li>Objective b) No Impact. Even if the premise of the Modification were to be believed, this change would not affect Party balancing, and therefore there will be no impact on central Balancing costs.</li> <li>Objective c) This Modification will not affect Party balancing. The premise of the Modification is that knowing this information will allow for a better operating profile from Plants (i.e. scheduling outages when other LCPD plant are running, and offering your services when you know they are going to be off). This does not translate to an increased efficiency. The information is already available from public (free) sources, or made public by the operator, and is only a very small part of the information used by operators when deciding their operational profile.</li> <li>Objective d) There are significant central costs associated with the implementation of this Modification, irrespective of the solution finally cheen.</li> </ul>	
Centrica	No	chosen.  P226 Proposed would be detrimental to BSC Objectives (c) and (d).  The information published under P226 only provides marginal additional	

Respondent	Response	Rationale
E.ON UK	Yes	value over the information currently available to the market. There might be some benefit to smaller parties to have this information published on the BMRS in a manner that is readily available. However, this is likely to be outweighed by having the information on both the BMRS and the EA and SEPA websites. This would require additional effort on the part of parties to verify the information before relying upon it. Uncertainty of information would be detrimental to competition.  Additionally, BSC parties should not be required to publish information that they are not responsible for providing. Having such requirements within the BSC do not provide for fair and appealing arrangements that facilitate new entry. Therefore P226 would again be detrimental to competition.  There would also be ongoing administrative costs for Elexon to verify and validate information prior to this being published. This would appear to involve some manual element before forwarding on to the central systems for publication. This would be detrimental to the efficient administration of the arrangements and thus be detrimental to BSC Objective (d).  Improving transparency, accessibility and timeliness of publication by reporting LCPD information on an industry source in the BMRS will better facilitate Objective C as the Modification group has recognised.  Currently to surmise likely generation capacity availability a Party has to check different spreadsheets for the 17 largest English and Welsh power stations and for the GB NERP plants, the former monthly and the latter quarterly, with information on allowance trades only listed separately at the same timescales making changes hard to track (via the Environment Agency (EA) website; SEPA's website only reporting annually 18 months after the event). Publishing in one clear source on the BMRS would not only collate information but also inform Parties how much of their allowances other plants have used over a week sooner after month end than presently. This is something the EA have said they c
Uskmouth Power	Yes	It would give access to market sensitive information to all players in one location and in a timely manner. This would mean that the market would operate more efficiently and competition between parties would be increased
British Energy	No	There is no firm evidence that publishing the requested information on the BMRS in a timely manner would better meet BSC objectives overall. Potential but unproven small benefits for objectives (b) efficient,

Respondent	Response	Rationale
		economic and co-ordinated system operation and (c) effective competition, could easily be exceeded by (d) the additional central costs, as well as participant costs in changing the way data is sourced.
Nexen Energy Marketing London Limited	yes	The proposal would make available market sensitive information to all players in one location and in a timely manner. At present it is scattered over the EA web site and not kept up to date. By putting it on the BMRS it will make it easier to find. The more information that players have on the operation of the market the more efficiently it will function.

## **Question 2: Views against Objectives:**

Do you believe Alternative Modification P226 would better facilitate the achievement of the Applicable BSC Objectives when compared to the current baseline? Summary

Yes	No	Neutral/Other
3	6	-

Respondent	Response	Rationale
Drax Power	No	Drax believes that there is a need to improve accessibility of LCPD related information; however, we believe (overall) that it is better for the Environment Agency to improve their capability rather than to set up new systems.
RWE Trading	No	As noted under question 1, the information provided by P226 is already in the public domain through the EA (and SEPA) and therefore P226 will result in duplicate information provision at considerable cost. We are also concerned about imposing obligations on BSC parties with respect to information requirements that are outside the BSC. Finally we note the costs associated with implementation (£50k - £150k for central systems) which outweigh any benefits. Consequently we do not believe the modification better meets objective D.
International Power	No	The Alternative suffers from the same principal problems as the Proposed Modification, i.e. it expensively replicates data produced elsewhere.  The chief merit of the Alternative is that it includes fewer data items and therefore reduces the administrative burden.  The Alternative modification does not better facilitate either objective (c) or objective (d).
SAIC Ltd. (for	No	ScottishPower do not believe that the Alternative Modification will better

Respondent	Response	Rationale
and on behalf of ScottishPower)		facilitate the BSC Objectives. Mainly this stems from our belief that none of the LCPD data is market critical. This information is already, in the main, freely available on either the EA or SEPA websites, or from other industry sources. The data is historical, and can only be used as a very crude aid to predicting market activity. The costs seem to be large, and far outweigh any of the miniscule benefits.  Objective a) No impact Objective b) No Impact. Even if the premise of the Modification were to be believed, this change would not affect Party balancing, and therefore there will be no impact on central Balancing costs.  Objective c) This Modification will not affect Party balancing. The premise of the Modification is that knowing this information will allow for a better operating profile from Plants (i.e. scheduling outages when other LCPD plant are running, and offering your services when you know they are going to be off). This does not translate to an increased efficiency. The information is already available from public (free) sources, or made public by the operator, and is only a very small part of the information used by operators when deciding their operational profile.  Objective d) There are significant central costs associated with the implementation of this Modification, irrespective of the solution finally chosen.
Centrica	No	P226 Alternative would not better facilitate the BSC objectives for the same reasons as outlined in Question 1.  However, Centrica believes that the Alternative is better than the Proposed as the reduced data set can be provided at lower cost.
E.ON UK	Yes	For the same reasons the Alternative would better facilitate <b>Objective C</b> whilst focusing on the ad-hoc changes of derogation applications and grantings that are of particular interest to the rest of the market. As with the Proposed Modification, making such information available to all at the earliest opportunity will help reduce the scope for certain larger Parties to trade from a more informed position, enhancing competition and the efficiency of the wholesale generation market. The Alternative could also be said to support <b>Objective D</b> as focusing only on the most critical updates to LCPD information.
Uskmouth Power	Yes	However, it is not as good as the original modification as it gives more limited data to the market. It would miss out key bits of data such as allowances traded making it less easy for all players to understand the generation market.
British Energy	No	Despite the lower central and participant cost in implementing and operating the alternative relative to the original proposal, it is still not clear that the uncertain benefits would outweigh the costs.  The data items reported in the alternative are those most likely to deliver

Respondent	Response	Rationale	
		any potential benefits under BSC objectives (b) and (c), so the alternative should meet BSC objectives better than the original because of lower costs, even if it is not proven to be better than the baseline.	
Nexen Energy Marketing London Limited	yes	We prefer the original modification as the alternative does not contain all the market data that would be useful in forecasting generator operations, etc The more market data the better for the efficient operation of the market.	

# **Question 3: Alternative Solutions?**

Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered?

## **Summary**

Yes	No	Neutral/Other
1	7	1

Respondent	Response	Rationale
Drax Power	No	The key issue here is not the provision of emission data which is already available from the Environment Agency, but in the clear recognition by the Environment Agency that it has an interaction with the short-term market. Provision of a relevant notification through Ofgem should be sufficient.
RWE Trading	No	
International Power	No	The approach taken by the Modification Group appears to be thorough.
SAIC Ltd. (for and on behalf of ScottishPowe r)	No	
Centrica	No	-
E.ON UK	Yes	An Alternative could have been developed to expand rather than reduce the scope of the Proposed. Publishing operating hours for all GB generating LCP that is either Opted-out or Opted-In but operating under derogation will redress the current imbalance where these are published for English and Welsh coal and oil-fired but not Scottish generators, giving the latter

Respondent	Response	Rationale
		information on competitors' positions not easily available to English and Welsh operators. However, reporting of other Opted-in sites is not consistent, actual emissions being published monthly only for the 17 largest English and Welsh LCPD, but only quarterly for NERP sites though some do report monthly to the regulator. To rectify these assymmetries of information unifying monthly reporting of emissions from all GB Opted-In LCP could have been explored.
		Further exploration of the feasibility of plants reporting earlier than 28 days after calendar month end might also be useful, as some Parties have expressed a willingness to see earlier submission, but this was not explored in depth in the Impact Assessment. In the absence of appetite to report earlier, reporting via the BMRS would seem the only way of improving timeliness of publication
Uskmouth Power	No	-
British Energy	-	The agencies which administer the LCPD schemes could (a) improve their reporting or (b) contract with Elexon to use BMRS for their reporting. However, these options are not obviously within scope of the BSC or this proposal.
Nexen Energy Marketing London Limited	No	-

## **Question 4: Proposed Solutions:**

The Modification Group has proposed 2 solutions in relation to P226 (Proposed and Alternative) i.e. Full Trading Platform and Manual System.

## **Summary**

Full	Manual	Neutral
2	6	1

Respondent	Response	Rationale
Drax Power	n/a	-

Respondent	Response	Rationale
RWE Trading	Yes	We support the full trading solution since this approach will ensure consistency of market information.
International Power	Full Trading Platform	If this information is considered truly market critical, and therefore essential to the market, then there must be robust information provision which implies a Full Trading Platform. A manual system would further reduce any marginal benefits that the modification may produce – the only benefit being that the data would arrive 8 days quicker.  However, the Full Trading Platform is very expensive. IPR does not believe that the benefits of having the same information on the BMRS as well as on the EA website outweigh the substantial costs (c. £200k implementation costs).
SAIC Ltd. (for and on behalf of ScottishPowe r)		We believe that consideration should be given to approaching the respective Agencies and enquiring the cost of enhancing their websites to make this information available on one webpage, perhaps in a more timely manner. This would remove the need to put non-BSC data on the BMRA. If that were to prove more expensive than the two options proposed, then our preference would be for the one with the lowest cost.
Centrica	Manual	Centrica believes that the additional cost for the full trading system cannot be justified in this instance given the main benefits have been identified for smaller parties.
E.ON UK	-	A manual i.e. csv/spreadsheet reporting system should be sufficient, this could be combined with warning notices when an ad-hoc change is made such as a derogation granted. This would also keep BMRA costs to a minimum.
Uskmouth Power	-	The manuals solution as it gives a quicker implementation date and we believe getting this data to the market is important. It is also quite a bit cheaper.
British Energy	-	The lower cost of the Manual System makes it our preference, given that the benefits of the proposed changes are unclear.
Nexen Energy Marketing London Limited	-	The manual solution is most cost efficient and would also deliver the data to the market in a more timely manner. The data is vital in the run up to the end of the 2015 opt out, so the soon it is given the better for the market.

## **Question 5:** <u>Implementation Costs (Section 5):</u>

Costs of implementing P226 (Proposed/Alternative) will range according to the solution selected (Please refer to section 5 of the consultation document for costs). Do you believe that the publication of this data on the BMRS will provide a benefit to your organisation that will ultimately outweigh the costs involved?

Summary

Yes	No	Neutral/Other
3	6	0

Respondent	Response	Rationale
Drax Power	No	The key issue here is not the provision of emission data which is already available from the Environment Agency, but in the clear recognition by the Environment Agency that it has an interaction with the short-term market.  Provision of a relevant notification through Ofgem should be sufficient.
RWE Trading	No	As noted above the information provided by P226 is already in the public domain.
International Power	No	The information is already freely available. Publication of any data on the BMRS would only be a few days ahead of the EA meaning that any benefit is limited. With such marginal (and questionable) benefits it does not seem appropriate to incur such large costs as are documented in section 5. The costs are excessive for either the Proposed or Alternative, with either a Full Trading Platform or a Manual System.  In addition, there will be internal costs in establishing the processes to manage the additional data provision. This further weighs against any minor benefits.
SAIC Ltd. (for and on behalf of ScottishPower)	No	What operational data analysis that we already perform will not change with publication on the BMRA. We would not expect to realise any cost savings from this change.
Centrica	No	As mentioned above, P226 will provide limited added value over the current baseline, and may add additional cost in verifying the data against that currently provided on the EA and SEPA websites.
E.ON UK	Yes	Relying on a third party website such as the Environment Agency for LCPD data is not satisfactory, a situation exacerbated by past errors in these spreadsheets (both SO2 & NOx emissions and the NERP register). Even when verbally confirmed that a typo or simple miscalculation has resulted in the error it has previously taken over a week to correct such errors during which time the spreadsheet has been offline and unavailable to all. With no archive available either it would be an improvement to have this data recorded on the BMRS.
Uskmouth Power	Yes	As stated above this is important market data and it needs to be better represented to the market so that it can be used for trading. The time taken to submit the data will be modest compared to the benefit to the market as a whole.
British Energy	No	There is potential benefit in reduction in effort gathering and collating LCPD data. However, there is a risk that the implementation costs

Respondent	Response	Rationale
		could outweigh these benefits over the potential life of the scheme.
Nexen Energy Marketing London Limited	Yes	As previously outlined, this is important market data and it needs to be better released, managed and made accessible so that it can be used for trading.  Given generators already have to submit this data we do not believe that it will be onerous on them. We do believe that the benefits will apply to all players who trade wholesale power. The benefits must therefore outweigh the costs for the market.

## **Question 6: Market Critical Data?**

It has been suggested that the Proposed Modification calls for the submission of data that is deemed not to be 'Market Critical' i.e. emission limits bought and sold. Do you agree with this assessment?

## Summary

Yes	No	Neutral/Other
4	4	1

Respondent	Response	Rationale
Drax Power	No	Drax believes that the main piece of 'Market Critical' data is derogation data; a piece of data that, historically, has not been released to all market participants at the same time. Derogations legally allow and restrict an installation's participation in the market where it would otherwise not be able to participate. Provision of such data via an Ofgem notification would suffice, provided that the Environment Agency recognises its responsibilities here.
RWE Trading	Yes	The trading arrangements for SOx and NOx emissions sit outside the BSC and given the ex post nature of such trades we believe that the trading information is not market critical.
International Power	Yes	Quicker reporting timescales for SOx trading & emission limits is not particularly important due to the nature of the trading arrangements for these products.  Further, to undertake any substantial analysis further information is
		required, such as the sulphur content of the coal which is being burnt. This information is confidential and unobtainable.  There is no real benefit in publishing this information in faster timescales than the EA – it simply adds an unnecessary administrative burden.
SAIC Ltd. (for and on behalf of	Yes	Market critical infers that the information needs to be reacted to immediately – how can any of this information, which is reported (in the main) weeks (and months) after the event be reacted to in a timely

Respondent	Response	Rationale
ScottishPower)		manner? In particular, emissions information cannot be called firm until the end of the first quarter in the following year.
Centrica	Yes	The Alternative provides a more sensible set of data for publication.
E.ON UK	No	Clearly trades of emission allowances are critical as plants should not exceed their limits. It has been argued that as trades can take place after the event that it is irrelevant to report them, however at least publishing the latest emission limits including the effect of any trades allows the rest of the market to form a realistic view of whether the plant in question is within its limits – whether it will have to trade allowances or not.
Uskmouth Power	No	All of the data outlined in the original modification is valuable to the market. The emissions traded tells the market how much a plant can generate, and thus plant margin, etc
British Energy	-	Like gas, coal, oil, emissions and ROC & LEC etc trading, LCPD data is not a critical market issue for the BSC.
Nexen Energy Marketing London Limited	No	The data outlined in the original modification is all valuable to the market in forecasting how the generators will operate and when opted out plant will cease to generate. Information like emissions traded is vital to know how much a plant can generate, and thus plant margin, etc

## **Question 7: Article 7(1) Notifications (Section 6.1.3):**

There are currently no formal processes and/or procedures associated with an article 7(1) notification. The Group believed that an obligation should not be placed upon BM Units (within scope) that is not clearly defined. The Group believed that there were two options available:

- 1. Remove the requirement from P226 (as it is not deemed market critical); or
- 2. Include this requirement but ensure that the obligation to inform the BSCCo is reasonable and achievable.

Do you agree with the Groups assessment and which option would be preferable? Please give rationale

#### **Summary**

Option 1	Option 2	Neutral/Other
4	4	1

Respondent	Response	Rationale
Drax Power	No	It is unfortunate that the Environment Agency has not sufficiently developed a procedure to deal with derogations under article 7(1). It is necessary for the Environment Agency to adopt a clear procedure when

Respondent	Response	Rationale
		an article 7(1) event (or similar) occurs. It would seem reasonable for Ofgem (in conjunction with the Environment Agency) to implement a procedure for handling the required information flow for such events. We disagree with the Modification Group that article 7(1) events are not market critical; however, we agree that it is difficult to develop a process in line with Environment Agency procedures when there are currently no formal procedures in place.
RWE Trading	Yes	We believe that the arrangements under Article 7(1) are a matter for the EA (and SEPA) and the obligations should be removed from P226.
International Power	Exclude the requiremen t for 7.1 derogation reporting.	Without a formal process it is difficult to establish a reporting timescale and obligation. The lack of precise definition suggests that an obligation should not be placed on a BSC Party.
SAIC Ltd. (for and on behalf of ScottishPower)	-	We believe that the requirement should be removed. Without fully understanding these requirements, Parties will be unable to integrate this provision into their current processes. They will then be left with having to make a further change when a process is put in place. An issue would arise if there was no standard policy from either of the Agencies on how this would work, or even if regional policies were adopted. It would not be sensible to second guess the reporting requirements of this, when it may not happen for years.
Centrica	Yes	The requirement should not form part of P226 unless the process for doing so is clearly defined.
E.ON UK	Yes	P226 quite clearly defines what is expected from BM Units, so Option 2) is preferable. Although there may not be formal procedures in place at the Environment Agency for an Article 7(1) notification, detail of these do not need to be known when the requirement is only for a station to report any such application or granting of a derogation within 1 working day.
Uskmouth Power	Yes	Generators operate with lots of requirements to provide data to third parties, such as the EA, NGC, Ofgem, etc It is a reasonable requirement and not unduly onerous for the generators to provide this information to BSCCo.
British Energy	-	-
Nexen Energy Marketing London Limited	Yes	These generators have many requirements to provide data to third parties, including all of this data. It is a reasonable requirement to report it to the BSCCo and not unduly onerous for them.

## Question 8: P226 Scope - Who's in - Who's out (Section 4):

The Group has performed an analysis of BM Units that fall within the scope of P226. This analysis can be found within section 4 of the consultation document. Do you believe that the scope of P226 incorporates all relevant BM Units?

## **Summary**

Yes	No	Neutral/Other
6	1	2

## Responses

Respondent	Response	Rationale
Drax Power	n/a	
RWE Trading	Yes	The intent of the modification appears to be associated with those BMUs that impact on the electricity trading arrangements (i.e. power stations). Therefore the definition appears appropriate.
International Power	Yes	the scope of P226 appears to be appropriate.
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	We agree with the defined scope.
Centrica	Yes	The Group has provided suitable rationale for the proposed scope.
E.ON UK	No	The largest plants seem covered but it could appear discriminatory to exclude embedded plant – not all of these are CCGTs and there appears to be at least one oil-fired LCP >100MW.
Uskmouth Power	Yes	Generators operate with lots of requirements to provide data to third parties, such as the EA, NGC, Ofgem, etc It is a reasonable requirement and not unduly onerous for the generators to provide this information to BSCCo.
British Eergy	-	Pragmatic methodology for selecting BM Units should capture the larger units. Unclear whether the combined market impact of many smaller BM Units not included in the selection is significant or not.
Nexen Energy Marketing London Limited	Yes	

# Question 9: Additional Comments: Are there any further comments on P226 that you wish to make?

Respondent	Rationale
Drax Power	Drax notes the recent announcement that Ofgem intend to provide an email notification service on behalf of the Environment Agency when derogation details are updated on their website. This is a positive step forward that we welcome. However, it does not address the issue surrounding the difference in general reporting obligations for differing plant depending upon where they are situated across GB (i.e. reporting obligations to the Environment Agency in England and Wales versus the reporting obligations to SEPA

Deenendent	Bakiawala
Respondent	Rationale
	in Scotland).  This would be addressed by the P226 modification, as it would ensure that BSC Parties provide details of derogations (whether they were for commissioning or breakdown of FGD plant) to Elexon for reporting of all GB sites through a single reporting agency (the BMRA).  It is also true that the P226 solution could provide an interface that benefits from 'ease of use' as all LCPD related data would be together in a single location (something that still requires addressing with regards to the Environment Agency website). We suggest that Ofgem would be in the best position to discuss the above issues with the Environment Agency. We also suggest that Ofgem would be best placed to discuss the issues with SEPA, in order to ensure that the procedures are standardised across GB.
RWE Trading	We a re concerned that P226 is attempting to address a problem that is outside the BSC i.e. publication of information relating to LCPD. P226 could frustrate efforts to improve the EA (and SEPA) information publication.
International Power	The publication of this kind of data falls under the oversight of the respective Environment Agencies (EA and SEPA). If there is an issue with the timeliness of the data publication then the BSC is not the appropriate place to address the problem. Indeed, the EA are currently engaging with the industry, through the JEP committee, to improve data provision – this is a preferable route to improve data flows.  The issue of reporting of derogations may have some unintended consequences. It produces an incentive to apply for any derogation as late as possible. This is counter to
SAIC Ltd. (for and on behalf of ScottishPower)	the way in which the Environment Agency seeks to manage this issue.
Centrica	Centrica supports the view of the Group members under 6.1.6 who observed that the BSC should not be providing for a mechanism for obtaining data relating to the LCPD. BSC Parties should not have obligations to provide non-BSC data. Any required improvements to the data publication should go through the relevant authorities.
E.ON UK	Although the Environment Agency have expressed a willingness to consider improving their reporting, when it can take over a week to correct an error it is unclear how long any such development might take, if it would happen at all, whether it might include any other plant than those currently reported i.e. the 17 largest English and Welsh, plus GB NERP stations. They have explicitly stated that reporting will not be any more prompt unless Parties submit data sooner, which is not required by P226. Hence requiring less effort by Parties but helping to fill in the information gaps and report in the most timely manner, BMRS reporting seems desirable.
Uskmouth Power	No
British Energy	-
Nexen Energy Marketing London Limited	No