



P229 Assessment Phase Impact Assessment Responses

Impact Assessment Issued on 10 February 2009. Responses were received from the following parties:

No	Company
1.	International Power Mitsui
2.	Total Gas & Power
3.	ScottishPower Energy Management Ltd, ScottishPower Generation Ltd, ScottishPower Energy Retail Ltd, SP Manweb plc, SP Distribution Ltd, SP Renewables (UK) Ltd
4.	British Energy Trading and Sales Limited; British Energy Generation Limited; British Energy Direct Limited
5.	E.ON UK

The Impact Assessment was subsequently re-issued on 16 March 2009 to gather more information. Responses were received from the following Parties (NB: BE were the only Party to submit a second response – in the case of any conflict between first and second responses, the second response prevails):

No	Company
6.	EDF ENERGY
7.	Western Power Distribution
8.	GDF Suez Energy UK
9.	RWE Trading GmbH
10.	Drax Power Limited
11.	British Energy Trading & Sales Ltd
12.	Centrica

Question 1:

Would Proposed Modification P229, as outlined in the attached Requirements Specification, impact your organisation?

Responses

Respondent	Response	Rationale
International Power Mitsui	Yes	--
Total Gas & Power	Yes	--
ScottishPower E...	Yes	There will be impacts on ScottishPower's trading and settlement systems, as well as significant business impact.
British Energy...	Yes	--
E.ON UK	Yes	--

Respondent	Response
EDF ENERGY	Yes
Western Power Distribution	Based on the P229 Requirement Specification it would appear to affect us as it states that LDSOs will be required to provide any information to ELEXON and/or the Panel that is required to prepare the Network Mapping Statement. We understand that we would only need to provide information on an ad-hoc basis and, if so, any impact will be minimal.
GDF Suez Energy UK	Yes, any change to Transmission Losses arrangements would have a significant effect on our electricity generation and supply business areas. GDF Suez Energy UK owns and operates two gas fired power stations in GB namely; Teeside Power (1875MW) in North East England and Shotton power station (215MW) in North Wales. The company is also a major supplier to customers in the Industrial and Commercial sector throughout GB.
RWE Trading GmbH	Yes
Drax Power Limited	Yes. As the owner and operator of Drax Power Station in North Yorkshire, Drax Power Limited will be impacted.
British Energy Trading & Sales Ltd	Yes
Centrica	Yes. We would be impacted in terms of changes to our systems and processes and also in terms of P229 having a financial impact on our organisation. This response only addresses the former as we await the TFL values from the load flow modelling to incorporate into our own modelling.

Question 2:

If impacted by the Proposed Modification, please describe the impact, associated costs and the required implementation timescales (from the point of Authority approval) for your organisation.

Responses

Respondent	Response	Rationale
International Power Mitsui	--	The main cost impact of implementing this modification for our organisation would be in the review of systems required (decision support tools, forecasting and settlements reports and other systems for certain commercial arrangements). At the initiation of the change we would also incur costs in checking that each of our BMUs had been assigned to the correct GSP group. We have estimated that the review of systems across our organisation referencing transmission losses, the work associated with updating these, and initial checking exercise would require the equivalent of one full time employee for 10 working days. In addition to this there will, to a lesser extent, be ongoing costs associated with implementing this change, updating certain systems with the seasonally updated values. Implementation timescales seem reasonable.
Total Gas & Power	6-9 months	A number of IT systems require testing. Some additional data models will require a rebuild as they are based upon the relatively static existing losses. Our timescales should be 6 to 9 months .
ScottishPower E...	8 months	<ul style="list-style-type: none"> P229 will impact ScottishPower's internal settlement, demand forecast and portfolio scheduling systems. There are also some impact on a number of satellite contracts and trading systems. Some extensive integration and testing would also be necessary. ScottishPower estimate the costs to be in the region of £200,000. Estimated notice required to implement all stages in lifecycle including testing is minimum 8 months.
British Energy	9 months	Should the proposed modification be approved we may need to implement significant changes to our internal systems. We would therefore require at least nine months (from the point of Authority approval) to implement any changes.
E.ON UK	9 months	We would need to make changes to our systems and processes and to reflect these changing costs in tariffs. However using ex-ante calculations would give the certainty desired here and it should be achievable to align with contractual rounds in the 9 months suggested by the 12 month implementation timescale. We have not yet costed the details; affecting generation, trading and retail there will be some costs to modify relevant systems and processes, but we do not expect these to be unduly high.

Respondent	Response	Rationale
EDF ENERGY	12 months	<ul style="list-style-type: none"> An indicative estimate of the associated internal costs to fall in a range of £300K and £600K. We would need a minimum of 12 months for implementation.

Respondent	Response	Rationale
Western Power Distribution	[minimal]	We expect costs to be negligible. Required timescales would depend on exactly what information we would need to provide but is likely to be weeks rather than months.
GDF Suez Energy UK	6-9 months	<p>The changes highlighted by this proposal will affect several of our internal systems including: scheduling, pricing and settlement validation systems. Our systems have generally been built to reflect the current Transmission Losses arrangements i.e. non-location specific and annual data changes. Changes to these parameters will introduce significant implementation costs.</p> <p>[Confidential cost estimate provided]</p> <p>An initial estimate of system change lead-times would be 6-9 months. We would not expect to commence work on changing systems until a definitive decision had been reached on this proposal in order to prevent unnecessary costs.</p>
RWE Trading GmbH	[limited]	Our systems will need to change to reflect the application of the zonal loss factors. However, given development work completed on previous rejected modification proposals these are expected to be limited.
Drax Power Limited	12 months	<p>Approval and implementation of P229 would impact a number of our trading and settlement IT systems that would require extensive testing and, potentially, significant modification. The associated costs are as yet unknown.</p> <p>We believe that the suggested twelve month implementation lead time would be adequate to implement the changes to our IT systems.</p>
British Energy Trading & Sales Ltd	9 months	<p>Changes would be required to multiple internal systems which are currently set up to use uniform TLM. This includes changes to handling and processing of BSC Settlement & BMRS data flows and consequent settlement impacts, including BSC settlement, National Grid charges, and customer billing processes.</p> <p>Changes would be required to internal forecasting and risk management processes affecting amongst other things contract trading, customer sales and pricing and balancing operations.</p> <p>An internal impact assessment would require several weeks and cost approximately £10k-£20k.</p> <p>An approximate estimate of implementation costs is in the range £100k-£300k. Ongoing operational costs would depend on the particular system and process solution chosen. Any manual processes would incur ongoing costs. A total cost across all business areas of £50k-£100k/year including forecasting and associated risk management processes seems quite possible.</p>
Centrica		<p>As the SAA-I014 flow would not be changed we do not estimate that there will be any adverse effect on our settlement processes from the proposed change.</p> <p>We would need to do some remodelling and analysis of our TLM models used for demand forecasting. We expect this to be of a minimal nature (<=£10,000) and be able to be implemented within the timescales required for central implementation (as noted in Question 5).</p>

Question 3:

Does the inclusion of offshore Nodes as part of the P229 solution have any particular impacts on you? (the P229 solution is the same as that for Modification P203 except for its provisions relating to offshore Nodes)

Please identify any elements of the overall impact described in Question 1 that are particular to this area, quantifying implementation costs and timescales.

Responses

Respondent	Response	Rationale
International Power Mitsui	No	--
Total Gas & Power	No	--
ScottishPower E...	--	Business impact will be dependent on the values calculated from the modelling when incorporating the offshore network configuration.
British Energy	--	No comment
E.ON UK	--	Operating some offshore generation, we would be impacted by the inclusion of offshore Nodes, but foresee no particular impacts from the Proposed as it stands.

Respondent	Response
EDF ENERGY	No
Western Power Distribution	Not sure.
GDF Suez Energy UK	No, GDF Suez Energy UK does not currently have any commercial interests in Offshore Wind developments. Notwithstanding the above, the inclusion of Offshore Wind Nodes may have a significant effect on TLM values and so this is of interest to us when estimating our business impact.
RWE Trading GmbH	No
Drax Power Limited	No. In terms of the work required to include offshore nodes, there would be no impact to Drax Power Limited. However, the inclusion of offshore nodes may have a impact in terms of the calculation of TLFs; this will need consideration as part of the P229 Cost Benefit Analysis.
British Energy Trading & Sales Ltd	Yes. Internal forecasts of TLF and TLM will need to consider the impact of Offshore Nodes in the same manner as the current assessment process needs to consider them.

Respondent	Response
Centrica	<p>We do not expect this to have an impact on our systems or processes.</p> <p>We note that the inclusion of offshore nodes would be likely to detrimentally impact the credited energy of all generation in the GSP group to which it connects. This is because the offshore node for which a TLF is calculated is likely to have a more extreme TLF than other nodes within the zone. Due to the averaging for the zone, this would effectively reduce the credited energy values of generators within the GSP group, and therefore not necessarily reflect the losses that these other generators create on the system. This impact should be analysed as part of the Group's assessment.</p>

Question 4:

Under P229 the structure of the SAA-I014 'Settlement Report' flow would not be changed, but the TLF field would no longer be set to zero (as under the baseline) – see section 3.7.1 of the P229 Requirements Specification.

Would there be any impact on your systems due to the need to accept information from the TLF field? (i.e. your systems do not currently recognise/utilise this field)

Please identify any elements of the overall impact described in Question 1 that are particular to this area, quantifying implementation costs and timescales.

Responses

Respondent	Response	Rationale
International Power Mitsui	--	[Confidential response provided]
Total Gas & Power	No	No impact
ScottishPower E...	No	--
British Energy...	--	See answer to Question 1
E.ON UK	No	This should not cause a problem; our systems will not need changing to cope with changes to the TLF field. As the data will impact on our Settlement calculations some other systems and processes will have to be changed, i.e. there would be some minor costs to utilise the data

Respondent	Response
EDF ENERGY	Systems would be changed to reflect non-null data within the SAA-I014, (this is reflected in the cost estimate per question 2).
Western Power Distribution	No impact
GDF Suez Energy UK	There will be an impact resulting from this proposed change although the extent of this has yet to be determined.

Respondent	Response
RWE Trading GmbH	Our systems will need to change to reflect the application of the zonal loss factors. However, given development work completed on previous rejected modification proposals these are expected to be limited.
Drax Power Limited	Whilst our systems have been built to recognise and utilise the TLF field in the SAA-I014 report, investigative and testing work will be required to ensure that the field is taken into account in all relevant processes and calculations on our IT systems. It is expected that such work, and any required changes, would be completed within the suggested twelve month implementation lead time.
British Energy Trading & Sales Ltd	Use of non-zero TLF values in SAA-I014 files would not in itself require change to BSC interface systems. However, various internal business processes and associated systems would require change to make proper use of non-zero values.
Centrica	We expect to be able to accommodate a non-zero TLF at no additional cost.

Question 5:

Assessment of previous losses proposals indicates that P229 would need a 12 month implementation lead time. It is anticipated that P229 would be implemented on 1 April 2011, if approved before April 2010 (subject to P229 impact assessment and further considerations of the Group).

The next available implementation date would be 1 October 2011, but this would have added complexity as half the years TLFs would be applied (see section 3.9). Please give your views (with rationale) on the following:

- The appropriateness of the suggested implementation date of 1 April 2011
- Preferred back-up implementation date (i.e. October 2011 or April 2012)

Summary

Implementation Date 1 April 2011 acceptable?	Back up of October 2011 preferred	Back up of April 2012 preferred
9 (0 disagreed)	2	5

Responses

Respondent	Response	Rationale
International Power Mitsui	--	Implementation date of 1 April 2011 reasonable Preferred back-up implementation October 2011
Total Gas & Power	--	An implementation date of 1 April 2011 would likely be fine for us. We do require some changes as stated above, but the 12 month lead in should be sufficient to make the changes.
ScottishPower E...	--	With the nature of contract negotiation/renewal, ScottishPower require a minimum of 3 months lead time (prior to their effective date), such that the values could be built into the pricing models. Implementation must be planned to take account of all required system and process changes. These are the minimum timescales

Respondent	Response	Rationale
		require to ensure as risk free an implementation as possible. Implementation in April 2011 is the earliest date possible, and in line with contract rounds and Party business planning. We would also prefer a back up date start in April (i.e. April 2012).
British Energy...	--	No comment
E.ON UK	--	Early implementation and hence earlier removal of the cross-subsidies that are inherent in the current regime should promote more efficient competition in the generation and supply of electricity, and implementation 01 April 2011 using ex-ante TLFs should allow time for industry to prepare, especially as the introduction of seasonal zonal transmission losses has been anticipated for some time. For these reasons a backup implementation date of October 2011 would be preferable to April 2012 as the benefits of earlier correction of the current market distortion of uniform zonal losses should outweigh the complication of applying half a year's TLFs.

Respondent	Response
EDF ENERGY	<ul style="list-style-type: none"> The suggested implementation date is appropriate - from a systems perspective only, we make no comment here as to merit of the proposal as this is a purely systems-oriented response. Preference would be for later and therefore April 2012.
Western Power Distribution	Due to the limited impact on us, we have no views on this.
GDF Suez Energy UK	Should this proposal be directed for implementation GDF Suez Energy UK would prefer an April rather than October implementation date. This would align with the BSC year and reduce the complexity associated with half year changes and fit better with our reporting periods.
RWE Trading GmbH	We would support the proposed implementation lead times and dates.
Drax Power Limited	<p>Should P229 be approved and implemented, a twelve month lead time to 1 April 2011 would appear reasonable in terms of allowing parties to implement changes to their IT systems.</p> <p>It would seem more appropriate to have a back-up implementation date at the start of the following BSC Year (i.e. 1 April), rather than implementing changes that significantly affect market economics, trading calculations and company budgets six months into a BSC Year.</p>
British Energy Trading & Sales Ltd	April 2012 would be the preferred back-up implementation date for a significant commercial change such as this. Many contracts and business forecasts are based on an April to March year, including BSC and National Grid parameters and costs, and many larger customer contracts. Implementation in April would reduce the uncertainty and associated risk premium associated with the change.
Centrica	-

Question 6:

Do you have any further comments on P229?

Responses

Respondent	Response	Rationale
International Power Mitsui	No	--
Total Gas & Power	No	--
ScottishPower E...	Yes	ScottishPower would also highlight that the notice required for implementation should be from the date of definitive decision for implementation (i.e. after all the appeals if applicable), as P82 experience showed that unnecessary costs were expended by the industry as a result of that process.
British Energy...	No	--
E.ON UK	No	Not at this time.

Respondent	Response
EDF ENERGY	Not at this stage
Western Power Distribution	No
GDF Suez Energy UK	Not at this time.
RWE Trading GmbH	No
Drax Power Limited	None
British Energy Trading & Sales Ltd	None at this time.
Centrica	No