Stage 03: Transmission Company Analysis

P242 - Treatment of Exemptable Generation Connected to Embedded Offshore Transmission

Response Form

The P242 Modification Group requests your impact assessment of P242. In particular, we ask for your responses to the following questions and your reasons for those responses.

Transmission Questions

Question 1:

Please describe the impact(s) of the Proposed Modification on your ability as a Transmission Company to discharge your obligations efficiently under the Transmission Licence and to operate an efficient, economical and co-ordinated transmission system.

Please give your response:

At 'go active' of the offshore transmission regime on 24th June 2009, National Grid's licence obligations were extended to cover offshore transmission. By 'go live' (currently scheduled for June 2010), existing agreements for connection of offshore generation to either onshore transmission or distribution will need to change to agreements for connection to offshore transmission. These agreements will contain obligations to comply with the CUSC, Grid Code and SO-TO Code, which are intended to facilitate the discharge of National Grid's obligations under the licence in an efficient, economical and co-ordinated manner. The contractual relationship through the CUSC includes the liability to pay charges in accordance with the Statement of Charges.

P242 seeks to treat an offshore exemptible generator connected to embedded transmission infrastructure as though it were embedded in an onshore distribution network. However the cable connecting the offshore exemptible generator to the onshore distribution network will still be classed as Offshore Transmission and will still be covered by National Grid's licence obligations. Hence it is important that the solution proposed by P242 retains a suitable means by which National Grid can discharge those licence obligations.

On the basis of the solution presented in the P242 Assessment Consultation it appears that the offshore exemptible generator will be required to register either a BM Unit in CMRS or an Additional BM Unit if registering in SMRS. Subject to installation of the necessary communications/data logging equipment, this should provide the capability for National Grid to issue bids and offers in the BM and Emergency Instructions.

As the offshore exemptible generator will be directly connected to the Offshore Transmission Network, they will be required to be a CUSC party, have a Bilateral Connection Agreement (BCA) with National Grid and comply with relevant Connection Conditions in the Grid Code. In this sense the offshore exemptible generator will be

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What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

Your response

We invite you to respond to the questions in this form.

How to return your response

Please send responses, entitled P242 Transmission Company Analysis to **modifications@elexon.co.uk** by **5:00pm** 16 October 2009

Question 1:

treated exactly the same as other licensable offshore generators. However the ability to register in SMRS will allow for different treatment in terms of BSUoS liability as it will be possible to be charged BSUoS on a net Trading Unit basis.

This difference could be seen as a subsidy to a subset of offshore generators directly connected to Offshore Transmission and so would frustrate discharge of licence condition C5 (Use of System Charging Methodology) and C7 (Prohibition of discrimination between users).

Question 2:

Please outline your views and rationale on whether the Proposed Modification would help to achieve the applicable BSC Objectives.

Please give your response:

Design of Connection:

The Group suggests that P242 would promote efficient design solutions, stating that the current baseline provides a disincentive for Offshore Generators to connect via embedded transmission even when this would be the most efficient solution.

National Grid notes that, for future projects, a connection application would relate to a connection point at an offshore platform, with National Grid making a connection offer to link the platform to shore based on the most efficient and economic design that is compliant with the NETS Security and Quality of Supply Standard.

Where a design features an onshore connection to a User's network, faults on that network may result in the need to reduce the generator's output; however such a reduction in output would not be achieved via the issue of a bid-offer acceptance – instead, the generator would reduce output at its own cost and may incur imbalance charges.

The Group suggests that the lack of embedded benefits, which could have be used to offset this risk, might influence an offshore exemptible generator to request a variation to connection design that provides for an onshore connection via a transmission network. It is not clear from the Group's discussions whether the impact on existing connections was discussed, for example in the context of an existing generator seeking to vary its connection design through installation of additional assets if P242 were not implemented.

National Grid notes that, whilst a connection application might propose a certain type of connection, it would be considered along with other options and the most efficient solution would be chosen to comprise the connection offer. Hence National Grid does not believe P242 would better meet Applicable BSC Objective (a).

Change in Boundary Point:

National Grid recognises that, in the absence of P242, the Boundary Point for existing offshore exemptible generators would need to relocate from the Onshore Boundary Point between the Generator and Distribution System to the Offshore Boundary Point between the Generator and Offshore Transmission system. National Grid also notes that this would be a requirement for offshore licensable generators at 'go-live'.

Physically moving the metering to the new Offshore Boundary Point would require outages on offshore transmission and/or generation assets (as well as the space on the offshore platform to install the equipment), whereas an approach involving correcting the metering to a 'deemed' boundary point rather than the physical point of meter installation would avoid incurring any outage-related costs.

Outages to physically move metering would mean that the offshore generator would be

Question 2:

unable to export power for a period of time. This may require more expensive generation to be run in its place; although the exact effect would be dependant on market conditions at the time. National Grid expects that, rather than physically move meters, correction algorithms would be used to adjust metered values to represent the correct Boundary Point. Hence National Grid believes it would be difficult to say that P242 better meets Applicable BSC Objective (b).

Competition and Discrimination:

The Group suggests that the implementation of P242 would allow offshore exemptible generators connecting to embedded transmission to compete on a more equitable basis with onshore embedded generation. However National Grid notes the following:

1. The offshore exemptible generator is connected directly to an offshore transmission network, hence any difference in treatment with licensable generators connected to offshore transmission could be argued as undue discrimination; and
2. Directly connecting to Offshore Transmission means that offshore exemptible generators are competing with offshore licensable generators as much as they are with onshore embedded generation.

Hence, it might be that P242 places an offshore exemptible generator in a more advantageous position that other offshore transmission connected generation. National Grid does not believe such a situation would better facilitate Applicable BSC Objective (c).

National Grid has identified no impact of P242 on Applicable BSC Objective (d):

Question 3:

Please outline the impact of the Proposed Modification on the computer systems and processes of the Transmission Company. Include details of any changes needed as a result of implementing the Proposed Modification.

Please give your response:

National Grid notes that P242 would require re-registration of BM Units in Settlement. This would require changes to National Grid systems if the desire was to retain a contiguous relationship between the National Grid BMU ID and the old and new Settlement BMU IDs. The use of a new National Grid BMU ID would get around this issue, with a consequential minor impact on data analysis techniques.

National Grid further notes that re-registration of BM Units will be required anyway at offshore go-live, which will also give rise to this issue. Hence it is not solely related to P242.

Question 4

Please outline any potential issues relating to security of supply arising from the Proposed Modification.

Please give your response:

National Grid does not believe P242 will impact security of supply in the short term. In the longer term it may be that perceptions of regulatory uncertainty and confidence in effective competition could have an undesirable impact on investment signals for certain categories of offshore project.

Question 5:

Question 5:

Please provide an estimate of development, capital and operating costs in appropriate detail which you as a Transmission Company anticipate that you would incur in implementing the Proposed Modification.

Please give your response:

National Grid does not anticipate incurring any development/capital/operating costs as a result of P242.

Question 6:

Please provide details of any consequential changes to Core Industry Documents and/or the System Operator Transmission Owner Code that would be needed as a result of implementing the Proposed Modification.

Please give your response:

National Grid does not believe P242 in itself will require any consequential changes to Core Industry Documents. However the full solution identified by the Proposer, which requires changes to the Charging Methodologies, may require consequential changes to the CUSC.

Question 7:

Would you like to make any other comments on P242

No.

Further Information

To help us process your response, please:

- Email your completed response form to **modifications@elexon.co.uk**
- Use the following text in the subject line of your email: "P242 Transmission Company Analysis"
- Include a phone number in your covering email, so that we can contact you if we have any questions
- Respond by 5:00pm on 16 October 2009 (the Modification Group may not be able to consider late responses)

The Modification Group will consider your response at its next meeting. Once the Group has completed its assessment of P242, it will draft the Assessment Report, and present it to the 12 November 2009 Panel meeting.

Any questions?

If you have any queries about the TC Analysis form, please contact David Barber on **020 7380 4327 or david.barber@elexon.co.uk.**