

P242 Consultation Responses

Consultation issued on 17 November 2009

We received responses from the following Parties

Company	No BSC Parties / Non-Parties Represented	Role of Parties/non-Parties represented
SAIC Ltd	7/0	Supplier / Generator / Trader / Consolidator / Exemptible Generator / Distributor
Centrica	10/0	Supplier / Trader / Generator
RWE Supply & Trading GmbH	10/0	Supplier/Generator/ Trader / Consolidator / Exemptible Generator / Party Agent
E.ON UK plc	6/0	Supplier, Generator, Trader, Consolidator, Exemptible Generator
EDF Energy	13/0	Supplier/Generator/Trader/ Consolidator/Exemptible Generator/Party Agent/Distributor

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

Question 1: Do you agree that the Panel's recommended legal text and BSCP15 changes deliver the solution agreed by the Modification Group?

Summary

Yes	No	Neutral/Other
4	0	1

Responses

Respondent	Response	Rationale
SAIC Ltd	Yes	-
Centrica	Yes	-
RWE Supply & Trading GmbH	Yes	The proposed legal text and BSCP15 delivers the P241 solution
E.ON UK plc	Yes	It appears to deliver the intent of P242 as developed by the Modification Group. Specifically it provides for Embedded Transmission connected Exemptable Generator to be metered at the point where the Embedded Transmission assets meet the Distribution System and also seems to provide for the retention of embedded benefits for these sites.
EDF Energy	-	<p>It is not clear whether the legal text delivers the agreed solution. We understood the proposed special treatment would apply to the specific case of an exemptable offshore generator connected by a dedicated offshore transmission line to an onshore distribution system, and that the resulting BM Unit would either be CVA registered or an Additional BM Unit if SVA registered, with its boundary to the Total System deemed to be at the connection point with onshore distribution. It is not absolutely clear that the proposed legal text delivers this. In the proposed text, an "Embedded Transmission BM Unit" is defined in terms of an Exemptable BM Unit (what is this?). The text does not specify that the offshore exemptable generator is connected solely to distribution by a circuit dedicated for that purpose.</p> <p>At proposed K2.1.2(b), "from" should be "of" or similar, reflecting that flows can be in either direction.</p> <p>At K3.3.2A, it is suggested an Embedded Transmission BM Unit must be registered as an Additional BM Unit. This obligation should only exist if the BM Unit metering is to be registered in SMRS.</p>

Question 2: The Panel has initially recommended an implementation approach of:

- **19 February 2010** if an Authority decision is made **on or before 12 February 2010**; or
- **5 Working Days** following an Authority decision if made **after 12 February 2010**.

Do you agree with the Panel's recommended Implementation Date (for both the BSC and BSCP15 changes) of 5 Working Days after an Authority decision?

Summary

Yes	No	Neutral/Other
5	0	0

Responses

Respondent	Response	Rationale
SAIC Ltd	Yes	A swift implementation after a prompt Authority decision would be appropriate, especially with the OFTO Go Live quickly approaching.
Centrica	Yes	This enables the earliest implementation where an Ofgem decision is not made by the initial cut off date.
RWE Supply & Trading GmbH	Yes	The implementation dates appear reasonable. We note that it is important that the Authority reach a decision on this modification proposal prior to 19 February 2010.
E.ON UK plc	Yes	We are happy with this redefined timetable which emphasises the benefit of a prompt decision on P242 to assist a smooth transition at Go Live.
EDF Energy	Yes	We note that operators of offshore generation which will be affected by the Offshore Transmission Arrangements go live in June 2010 have not requested dispensation against the baseline metering requirements which have been known for considerable time. An early rejection decision by Ofgem would give time for dispensation requests to be raised and considered. A decision to approve close to or after the offshore go-live date would incur additional administrative costs to undo changes a prudent operator would have initiated in preparation for go-live.

Question 3: If P242 was implemented after the Offshore Transmission Arrangements Go Live in June 2010, what would the impact be on your organisation?

Summary

Yes	No	Neutral/Other
0	1	4

Responses

Respondent	Response	Rationale
SAIC	No	-
Centrica	Yes/No	<p>Centrica would be impacted via its interest in the Barrow Offshore Windfarm which is currently operational and in the first OFTO transitional tender round. This is a joint venture with Dong Energy.</p> <p>Centrica will seek to ensure that the joint venture is continually compliant with the BSC boundary requirements or seek the relevant derogations. The process for obtaining derogations would need to be initiated some months in advance of Go Live to ensure these are in place in time.</p> <p>Implementation after Go Live could result in work being undertaken to obtain a derogation for the interim period between Go Live and implementation which could be avoided by a timely decision.</p> <p>For this reason, it would be conducive to industry certainty for a timely decision on P242.</p>
RWE Supply & Trading GmbH	-	There is no impact on our organisation.
E.ON UK plc	-	<p>Implementation after Go Live would be more difficult for us as we would have to reregister our generators twice: once from embedded generators to transmission connected generators at Go Live and then again to effectively reverse this on implementation of P242.</p> <p>However, although this would be a significant administrative burden it would not negate the benefit from implementing P242. Therefore, we do not believe there would be a benefit from timing out the proposal and agree with the Panel in this respect.</p>
EDF Energy	-	Minor, associated with distribution business meter registration activity.

Question 4: Do you agree with the Panel's initial recommendation that:

P242 will better facilitate the achievement of Applicable BSC Objectives (c) when compared with the existing BSC requirements; and

P242 should therefore be **approved**?

Summary

Yes	No	Neutral/Other
4	0	1

Responses

Respondent	Response	Rationale
SAIC Ltd	Yes	After reviewing the output from the Modification group we are more reassured that there will be no unfair competitive advantage or disadvantage conveyed to the three effected transitional schemes by this Modification. We have maintained that these sites should not be penalised by an effective double charging for Distribution and Transmission costs, as they would be under the post OFTO baseline. The Modification corrects that undue discrimination
Centrica	Yes	Centrica supports the view of the Panel that P242 would better facilitate competition for the reasons given as this is clearly the area which the modification has most benefit. We maintain that P242 would also have benefits under applicable objectives (a) and (b) as outlined in the report although these are of lower order.
RWE Supply & Trading GmbH	Yes	We agree that the proposed modification will better facilitate Objective C and promote competition by removing an existing undue discrimination and double charging of distribution and transmission charges.
E.ON UK plc	Yes	Our rationale is set out more fully in our response to the Assessment Report plus representations we have made as Proposer of P242 throughout the assessment process. However, the main points we have made are that P242 provides for the appropriate commercial treatment of Exemptable Embedded Transmission Generation which solves two issues: <ul style="list-style-type: none"> It ensures that these generators are not unduly discriminated against as compared

Respondent	Response	Rationale
		<p>with the closest analogous class of generation, namely Embedded Exemptable Generators. This promotes fair competition and thereby better meets applicable objective c).</p> <ul style="list-style-type: none"> Generators have appropriate signals against which to make the correct decision about whether to connect the Offshore Transmission assets to an Onshore distribution network or to the wider Onshore Transmission System. This helps ensure that an efficient Transmission network is built thereby better meeting applicable objective a). <p>Furthermore, generators who have built projects on the assumption that they will be Exemptable Embedded Generators, will no longer see the status of these generators changing significantly at Go Live, with the associated detrimental effects on project status. This will ensure that the implementation of the OFTO arrangements does not undermine investor confidence in the GB market, thereby supporting current renewable targets and security of supply.</p> <p>Although we believe that P242 has the potential to address a wider set of objectives than identified by the Panel, we accept that the vast majority of benefits occur in relation to objective c) and therefore agree with the Panel's conclusion.</p>
EDF Energy	-	<p>There is no firm evidence that "embedded benefits" help achieve the Applicable BSC Objectives. It seems more likely to us that they represent a form of assistance to particular generators, which may act against the BSC Objectives, especially as the relevant volumes continue to increase.</p> <p>National Grid have announced at the Transmission Charging Methodology Forum an intention to review various aspects of the charging methodology in relation to small and embedded generators. This may or may not provide more evidence on the justification for "embedded benefits", and we await the outcome of that review.</p> <p>Given this uncertainty over the impact of "embedded benefits" on BSC Objectives, it is not obvious that the proposal, which seeks to preserve these benefits in certain circumstances, can better meet the objectives.</p>

Question 5 – Do you have any further comments on P242?

Responses

Respondent	Response	Rationale
SAIC	No	-
Centrica	No	-
RWE Supply & Trading GmbH	No	-
E.ON UK plc	No	-
EDF Energy	Yes	The alternative proposal considered but rejected by the modification group has the advantage of being consistent with the approach for other directly connected generators. It would result in losses on the offshore transmission circuits being shared, but would remove exposure to, or benefit from, distribution line loss adjustments.