Responses from P199 Assessment Report Consultation

Consultation Issued 04 April 2006

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	RWE Trading	P199_AR_001	10	0
2.	Scottish and Southern Energy	P199_AR_002	5	0
3.	National Grid	P199_AR_003	1	0
4.	Metering Services	P199_AR_004	0	1
5.	Scottish Power	P199_AR_005	7	0
6.	EDF Energy	P199_AR_006	9	0
7.	Corus UK	P199_AR_007	0	1
8.	British Energy	P199_AR_008	5	0
9.	British Gas	P199_AR_009	1	0
10.	E.ON	P199_AR_010	17	0

P199 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Name: Bill Reed*
Company Name:	*RWE Trading*
No. of BSC Parties Represented	*10*
Parties Represented	*Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).* RWE Trading GmbH, RWEnpower, Npower Cogen Trading Ltd; Ltd, Npower Commercial Gas Ltd, Npower Direct Ltd, Npower Ltd, Npower Northern Ltd, Npower Northern Supply Ltd, Npower Yorkshire Ltd, Npower Yorkshire Supply Ltd
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	*Please list all non Parties responding on behalf of (including the respondent company if relevant).*
Role of Respondent	*(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / Distributors / other – please state [1]) Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent*

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P199 better facilitates the achievement of the Applicable BSC Objectives? *Please give rationale and state objective(s)*	Yes	The removal of the potential distortions that arise from the current treatment of demand control would better facilitate the applicable BSC objectives, particularly objective C.
2.	Do you believe any Alternative Modification P199 would better facilitate the achievement of the Applicable BSC Objectives? *Please give describe Alternative Modification preferred, provide rationale and state objective(s)*	Yes	Parties should be compensated for the impact of a demand control event. This compensation should be based on the market price for energy in the relevant settlement periods for parties whose customers are subject to demand control. This will ensure that there are appropriate incentives on parties.
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? *Please give rationale*	No	

[1] Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

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Q	Question		Response	Rationale
4.	Do you agree with the proposed methodology for: *(if no please suggest an alternative approach)*	a) The identification of Demand Control Volumes?	Yes	The potential solution is a pragmatic arrangement (though it can never provide an "accurate" calculation of the demand control volume. We would note, however, that where an impact on a specific individual BMUs can be identified, then this should be taken into account and the overall demand control volume should be adjusted to take this into account.
		b) The allocation of Demand control Volumes to affected Parties?	Yes	The potential solution is a pragmatic arrangement that should provide an appropriate incentive on parties to avoid a demand control event.
5.	Do you agree with the suggested treatment of Demand Control Volumes as un-priced in the Energy Imbalance Price calculation under Proposed Modification P199? *Please provide rationale.*		Yes	Given the difficulties associated with calculating demand control volumes, treating the volume as un-priced appears an appropriate pragmatic solution. However compensation should be paid for the demand control volume (this is consistent with the treatment on gas interruption that occurs in an emergency situation).
6.	Do you prefer any of the alternative methods for treatment of Demand Control Volumes in the Energy Imbalance Price calculation identified by the Modification Group? *Please indicate preferred approach and provide rationale*		Yes	We support the approach based on a fixed SBP since this will provide appropriate signals in the market to limit the duration of a demand control event. This also reflects the approach adopted in the gas market and recognises the difficulty in calculating the demand control volume for inclusion in the calculation of cash out prices.
7.	Do you agree with the suggested approach of not providing a payment to Parties affected by Demand Control under Proposed Modification P199? *Please give rationale*		No	We support payment of a compensation amount based on the market price for demand control volumes.
8.	Do you prefer any of the alternative methods for providing payment to Parties affected by Demand Control identify by the Modification Group? *Please indicate preferred approach and provide rationale*		Yes	We support payment of a compensation amount based on the market price for demand control volumes.

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Q	Question	Response	Rationale
9.	Do you believe that P199 should include an appeals process? *Please give rationale*	No	We support the inclusion of a clear and consistent methodology in the BSC that represents the most pragmatic approach towards calculating the demand control volume. However, it should be recognised that the methodology can only ever provide an estimate of the volume affected. Nevertheless such a methodology should ensure that appropriate incentives are in place to avoid a demand control event.
10.	Does P199 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? *Please give rationale*	No	
11.	Are there any further comments on P199 that you wish to make?	No	

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **17:00 on Tuesday 18 April 2006** to modification.consultations@elexon.co.uk and please entitle your email 'P199 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Richard Bennett on 020 7380 4105, email address richard.bennett@elexon.co.uk.

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From: Garth Graham
Sent: 18 April 2006 09:58
To: Modification Consultations
Subject: Re: P199 Assessment Procedure Consultation - responses requested by 18/04/06

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd., Medway Power Ltd., and SSE Energy Supply Ltd.

In relation to the eleven questions contained within your note of 4th April 2006, and the associated Assessment Consultation for P199, we have the following comments to make.

Unless otherwise stated, the use of the terms "Demand Control", "Demand Control Volume" and "DCI" are limited to actions solely linked to OC6.1.2 (c), (d) and (e).

Q1 Do you believe Proposed Modification P199 better facilitates the achievement of the Applicable BSC Objectives?

No. We do not believe that Proposed Modification P199 better facilitates the achievement of the Applicable BSC Objectives.

First, we do not agree that a defect, as described by the Proposer, exists. The Proposal states that:-

"The BSC currently makes no provisions for the treatment of demand Control and as such the volume of energy associated with this activity is not accurately reflected in the energy accounts of BSC participants. "

We are mindful that according to BC 2.9.1.2 (d) and BC 2.9.3.3 (a) of the Grid Code, Demand Control is implemented via an Emergency Instruction.

Taking this into account and considering the statement in section 2.2.1 of the Assessment Consultation; that "Emergency Instructions: On the determination of the System Operator, Accepted Bids and Offers associated with Emergency Instructions may be tagged as Excluded Emergency Acceptances and therefore treated as un-priced for the purpose of Energy Imbalance Price Calculation"; it would appear to be inaccurate to state (in the Proposal) that the "BSC currently makes no provisions for the treatment of demand Control".

Second, we can see little justification why OC 6.1.2 (d) is included within the Proposal. "Automatic Low Frequency Demand Disconnection", it would seem on a balance of probabilities, is most likely to be invoked as a System rather than Energy action. As such it should, in our opinion, be 'tagged out' and BM Parties should not be unduly penalised (unless it can be proven that their action/inaction directly related to the Automatic Low Frequency Demand Disconnection being required).

We note that overseas examples where Automatic Low Frequency Demand Disconnection was utilised (such as in 2003) were generally linked to failures of/on the transmission system/System Operators (rather than of a general lack of energy for which BM Parties could potentially be considered liable).

Third, we have serious doubts (as detailed in our answers below) as to the ability to accurately:-

i) calculate the volume of demand reduction specifically attributed to OC6.1.2 (c), (d) and (e) (as opposed to the numerous other demand reduction methodologies that might be used in conjunction with actions under OC6.1.2 (c), (d) and (e));
ii) correctly allocate that volume to the BM Parties in a way that truly

reflects their 'contribution' to the need for OC6.1.2 (c), (d) and (e) demand control to be invoked; and
iii) do such a calculation in a timeframe whereby BM Parties can be meaningfully informed and can take action to mitigate their risk.

Q2 Do you believe any Alternative Modification P199 would better facilitate the achievement of the Applicable BSC Objectives?

Yes. We believe that an Alternative Modification that ensures that any Demand Control Volume provided by the SO / used by Elexon fully excludes the effect of reduction in demand due to other demand reduction measures would better facilitate the achievement of the applicable BSC Objectives when compared with P199. However, we believe that neither P199 or an Alternative (such as we have just outlined) would better facilitate the achievement of the applicable BSC Objectives when compared with the baseline BSC.

Q3 Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered?

See our answer to Q2 above and Q4 below.

Q4 Do you agree with the proposed methodology for: (if no please suggest an alternative approach)

a) The identification of Demand Control Volumes?
b) The allocation of Demand control Volumes to affected Parties?

No to (a) and (b). We believe it could be extremely difficult (particularly at times of system stress, such as those that warrant demand reduction being taken) to determine accurately the volume attributable to a specific OC6.1.2 (c), (d) and (e) Demand Control Instruction (for onward apportionment to BM Parties demand volumes).

i) It is entirely possible that at times of potential or actual shortage (that warrants a DCI being issued) that a host of other demand reduction steps could have been taken or be taken simultaneously with OC6.1.2 (c), (d) and (e) demand reduction measures .

We might, for example, be experiencing Electricity Supply Emergency Code rota disconnections, LDSOs could be taking additional OC6.1.2 (a) / (b) actions, consumers could be responding to national appeals to reduce demand, I&C customers might be undertaking demand side management steps as a result of high prices etc., etc.

Clearly, and definitively, determining what proportion of the volume of reduction in demand in a given GSP is due specifically to the DCI (as opposed to one of a host of other credible demand reduction steps) will, in our opinion, be extremely difficult to achieve, particularly in a timeframe that permits Suppliers to react to mitigate the risk.

For example, the Supplier might be informed by SO that a DCI has been issued (we remain sceptical that, in a true emergency, the SO will necessarily have, as its top priority, issuing notifications to the market in a timeframe that permits Suppliers to react). However, the Supplier will not know whether and where in a particular GSP the DNO has taken the demand reduction action according to the OC6.1.2 (c), (d) and (e) definition or in accordance with the OC6.1.2 (a) / (b) definition.

ii) We note the statement in section 3.1.1.1 that "it is assumed that the SO would not issue an instruction for Demand Control to take effect at a given point in the future, i.e. the Demand Control instruction would take affect at the moment that it is instructed".

However, OC 6.5.3 (b) indicates that whilst the LDSO should carry out the demand reduction " as soon as possible" it goes on to say "but in any event no longer than five minutes from the instruction being given" by the SO.

Noting the comment in section 3.1.2.1 that "Demand Control Settlement Periods are Settlement Periods that fall within the start the end time notified above. For the avoidance of doubt, Demand Control Periods are Settlement Periods that include, or fall between, the start and end time notified above" what happens if a DCI is issued 25+ minutes into a Settlement Period (A), but is not, practically, put into effect by the LDSO until the next Settlement Period(B)?

If, for example, the demand reduction requested was 10%, will BM Parties demand volumes in the first Settlement Period (A) be reduced by 10%, or just the demand volumes for the last five minutes, or will just the demand volumes in the second Settlement Period (B) be reduced by 10%?

A similar situation could arise with the assumption in section 3.1.2.1 that:-

"The end time of the Demand Control Period is defined as the time the instruction to reconnect demand is issued by the SO."

iii) With respect to the demand reduction achieved via OC 6.1.2 (d) ("Automatic Low Frequency Demand Disconnection") we are mindful of overseas examples (such as Italy in August 2003) where this functionality was invoked. This experience shows that a significant proportion of the equipment installed failed to operate as intended.

Noting the comment in OC6.6.2 (d) that "The information provided should identify, for each Grid Supply Point at the date and time of the annual peak of the GB Transmission System Demand at Annual ACS Conditions (as notified pursuant to OC1.4.2), the frequency settings at which Demand Disconnection will be initiated and amount of Demand disconnected at each such setting." together with the comments in OC6.6.8 that "[The LDSO will] notify NGET with an estimation of the Demand reduction which has occurred under automatic low Frequency Demand Disconnection and similarly notify the restoration, as the case may be, in each case within five minutes of the Disconnection or restoration" we can only assume that the figure provided by the LDSO (in respect of OC6.6.8) will be the figure derived from the OC6.6.2 (d) information.

However, given the overseas experience of Automatic Low Frequency Demand Disconnection equipment failure (in operation) it would seem reasonable to assert that the demand reduction figure provided by the LDSO (which then feeds into the alteration of BM Parties demand volumes) is unlikely to be accurate and could, based on overseas experience, significantly distort the BM Parties demand volumes if P199 were to be implemented.

We therefore believe that the conclusion of the majority of the Group maybe flawed when they conclude (in section 3.2.1.2) that the SO estimate "would be the most sensible and practical approach" because "there is already an obligation on LDSOs to provide information on the level of Demand Control achieved to the System Operator under the Grid Code".

As to the other reason for concluding (in section 3.2.1.2) that the SO estimate "would be the most sensible and practical approach" based on "P138 proposed that the System Operator would provide details of Demand Control volumes, Settlement Periods affected and GSP Groups affected" we find this also to be a somewhat flawed approach on the part of the majority of the Group when considered alongside the comments in section 3.3.4.

In addition we are surprised by the notion of justifying an argument on the basis of a Proposal rejected by the Authority. P138 may well have proposed that the System Operator would provide the details, however that does not mean it could actually happen and, for the reasons we outline elsewhere in this response, we remain highly sceptical that the SO (or anyone else) can accurately provide Demand Control Volume, particularly if used in conjunction (by design or default) with the numerous other demand reduction methods.

iv) Regarding the proposal, in section 3.1.3.1, that "the SO publishes a system warning message on BMRA providing an estimate of the total Demand Control Volume for each Demand Control Settlement Period." This should state the volume of demand reduction attributed to OC6.1.2 (c), (d) and (e) actions only and do so by GSP/LDSO. On the basis that LDSOs will provide the information within five minutes the information should be published on the BMRA as soon as possible.

v) Regarding the statement in section 3.2.1 that "in giving their best estimate, the System Operator should consider any demand forecast volume" - which forecast will they use? Theirs? If so which one, the one day ahead or hours/minutes before the DCI is issued.

There should be an obligation on the SO to, at the very least, revise those forecasts to remove that volume of demand reduction which can reasonably be attributed to other (none OC6.1.2 (c), (d) and (e)) demand reduction prior to calculating the OC6.1.2 (c), (d) and (e) Demand Control Volume for apportionment to BM Parties. As we have found in the past, whilst the SO has a good track record of demand forecasting it has, nevertheless, got it wrong on occasion.

Also what happens if multiple DCIs are issued over the course of the day? over a number of days? Will the SO forecast be undated on the BMRA so that BM Parties can attempt to balance their positions? If not, then why should BM Parties be held to a forecast over which they have no control or sight?

vi) We note the comment in section 3.2.1.1 that "the LDSO attendees also stated that different LDSOs may apply different methods and approaches in reducing demand in the event of Demand Control and that the information obtainable may vary from LDSO to LDSO." We are also mindful of the four key points in section 3.3.1.

In addition to this we are also concerned that the effect of voltage reduction (likely to be the first stage of OC6.1.2 (c)) is know to degrade over time. Therefore the more settlement periods that OC6.1.2 (c) voltage reduction is in force the less demand that will be reduced. This could distort the Demand Control Volume. Any P199 legal text should specifically require the SO to state (when publishing the Demand Control Volume) the methodology it uses to calculate/apply this degradation when calculating the Demand Control Volume,

Given this we fail to see how the SO can obtain information of sufficient detail to enable it to estimate the Demand Control Volume by D+2. At the very least the SO will need to have 14 different methodologies (for each LDSO) to take account of the different methods and approaches used by LDSOs to reduce demand in accordance with OC6.1.2 (c), (d) and (e).

vii) For the avoidance of doubt, we share the concern of the Group Member who "expressed a concern with relying on a single, external source of data and suggested there should be a means to check the Demand Control Volume supplied by the System Operator is sensible and in accord with an alternatively derived

Total Demand Control Volume".

viii) We have doubts as to the wisdom or validity of using the 'Top Down' or 'Bottom Up' approaches based on historic information unless they clearly and specifically takes account of any reduction in demand achieved by other (none OC6.1.2 (c), (d) and (e)) methods of demand reduction before determining the Demand Control Volume.

ix) Regarding the comment in the last paragraph of section 3.3, we strongly believe "that a specific, clearly defined volume allocation methodology [is] essential" if BM Parties are (a) to have confidence in what the volume allocation is and (b) able to react to a possible/actual DCI to seek to mitigate

the risk. This is particularly the case if they are subject to a series of DCIs

over a short period of time (prior to a volume allocation methodology being defined) otherwise uncertainty, and potentially market distortion, may arise.

x) We also have serious doubts that a 'Targeted Volume Allocation' (as outlined in section 3.3.3) can be realistically achieved (in a meaningful timescale) as it seems (given the issuing surround the provision of data by LDSOs outlined in sections 3.2.1.1 and 3.3.1) that it cannot be achieved by the LDSO (let alone the SO or Elexon) who, after all, should be in the 'best' position to know the demand/system situation in their area.

xi) Noting the five bullet points in section 3.3.5 we believe that overarching these should be to ensure that the approach used accurately reflects what has actually happened and justifies apportioning that volume accurately to the BM Parties that have caused the DCI to be issued. We do not believe that, as currently outlined in the Assessment Consultation, this would be achieved with P199.

xii) If it is not possible to clearly, and definitively, to determine what proportion of the volume of reduction in demand in a given GSP is due specifically to the DCI (or what demand will be restored) then how can BM Parties demand volumes be altered in a fair, none discriminatory way?

xiii) With regard to when demand is restored, how can a Supplier properly forecast and balance their demand portfolio when the SO (and LDSOs) decides when

(and where in which GSP) to restore demand. Furthermore it is clear that the demand volume that 'returns' when electricity supplies are restored is appreciably higher than when supplies were cut, and that this increases the longer the time between demand reduction and restoration. If the Supplier 'only' balances to the forecast of its expected demand in a given GSP (prior to demand reduction) taking account only of the volume (notified by the SO/BMRA) of

reduction then they will, inevitably, be out of balance. This is a risk Suppliers cannot mitigate as they do not determine when, where and by what volume demand will be restored.

Q5 Do you agree with the suggested treatment of Demand Control Volumes as un-priced in the Energy Imbalance Price calculation under Proposed Modification P199? Please provide rationale.

Whilst not supporting P199, we note that all other methods of demand reduction are un-priced and it would seem, in the circumstances, that OC 6.1.2 (c), (d) and (e) demand reduction should be treated likewise.

Q6 Do you prefer any of the alternative methods for treatment of Demand Control Volumes in the Energy Imbalance Price calculation identified by the Modification

Group? Please indicate preferred approach and provide rationale

See answer to Q5 above.

Q7 Do you agree with the suggested approach of not providing a payment to

Parties affected by Demand Control under Proposed Modification P199? Please give

rationale

No. Whilst we do not believe that P199 should be implemented (for the reasons outlined elsewhere in this response) we fail to see how, if the Demand Control Volume can be apportioned (although we are highly sceptical that it can) to those BM Parties deemed to be 'short', why it cannot also be apportioned to those BM Parties that are 'long'. We have seen no convincing argument to justify not providing a payment 'TO' BM Parties if payments can be taken 'FROM' BM Parties.

Q8 Do you prefer any of the alternative methods for providing payment to Parties

affected by Demand Control identify by the Modification Group? Please indicate preferred approach and provide rationale

We agree with the view of the majority of the group (as outlined in the first paragraph of section 3.5.1 that a potential Alternative Modification that included a payment to affected Parties for Demand Control Offer Volumes could be

appropriate.

Q9 Do you believe that P199 should include an appeals process? Please give rationale

Yes. Regarding the proposal, in section 3.1.3.1, that "the Demand Control Volume for each Settlement Period as notified to the SAA by the SO by Day + 2 would be deemed to be correct, aside from any manifest error" we do not agree with this.

As noted above, there are multiple ways in which demand can be reduced (other than OC6.1.2 (c), (d) and (e)) and we are not certain that the SO, by D+2, will be able to correctly apportion demand reduction attributed to the DCI compared with the multitude of other methods for reducing demand, such as:-

i) Electricity Supply Emergency Code rota disconnections;
ii) LDSOs could be taking additional OC6.1.2 (a) / (b) actions;
iii) Consumers could be responding to national appeals to reduce demand; and
iv) I&C customers might be undertaking demand side management steps as a result of high prices etc., etc.

It therefore would be inherently unfair, discriminatory, conducive to distorting

competition and against the laws of natural justice if an appeal process were not included within the P199 process.

Q10 Does P199 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale

Yes. We have outlined elsewhere in this response a number of issues that we believe should be progressed as part of the Assessment Procedure.

Q11 Are there any further comments on P199 that you wish to make?

Yes. We are very mindful that demand reduction taken in accordance with OC 6.1.2 (c), (d) and (e) is, by its very nature, a very 'rough and ready', and necessary, way of cutting demand in very tight (minutes) timescales when the urgency of system stability requires it.

As such it is our opinion that if our industry has any forward appreciation (e.g. hours or days) of a potential or likely shortfall between generation output and demand then Electricity Supply Emergency Code rota disconnection will

be used in preference to any Grid Code Demand Control actions. This is because actions taken under ESEC (unlike Grid Code Demand Control) would allow our industry to inform our customers (and particularly, were possible, vulnerable

consumers) when, and for how long, they are likely to lose electricity supplies.

It would also allow us to ensure supplies to designated priority users. This would not be the case with actions taken under OC6.1.2 (c), (d) and (e).

This would not preclude (for example, if the volume of ESEC rota disconnection demand reduction was not sufficient) Grid Code Demand Control action being taken. However, in these circumstances the volume of demand reduction attributed to Grid Code Demand Control (compared to ESEC rota disconnection) is likely to be small.

The BSC will need to very clearly state in the Legal Text that the SO can ONLY basis its estimate on the Demand Control Volume on those actions wholly and completely attributed to the OC6.1.2 (c), (d) and (e) DCI. For the avoidance of

doubt, if there is any uncertainty as to whether a portion of the reduction in demand in a given GSP is due to an OC6.1.2 (c), (d) and (e) DCI or another one of the multitude of other methods for reducing demand then the SO should ere on the side of caution and exclude the uncertain volume from the Demand Control Volume.

Regards

Garth Graham
Scottish and Southern Energy

P199 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Robert Smith*
Company Name:	*National Grid*
No. of BSC Parties Represented	*1*
Parties Represented	*National Grid*
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	
Role of Respondent	*Transmission Company*

Q	Question	Response Error! Bookmark not defined.	Rationale

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Q	Question		Response Error! Bookmark not defined.	Rationale
	Do you believe Proposed Modification P199 better facilitates the achievement of the Applicable BSC Objectives? *Please give rationale and state objective(s)*		Yes	This modification will more appropriately allocate the burden of imbalance to those who contributed to that imbalance and more accurately reflect the level of NIV in the imbalance price calculation. This improved incentive to balance and avoidance of the need to instruct demand control would better facilitate BSC objective (b) – The efficient and coordinated operation by the Transmission Company of the Transmission System. The more appropriate allocation of the burden of imbalance towards those contributing to it would also improve the certainty of cause and consequence of imbalance under a demand control period. As such it would better facilitate 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.
	Do you believe any Alternative Modification P199 would better facilitate the achievement of the Applicable BSC Objectives? *Please give describe Alternative Modification preferred, provide rationale and state objective(s)*		No	
	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? *Please give rationale*		No	
	Do you agree with the proposed methodology	a) The identification of Demand Control Volumes?	Yes	

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Q	Question		Response Error! Bookmark not defined.	Rationale
	for: *(if no please suggest an alternative approach)*	b) The allocation of Demand control Volumes to affected Parties?	Yes	
	Do you agree with the suggested treatment of Demand Control Volumes as un-priced in the Energy Imbalance Price calculation under Proposed Modification P199? *Please provide rationale.*		Yes	We believe that any of the options that more appropriately allocate the burden of imbalance against those parties that contributed to its occurrence improve the incentives to balance and have a consequential positive influence on security of Supply. The methodology by which a price is, or is not, assigned to this volume within the imbalance price calculation could reinforce or dilute that incentive.

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Q	Question	Response Error! Bookmark not defined.	Rationale
	Do you prefer any of the alternative methods for treatment of Demand Control Volumes in the Energy Imbalance Price calculation identified by the Modification Group? *Please indicate preferred approach and provide rationale*	No	We have concerns that pricing options that utilise previous period, or forward market index, prices within the pricing methodology will have a random effect on the imbalance price within the Demand Control period. The use of previous period prices may not provide a suitable proxy of the theoretical alternative to utilising Demand Control to resolve the prevailing system issue. This unsuitability may be compounded if the period of likely Demand Control is given forward visibility through the publication of system warnings. There is the scope for participants to influence these prices. The understanding that the loss of any potential revenue by the submission of unreflective Bid/Offer, or forward market, submissions in the previous period will be more than offset by the reduced exposure in the subsequent Demand Control period may act as a distortion to the incentive to balance. We appreciate that any potential inaccuracy of the proxy price must be measured against the benefit that a known price will provide as a forward signal to the market and the ability to be derived in prompt timescales. The proposal of tying SBP to a price derived in the previous period does achieve this aim. However we reiterate our concerns over the suitability of such a mechanism to act as an appropriate price indicator. We would also like to explore whether prompt pricing should be a primary consideration in this environment. Demand Control is only initiated once all other options available to the SO, that could be used to resolve the specific system condition, have been utilised. The expectation that, post the initial instruction, parties are able to respond to reduce demand or increase output does not seem likely. If this was the case it would be expected that these products and services would be offered to the SO to utilise prior to the Demand Control instruction being issued. Therefore, bearing in mind that it is the expectation of the consequential imbalance price rather than the visibility of it at real time that should drive the incentive to balance, we would question where the priority of prompt pricing against appropriate pricing should sit.

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Q	Question	Response Error! Bookmark not defined.	Rationale
	Do you agree with the suggested approach of not providing a payment to Parties affected by Demand Control under Proposed Modification P199? *Please give rationale*	Yes	Any proposals that incorporate, what could be considered, a windfall gain for parties affected by demand control must introduce a degree of uncertainty regarding the incentives to balance. As such, of the options considered, we have concerns that any introduction of inappropriate compensation and any consequential incentive to do anything but balance must be taken seriously as a possible hindrance to the aim of this modification.
	Do you prefer any of the alternative methods for providing payment to Parties affected by Demand Control identify by the Modification Group? *Please indicate preferred approach and provide rationale*	No	
	Do you believe that P199 should include an appeals process? *Please give rationale*	No	
	Does P199 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? *Please give rationale*	No	
	Are there any further comments on P199 that you wish to make?	No	

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **17:00 on Tuesday 18 April 2006** to modification.consultations@elexon.co.uk and please entitle your email 'P199 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Richard Bennett on 020 7380 4105, email address richard.bennett@elexon.co.uk.

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P199 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Name Alastair Barnsley*
Company Name:	*Metering Services Ltd*
No. of BSC Parties Represented	*0*
Parties Represented	
No. of Non BSC Parties Represented (e.g. Agents)	*1*
Non Parties represented	*Metering Services Ltd*
Role of Respondent	*Party Agent*

Q	Question		Response	Rationale
1.	Do you believe Proposed Modification P199 better facilitates the achievement of the Applicable BSC Objectives? *Please give rationale and state objective(s)*		Yes / No	P199 will not impact on the activities carried out by Metering Services Ltd in relation to the BSC as such we hold a neutral position with regards to P199.
2.	Do you believe any Alternative Modification P199 would better facilitate the achievement of the Applicable BSC Objectives? *Please give describe Alternative Modification preferred, provide rationale and state objective(s)*		Yes / No	Please see response to Q1
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? *Please give rationale*		Yes / No	Please see response to Q1
4.	Do you agree with the proposed methodology	a) The identification of Demand Control Volumes?	Yes / No	Please see response to Q1

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Q	Question		Response	Rationale
	for: *(if no please suggest an alternative approach)*	b) The allocation of Demand control Volumes to affected Parties?	Yes / No	Please see response to Q1
5.	Do you agree with the suggested treatment of Demand Control Volumes as un-priced in the Energy Imbalance Price calculation under Proposed Modification P199? *Please provide rationale.*		Yes / No	Please see response to Q1
6.	Do you prefer any of the alternative methods for treatment of Demand Control Volumes in the Energy Imbalance Price calculation identified by the Modification Group? *Please indicate preferred approach and provide rationale*		Yes / No	Please see response to Q1
7.	Do you agree with the suggested approach of not providing a payment to Parties affected by Demand Control under Proposed Modification P199? *Please give rationale*		Yes / No	Please see response to Q1
8.	Do you prefer any of the alternative methods for providing payment to Parties affected by Demand Control identify by the Modification Group? *Please indicate preferred approach and provide rationale*		Yes / No	Please see response to Q1
9.	Do you believe that P199 should include an appeals process? *Please give rationale*		Yes / No	Please see response to Q1
10.	Does P199 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? *Please give rationale*		Yes / No	Please see response to Q1
11.	Are there any further comments on P199 that you wish to make?		Yes / No	Please see response to Q1

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Respondent:	Gary Henderson
Company Name:	SAIC Ltd. (for and on behalf of ScottishPower)
No. of BSC Parties Represented	7
Parties Represented	Scottish Power UK plc, ScottishPower Energy Management Ltd, ScottishPower Generation Ltd, ScottishPower Energy Retail Ltd, SP Transmission Ltd, SP Manweb plc, SP Distribution Ltd
No. of Non BSC Parties Represented (e.g. Agents)	0
Non Parties represented	*Please list all non Parties responding on behalf of (including the respondent company if relevant).*
Role of Respondent	Supplier / Generator / Trader / Consolidator / Exemptable Generator/Distributor

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P199 better facilitates the achievement of the Applicable BSC Objectives? *Please give rationale and state objective(s)*	**No**	ScottishPower do not believe P199 Proposed would better achieve the Applicable BSC Objectives compared with the current Baseline. ScottishPower do not believe the non compensatory payment to parties would incentivise them more to submit offers. In reality, suppliers without any other portfolio could respond minimally to this perceived signal. The non compensatory payment means parties will be out of pocket for assisting in the balancing of the system. The inherent inaccuracy in DC volume allocation could potentially have significant impact on parties particularly small suppliers. The delayed volume reallocation also adds uncertainty to parties' imbalance positions. These facts mean that P199 Proposed would be detrimental to the BSC Objective (c) – competition. Also, comparing with the Baseline, the increase in process complexity and manual efforts with P199 and indeed any of its alternatives would be detrimental to the BSC Objective (d) – efficiency. On a longer period of DC, there is also a dis-incentive for parties to balance their position to reflect the DC volume as this would be reallocated under P199. This could be detrimental to the BSC Objective (b) – efficient operation of transmission system.

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Q	Question		Response	Rationale
2.	Do you believe any Alternative Modification P199 would better facilitate the achievement of the Applicable BSC Objectives? *Please give describe Alternative Modification preferred, provide rationale and state objective(s)*		**No**	ScottishPower also do not believe any of the P199 alternatives would better achieve the Applicable BSC Objectives compared with the current Baseline broadly for the same reasons given above. While the alternatives offer compensatory payment, the overall increase in complexity, uncertainty, dis-incentive and inaccuracy are detrimental to BSC Objectives (b), (c) and (d). Also, ScottishPower see no reason for fixing the SBP for demand Control Duration, when the Balancing Mechanism is still in operation.
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? *Please give rationale*		**No**	
4.	Do you agree with the proposed methodology for: *(if no please suggest an alternative approach)*	a) The identification of Demand Control Volumes?	**Yes**	ScottishPower recognise this is the simplest and most efficient approach to determine the DC volume.
		b) The allocation of Demand control Volumes to affected Parties?	**No**	ScottishPower are concerned with the inherent inaccuracy of the allocation methodology. It should be noted that potentially quite large inaccuracy could be introduced when demand shapes do not necessarily follow a weekly pattern. A good example of this is the teleswitch load. Also, the management of short / long days seems rather unclear at this stage. We therefore believe that the current Baseline of taking imbalance position from any DC effect would be a simpler, more certain and accurate approach.
5.	Do you agree with the suggested treatment of Demand Control Volumes as un-priced in the Energy Imbalance Price calculation under Proposed Modification P199? *Please provide rationale.*		**No**	While ScottishPower acknowledge the principle of reflecting the DC action in the Energy Imbalance Price, we are concerned that a local DC action (e.g. due to constraints) could impact the overall imbalance price of the market.

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Q	Question	Response	Rationale
6.	Do you prefer any of the alternative methods for treatment of Demand Control Volumes in the Energy Imbalance Price calculation identified by the Modification Group? *Please indicate preferred approach and provide rationale*	**No**	As 5 above.
7.	Do you agree with the suggested approach of not providing a payment to Parties affected by Demand Control under Proposed Modification P199? *Please give rationale*	**No**	See our answer in 1 above.
8.	Do you prefer any of the alternative methods for providing payment to Parties affected by Demand Control identify by the Modification Group? *Please indicate preferred approach and provide rationale*	**No**	ScottishPower prefer the current Baseline of imbalance cashout as this would be simpler and reflect more accurately of the DC impact.
9.	Do you believe that P199 should include an appeals process? *Please give rationale*	**Yes**	Notwithstanding the fact that ScottishPower do not agree with P199, we believe that with an inherently inaccurate methodology, it would be sensible to have some form of recourse if there are obvious errors in the allocation. Otherwise, there could potentially be legal challenge which would be more costly and acrimonious to the industry.
10.	Does P199 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? *Please give rationale*	**No**	

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Q	Question	Response	Rationale
11.	Are there any further comments on P199 that you wish to make?	**Yes**	ScottishPower disagree with the arguments in the P199 Proposal that 'the more appropriate imbalance price from DC would more appropriately incentivising participants to manage their energy account positions'. We believe that current imbalance pricing mechanism provide sufficient signal and incentive for parties to balance.

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P199 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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Respondent:	David Lewis	
Company Name:	EDF Energy	
No. of BSC Parties Represented	9	
Parties Represented	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power) EDF Energy (Cottam Power) Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; London Energy plc; Seeboard Energy Limited	
No. of Non BSC Parties Represented (e.g. Agents)	0	
Non Parties represented	N/A.	
Role of Respondent	Supplier/Generator/ Trader/Distributor	

Q	Question	Response	Rationale

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Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P199 better facilitates the achievement of the Applicable BSC Objectives? *Please give rationale and state objective(s)*	No	EDF Energy believes that P199 in its current form does not better facilitate the achievement of the Applicable BSC Objectives as compared to the current baseline. We agree that including the total Demand Control (DC) volume in the Buy Stack would improve the calculated size and direction of NIV (thus better facilitating Objective B), but that including this as an un-priced offer would mean that the resulting Energy Imbalance Price (EIP) would not properly reflect the cost of those actions taken for Energy Balancing purposes. This would effectively be introducing a new precedent into cash out arrangements in that DC offer volumes taken to help match generation and demand ("energy" as opposed to "system" actions) would not be appropriately priced, even though these actions would have the same effect as a production BM Unit "offering" to increase its generation output at a given price. This would be detrimental to Objective C in that production BM Units would have an unfair competitive advantage over consumption BM Units. In relation to Objective D, we agree that the process of calculating and allocating DC volumes amongst individual parties will add additional complexity to the trading arrangements. However, the nature of the defect requires some sort of estimation to derive and allocate DC volumes, so this problem will exist whatever solution is sought.

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Q	Question	Response	Rationale
2.	Do you believe any Alternative Modification P199 would better facilitate the achievement of the Applicable BSC Objectives? *Please give describe Alternative Modification preferred, provide rationale and state objective(s)*	Yes	We believe that an Alternative Modification including a payment to the affected party would better facilitate the Applicable BSC Objectives as compared to the proposed Modification, particularly Objective C, as it would mean that both production and consumption BM Units would be placed on the same competitive level. Our preferred approach is to use the Price Average Referencing Volume (PAR) as a proxy to price the DC volume at a weighted average of a proportion of the most expensive actions in the Buy Stack (prior to NIV-tagging, but post CADL/De Minimis/Arbitrage Tagging). The PAR value will initially be set at 100MWh from November 2006, but could be amended via a new Modification Proposal without incurring any cost. This would provide an appropriate level of remuneration to those parties who have been subject to DC, and whom have been unable to supply their customers during the DC period. It would also correct the calculation of the NIV, and by pricing the volume in this way, the resulting SBP would be more reflective of the actions taken by the SO thereby better facilitating Objective B. This option would also require a less complex implementation approach as compared to some of the other Alternative Modifications identified by the Modification Group (Elexon have pointed out for example that fixing SBP for the duration of DC is currently not possible within Central Systems and would therefore require a more complex implementation approach).
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? *Please give rationale*	No	

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Q	Question		Response	Rationale
4.	Do you agree with the proposed methodology for: *(if no please suggest an alternative approach)*	a) The identification of Demand Control Volumes?	Yes	We agree that the System Operator (SO) is best placed to provide the most detailed estimate of DC volumes, as they can make use of a number of sources of data including their own demand forecasts and the information provided to them under Grid Code OC6.5.9 and OC6.6.8 by the LDSOs (this gives an estimate of Demand Reduction actually achieved in each GSP Group). We also agree that the BSC should place an obligation on the SO to provide this information to the SAA as soon as is practicable, as well as making it publicly available on the BMRS.
		b) The allocation of Demand control Volumes to affected Parties?	Yes	As with the above, allocation of DC volumes to individual parties will always be an estimate. We do however believe that there should be a clear set of guidelines in place stating how these volumes will be calculated. We support the approach to use the most recent day which has the same day of the week in which DC was called as the proxy to determine the proportion of DC volumes for each party. It may also be necessary to have special arrangements in place where a triad was called in the previous settlement period used, or where there was a large change in customer numbers (i.e. after a contract round), as this could have a significant effect on the supplier share.
5.	Do you agree with the suggested treatment of Demand Control Volumes as un-priced in the Energy Imbalance Price calculation under Proposed Modification P199? *Please provide rationale.*		No	As previously stated, the treatment of DC volumes as un-priced would not reflect the true cost of Energy Balancing within the EIP Calculation.
6.	Do you prefer any of the alternative methods for treatment of Demand Control Volumes in the Energy Imbalance Price calculation identified by the Modification Group? *Please indicate preferred approach and provide rationale*		Yes	We are supportive of including the DC Volume within a “dummy” BM Unit (Option 2, section 5.2.2 in the requirement specification). This is because this is the only method that has been identified that would allow the treatment of priced volumes in the EIP Calculation.
7.	Do you agree with the suggested approach of not providing a payment to Parties affected by Demand Control under Proposed Modification P199? *Please give rationale*		No	This would be discriminatory and would effectively introduce a new precedent into the BSC in that parties helping to balance the system would not be appropriately paid for this.

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Q	Question	Response	Rationale
8.	Do you prefer any of the alternative methods for providing payment to Parties affected by Demand Control identify by the Modification Group? *Please indicate preferred approach and provide rationale*	Yes	We support a payment to affected parties at a chunky marginal offer price (see rationale in Question 2). However, the requirement specification notes that the settlement period prior to DC would be used to derive this weighted average, whereas we are supportive of using the affected settlement period(s) to derive this figure. This would ensure that cash out prices continue to reflect market conditions during the DC period.
9.	Do you believe that P199 should include an appeals process? *Please give rationale*	No	An appeals process would add both additional complexity and cost to the Modification and should therefore not be included. If a party is unhappy with the methodology used to allocate DC volumes then they are free to raise a new Modification to amend this process.
10.	Does P199 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? *Please give rationale*	Yes	P199 clearly states that the scope of the Modification relates to DC as instructed by the SO under OC6 (c), (d) & (e) of the Grid Code. NGET have however confirmed that this does not include non-embedded customers (i.e. those connected directly to the Transmission System), although we believe that the wording of OC6 would indicate that they are within scope. It could also be argued that it is discriminatory to have different arrangements applying to non-embedded customers.
11.	Are there any further comments on P199 that you wish to make?	No	

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Respondent:	John Mathers
Company Name:	Corus UK Ltd
No. of BSC Parties Represented	None.
Parties Represented	Corus UK Ltd (NB: Corus UK Ltd is not a signatory to the BSC).
No. of Non BSC Parties Represented (e.g. Agents)	1
Non Parties represented	1
Role of Respondent	End User

Q	Question		Response	Rationale
1.	Do you believe Proposed Modification P199 better facilitates the achievement of the Applicable BSC Objectives? *Please give rationale and state objective(s)*		No	The proposal does not promote the efficient, economic and co-ordinated operation of the GB Transmission system in that it does not directly facilitate compensation payments to effected end-users during Demand Reduction periods.
2.	Do you believe any Alternative Modification P199 would better facilitate the achievement of the Applicable BSC Objectives? *Please give describe Alternative Modification preferred, provide rationale and state objective(s)*		Yes	Please see "rationale" to Q1 above. Our view is that P199 as proposed is not consistent with applicable BSC objectives, and should be rejected.
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? *Please give rationale*		No	Modifications to the BSC should also consider enabling offers by suppliers (on behalf of their end users) to a maximum value. Such offers, if accepted by National Grid, should be used by Suppliers (through a standard Supply licence modification) to compensate end-users in the event that Demand Reduction is required and also adversely effects an end-user site.
4.	Do you agree with the proposed methodology	a) The identification of Demand Control Volumes?	Yes	

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Q	Question		Response	Rationale
	for: *(if no please suggest an alternative approach)*	b) The allocation of Demand control Volumes to affected Parties?	Yes	
5.	Do you agree with the suggested treatment of Demand Control Volumes as un-priced in the Energy Imbalance Price calculation under Proposed Modification P199? *Please provide rationale.*		No	See comments to Q 1 -3 above.
6.	Do you prefer any of the alternative methods for treatment of Demand Control Volumes in the Energy Imbalance Price calculation identified by the Modification Group? *Please indicate preferred approach and provide rationale*		No	
7.	Do you agree with the suggested approach of not providing a payment to Parties affected by Demand Control under Proposed Modification P199? *Please give rationale*		No	See comment to Q 1 above.
8.	Do you prefer any of the alternative methods for providing payment to Parties affected by Demand Control identify by the Modification Group? *Please indicate preferred approach and provide rationale*		Yes / No	Option 3 a/b has attractions.
9.	Do you believe that P199 should include an appeals process? *Please give rationale*		Yes	This is linked to the SO being able to determine its estimate of Demand Control volume. In these circumstances there should be an appeals process.
10.	Does P199 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? *Please give rationale*		Yes	End users should able to secure compensation via their supplier, derived on an efficient and economic basis, for demand control periods to which they have been subjected.
11.	Are there any further comments on P199 that you wish to make?		No	

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Respondent:	*Martin Mate*
Company Name:	*British Energy*
No. of BSC Parties Represented	*5*
Parties Represented	*British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, British Energy Direct Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd*
No. of Non BSC Parties Represented (e.g. Agents)	*-*
Non Parties represented	*-*
Role of Respondent	*Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent*

Q	Question	Response	Rationale

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Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P199 better facilitates the achievement of the Applicable BSC Objectives? *Please give rationale and state objective(s)*	No	Although sympathetic to the general principle of treating demand control as a deemed offer, we have objections to details of the proposal, which undermine potential benefits of incentivising balancing by parties. 1. Unpriced deemed offers would cause parties which would otherwise be in balance to suffer loss beyond their reasonable control, as a result of having bought energy which could not be delivered to customers and which cannot be sold back to the market. This conflicts with BSC objective (c) relating to competition, as the return on competitive procurement is undermined. (Though not directly relating to BSC Objectives, it should also be noted that customers experiencing demand control could suffer consequential loss far greater than the cost of energy lost). 2. Treatment of demand control as an unpriced balancing service does not in isolation provide clear incentives on National Grid to avoid its use in preference to other measures it could take to promote system security. This does not seem consistent with BSC Objective (b) relating to efficient transmission system operation. 3. The proposed method of allocating deemed volumes of demand control to BM Units and/or parties in the assessment document will give unacceptable errors in some circumstances, and no appeal/challenge mechanism is included. The materiality of errors could be significant, particularly as prices are likely to be extreme in circumstances of demand control, and large errors would undermine the self-balancing principle the modification seeks to promote and would conflict with BSC objective (c) relating to competition.

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Q	Question		Response	Rationale
2.	Do you believe any Alternative Modification P199 would better facilitate the achievement of the Applicable BSC Objectives? *Please give describe Alternative Modification preferred, provide rationale and state objective(s)*		Yes	1. Deemed offers should be priced, in order that: a. affected parties are compensated for loss of procured energy, b. the System Operator is correctly incentivised in relation to use of Demand Control. While 'Value of Lost Load' could provide an indication of the voluntary price response level for many customers, it could provide a windfall gain for some parties in some situations. Market Price would be preferable to no price, and gives some indication of the price at which energy could have been sold to short term markets if an otherwise balanced party could have anticipated demand control. On balance, this would be our preference at this time. 2. An accurate method of determining volumes in all circumstances is impractical, but a pragmatic approach which allows challenge to standard approximate methods on the basis of firm evidence would be reasonable.
	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? *Please give rationale*		Yes/No	
	Do you agree with the proposed methodology for: *(if no please suggest an alternative approach)*	a) The identification of Demand Control Volumes?	No	The materiality for individual BSC Parties could be significant, so it is important that the determination of total volumes on which some or all individual volumes may depend, however it is done, be open to scrutiny and technical challenge in pursuit of a reasonably accurate estimate of volumes.
		b) The allocation of Demand control Volumes to affected Parties?	No	The materiality for individual BSC Parties could be significant, so it is important that the determination of individual volumes, however it is done, be open to scrutiny and technical challenge in pursuit of a reasonably accurate estimate of volumes.

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Q	Question	Response	Rationale
	Do you agree with the suggested treatment of Demand Control Volumes as un-priced in the Energy Imbalance Price calculation under Proposed Modification P199? *Please provide rationale.*	No	See response to Q1.
	Do you prefer any of the alternative methods for treatment of Demand Control Volumes in the Energy Imbalance Price calculation identified by the Modification Group? *Please indicate preferred approach and provide rationale*	Yes / No	Any pragmatic method of estimation would be suitable provided there is a route for challenge/appeal where more detailed or accurate technical evidence is available, from any source.
	Do you agree with the suggested approach of not providing a payment to Parties affected by Demand Control under Proposed Modification P199? *Please give rationale*	No	See response to Q1.
	Do you prefer any of the alternative methods for providing payment to Parties affected by Demand Control identify by the Modification Group? *Please indicate preferred approach and provide rationale*	Yes / No	
	Do you believe that P199 should include an appeals process? *Please give rationale*	Yes	As above.
	Does P199 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? *Please give rationale*	Yes	The group should consider the impact on customers and what signals this modification could give to BSC Parties, the System Operator and customers for demand reduction/reserve services. (BSC Objective (b) relating to efficient System Operation and (c) relating to competition).
	Are there any further comments on P199 that you wish to make?	No	None at this time.

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Respondent:	Merel van der Neut Kolfschoten
Company Name:	Centrica
No. of BSC Parties Represented	
Parties Represented	British Gas Trading (BGT)
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	
Role of Respondent	

Q	Question	Response	Rationale

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Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P199 better facilitates the achievement of the Applicable BSC Objectives? *Please give rationale and state objective(s)*	**No**	We agree with the principle that the Main Energy Imbalance Price should be representative of the balancing actions taken by the SO and that therefore Demand Control Volumes should be reflected in the NIV and Cash Out prices. However, we believe that P199 will have a negligible impact on the behaviour of the SO and on the incentives on parties to balance their position (does not better facilitate objective B). In addition, we believe that affected parties should be compensated for the fact that they procured the energy, but cannot bill their customers for the demand control volume (does not better facilitate objective C). We have concerns about the methodologies to calculate and allocate the demand control volume (simplified and based on assumptions), although we appreciate that these are probably the best one can get with the information currently available. As these methodologies will also be used to bring back parties into the position before demand control, this is also an area of concern to us (does not better facilitate objective C). Finally, the modification adds costs and complexity to the processing of settlements (does not better facilitate objective D).
2.	Do you believe any Alternative Modification P199 would better facilitate the achievement of the Applicable BSC Objectives? *Please give describe Alternative Modification preferred, provide rationale and state objective(s)*	**Yes**	As mentioned under question 1, we believe that affected parties should be compensated for the fact that they procured the energy, but cannot bill their customers for the demand control volume. Therefore we believe a priced offer acceptance and payment to affected parties would be an alternative that would better facilitate the achievement of the Applicable BSC objectives. However, this proposal would be similar to P138, which has been rejected by Ofgem.

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Q	Question		Response	Rationale
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? *Please give rationale*		**Yes**	Because of our concerns with the methodologies to calculate and allocate the demand control volume (and rejection of P138), a better alternative solution could be to treat demand reduction as an unpriced offer acceptance so it is included in the energy imbalance price, but not to bring parties back in the position before the demand control instruction.
4.	Do you agree with the proposed methodology for: *(if no please suggest an alternative approach)*	a) The identification of Demand Control Volumes?	**No**	As also mentioned under question 1, we are concerned that these methodologies are too simplified and based on too many assumptions. However, we appreciate that they are probably the best one can get with the information currently available.
		b) The allocation of Demand control Volumes to affected Parties?	**No**	See question 4a.
5.	Do you agree with the suggested treatment of Demand Control Volumes as un-priced in the Energy Imbalance Price calculation under Proposed Modification P199? *Please provide rationale.*		**No**	We believe the Demand Control Volumes should either be (1) priced or (2) unpriced without bringing parties back into the position before demand control. See also questions 1-3.
6.	Do you prefer any of the alternative methods for treatment of Demand Control Volumes in the Energy Imbalance Price calculation identified by the Modification Group? *Please indicate preferred approach and provide rationale*		**Yes**	Of the 2 options put forward by the Group, we would support "Chunky Marginal" , but not a "fixed SBP" because that – amongst other things – could send the wrong signals to parties.
7.	Do you agree with the suggested approach of not providing a payment to Parties affected by Demand Control under Proposed Modification P199? *Please give rationale*		**No**	See questions 1-3.
8.	Do you prefer any of the alternative methods for providing payment to Parties affected by Demand Control identify by the Modification Group? *Please indicate preferred approach and provide rationale*		**Yes / No**	We believe payments should be linked to the offer acceptances.

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Q	Question	Response	Rationale
9.	Do you believe that P199 should include an appeals process? *Please give rationale*	**Yes**	As mentioned under question 4, we believe that the methodologies to calculate and allocate the demand control volume are probably the best one can get with the information currently available. However, because these methodologies are far from robust, we believe some sort of appeal mechanism should be included in P199 as a way of mitigating against any significant errors which there inevitably will be.
10.	Does P199 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? *Please give rationale*	**Yes**	We are not entirely clear how under P199 the main price is calculated. For example, when the NIV includes unpriced offer acceptances, how are these offer acceptances treated (as zero or not taken into account)? What about the situation when there is no sell stack (no bids)?
11.	Are there any further comments on P199 that you wish to make?	**Yes**	Although outside the BSC, we believe the Grid Code should be made more explicit and transparent with regards to the Demand Control process. For example, OC6 should include the order of demand control actions (voltage reduction before disconnection) and a requirement on LDSOs to draw up demand control plans subject to Ofgem's approval.

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **17:00 on Tuesday 18 April 2006** to modification.consultations@elexon.co.uk and please entitle your email 'P199 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Richard Bennett on 020 7380 4105, email address richard.bennett@elexon.co.uk.

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P199 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	E.ON UK
Company Name:	-
No. of BSC Parties Represented	17
Parties Represented	E.ON UK plc, Powergen Retail Limited, Cottam Development Centre Limited, Enizade Ltd, E.ON UK Drakelow Limited, E.ON UK Ironbridge Limited, E.ON UK High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited, Ownlabel Energy, Economy Power Limited and Enfield Energy Centre Ltd
No. of Non BSC Parties Represented (e.g. Agents)	-
Non Parties represented	-
Role of Respondent	Supplier, Generator, Trader, Consolidator, Exemptable Generator

Q	Question	Response	Rationale

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Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P199 better facilitates the achievement of the Applicable BSC Objectives? *Please give rationale and state objective(s)*	No	There are a number of problems with the amendment. We are not convinced that the present treatment of demand control represents a defect. A supplier affected by demand control will pay less SBP if it is short, or be paid more SSP if it is long, than it would have had the demand control not occurred, but it is not clear why this is an issue. The argument appears to be that the supplier should be returned to the position that it was in prior to demand control occurring. However, the principle of imbalance is to compare contractual positions with actual metered positions, not what the supplier thought this would be at gate closure. For instance, a supplier's demand forecast error, if it over-forecasts its demand for a period, is treated in the same manner that demand control presently is. There is no logic to ignoring these metered volume changes as the proposed P199 methodology seeks to do. Other problems arise in the assessment of the effect that demand control may have had on metered volumes. Firstly, the SO cannot accurately assess the total volume of demand which was reduced as a result of the demand control instruction. Therefore, any assessment of this will by its nature be arbitrary to some extent, as any difference between National Grid's forecast of demand and the actual metered outturn level will by affected by a number of factors, not least the error in the forecast itself which is regularly of a significant level. Secondly, the allocation of this estimated volume across BMUs will not be accurate. Even if you accept the premise that customers will be affected equally, which we do not, individual supplier BMUs will have different levels of SVA registered embedded generation which should not be affected by demand control. This means that the net metered volumes of their BMUs would be affected by different proportions, as a supplier with embedded generation will be affected to a lesser extent that one with none. Therefore, the arbitrary nature of this methodology is exacerbated further. The present treatment of demand control results in an accurate treatment of the volumes as no such estimate is required.

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Q	Question		Response	Rationale
2.	Do you believe any Alternative Modification P199 would better facilitate the achievement of the Applicable BSC Objectives? *Please give describe Alternative Modification preferred, provide rationale and state objective(s)*		No	On the basis that we do not believe that the present treatment is inappropriate. However, we do accept that the alternative to pay the supplier as an Offer for demand control is at least consistent with adjusting the imbalance position of the supplier, as P199 proposes. Also, the price used for this should feed into the calculation of imbalance prices. The price paid to the supplier should reflect that this was the last Offer to be accepted and therefore should be set at some form of marginal price. A chunky marginal price would be consistent with P194, although this would in effect result in paying the supplier SBP, which would not really change its position from the present treatment if it was short. A market price payment approach, although not correct in principle, would at least be better than the original proposal, although we have doubts about it's appropriateness to be used in the imbalance price calculation. What should definitely not occur is for this volume to remain uncompensated as intended under the original proposal. An alternative proposal which seeks to compensate the supplier better meets the applicable objectives than the original proposal, although we do not believe that either would be better than the present baseline.
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? *Please give rationale*		No	
4.	Do you agree with the proposed methodology for: *(if no please suggest an alternative approach)*	a) The identification of Demand Control Volumes?	No	Please see the answer given in 1 above.
		b) The allocation of Demand control Volumes to affected Parties?	No	Please see the answer given in 1 above.

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Q	Question	Response	Rationale
5.	Do you agree with the suggested treatment of Demand Control Volumes as un-priced in the Energy Imbalance Price calculation under Proposed Modification P199? *Please provide rationale.*	No	Please see answer to 2 above.
6.	Do you prefer any of the alternative methods for treatment of Demand Control Volumes in the Energy Imbalance Price calculation identified by the Modification Group? *Please indicate preferred approach and provide rationale*	Yes	Please see answer to 2 above.
7.	Do you agree with the suggested approach of not providing a payment to Parties affected by Demand Control under Proposed Modification P199? *Please give rationale*	No	Please see answer to 2 above.
8.	Do you prefer any of the alternative methods for providing payment to Parties affected by Demand Control identify by the Modification Group? *Please indicate preferred approach and provide rationale*	Yes	Please see answer to 2 above.
9.	Do you believe that P199 should include an appeals process? *Please give rationale*	Yes	If it were approved this would be necessary given the inevitable arbitrary nature of the volume allocation methodology.
10.	Does P199 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? *Please give rationale*	No	
11.	Are there any further comments on P199 that you wish to make?	No	

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **17:00 on Tuesday 18 April 2006** to modification.consultations@elexon.co.uk and please entitle your email 'P199 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

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