Responses from P199 draft Modification Report

Consultation Issued 13 June 2006

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	RWE Trading GmbH	P199_dMR_01	11	0
2.	British Energy	P199_dMR_02	5	0
3.	Scottish and Southern	P199_dMR_03	5	0
4.	National Grid	P199_dMR_04	1	0
5.	EON UK Energy Services Ltd	P199_dMR_05	0	1
6.	EDF Energy	P199_dMR_06	9	0
7.	Scottish Power	P199_dMR_07	7	0
8.	British Gas Trading	P199_dMR_08	1	0

P199 QUANTIFICATION OF DEMAND CONTROL IN THE BSC AS INSTRUCTED UNDER OC.6 (C), (D) & (E) OF THE GRID CODE 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:	*Bill Reed*
Company Name:	RWE Trading GmbH
No. of BSC Parties Represented	11
Parties Represented	*Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).* RWE Trading GmbH, RWE Npower plc, Great Yarmouth Power Ltd, Npower Cogen Trading 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	None
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 / Distributor / other – please state [1]) Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent*
Does this response contain confidential information?	*No*

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Proposed** Modification P199 **should not** be made? Please give rationale.	No	We support the implementation of P199. The modification would provide appropriate signals to the market to avoid demand control unlike the current baseline. However, we recognise the limitations of the process to calculate demand control volumes and we believe that this is a reflection of the shortcomings of the Grid Code rather than the proposed P199 solution.

[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
2.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Alternative** Modification P199 **should not** be made? Please give rationale.	No	We support the P199 alternative and support appropriate remuneration of offer actions taken during a demand control event. We believe that the market price represents a reasonable proxy to the cost of the System Operator of buying energy in the forward market. However, we note that the market price does not represent the *marginal* cost of energy at times of system stress. P199 alternative would provide more appropriate signals to the market to avoid demand control when compared to the original modification and the current baseline. As noted under Question 1 above we recognise the limitations of the process to calculate demand control volumes we believe that this is a reflection of the shortcomings of the Grid Code rather than the propose P199 solution.
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposals? Please give rationale.	Yes	
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P199? Please give rationale.	Yes	
5.	Are there any further comments on P199 that you wish to make?	Yes	We would welcome a review of the Demand Control provisions of the Grid Code and their interaction with the Balancing Settlement Code.

Please send your responses by **17:00 on Wed 28 June 2006** to modification.consultations@elexon.co.uk and please entitle your email 'P199 **Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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 QUANTIFICATION OF DEMAND CONTROL IN THE BSC AS INSTRUCTED UNDER OC.6 (C), (D) & (E) OF THE GRID CODE 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:	*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	-
Non Parties represented	-
Role of Respondent	*Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent*
Does this response contain confidential information?	*No*

Q	Question	Response	Rationale

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Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Proposed** Modification P199 **should not** be made? Please give rationale.	Yes	The proposal is deficient in not providing Suppliers with compensation for energy procured but not delivered because of demand control, regardless of whether they are separately held neutral to imbalance charges. This is particularly relevant to suppliers which may have procured sufficient energy, or more, for their own customers needs, but which suffer demand control whereby energy they purchased is withheld from them and used for the benefit of others. This lack of compensation affects the relative costs of parties and is inconsistent with BSC objective (c) relating to competition. It might conceivably also affect BSC objective (b) relating to efficient operation of the transmission system, as some parties may not procure sufficient energy to meet their own requirements on the basis that others will, and demand control will effectively redistribute the benefit. The lack of a payment to affected Parties for Demand Control Volumes might increase the incentive on Suppliers to submit Offers into the Balancing Mechanism prior to a Demand Control event, which would benefit operation of the Transmission System. However, it does not seem reasonable to require a supplier which has procured sufficient energy for its customers to provide balancing services from its customers in order to avoid the consequences of demand control due to other parties which have not.

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Q	Question	Response	Rationale
2.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Alternative** Modification P199 **should not** be made? Please give rationale.	No	P199 Alternative Proposal allocates demand control volumes to suppliers in a necessarily approximate manner, given the difficulty of accurately estimating the effect of demand control on individual BM Units in each half-hour. However, opportunity to appeal is available if there is evidence with which to allocate the volume more accurately, and on this basis only the approximate general method is acceptable. The alternative provides compensation for energy lost to suppliers affected by demand control (equivalent to a deemed offer), and exposes parties to imbalance prices which reflect the total volume and price of actions taken by Grid in balancing the system, for the imbalance position they would have had if demand control had not occurred. Although not perfect, on balance we believe it better meets BSC objectives relating to competition (c) by better allocating costs to those responsible for them, and (a) and (b) by improving incentives to avoid the need for demand control. Use of market price for compensation to suppliers for demand control volume can be considered equivalent to selling the curtailed energy in advance. For suppliers with sufficient or surplus energy, this represents a minimum acceptable level of compensation for energy previously purchased. This is separate from supplier exposure to imbalance price for any mismatch of energy purchased with its demand in the absence of demand control. For suppliers short of energy before demand control, market price is received for demand foregone due to demand control but exposure to System Buy Price remains, so incentives to balance are increased compared to the current situation of System Buy Price avoidance (with no compensation), even if imbalance prices were to be unaffected. The basic demand control volume allocation method is very approximate and may give wholly inaccurate allocations in some circumstances. However, the inclusion of an appeal mechanism ensures that significant inaccuracy can be corrected, where it can be demonstrated by objective evidence.

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Q	Question	Response	Rationale
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposals? Please give rationale.	Yes	We have not reviewed the final legal text in detail. The description of Demand Control Offer Price in section 6.1.2(i) of the alternative proposal legal text is apparently not incorrect, but could give the false impression to the lay reader that the deemed offer price is SBP rather than Market Price. We would prefer to see the issues outlined in section 6.4.4/6.4.5 concerning the process and reporting of settlement data to be described in the Code rather than in a note on the Elexon website.
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P199? Please give rationale.	Yes	
5.	Are there any further comments on P199 that you wish to make?	Yes	At a customer level, the appropriate level of compensation for demand control can be argued to be related to the value of lost energy and the firmness of contractual arrangements. In a fully evolved market, customers would respond to price signals according to their individual value of energy and there would be no requirement for demand control. In practice, customer demand response is insufficiently developed, so demand control is required and effectively unlimited imbalance prices are possible. A cap on imbalance prices at a notional 'value of lost load' would be a proxy for the absence of effective demand response.

Please send your responses by **17:00 on Wed 28 June 2006** to modification.consultations@elexon.co.uk and please entitle your email 'P199 **Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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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 five questions contained within your note of 13th June 2006, and the associated Modification Report 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 agree with the Panel’s views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification P199 should not be made? Please give rationale.?

Yes. We agree with the Panel's provisional view that the Original should not be made as we do not believe that P199 Proposed better facilitates the achievement of the Applicable BSC Objectives. The reasons why we have come to this conclusion were detailed in our comments on the Assessment Consultation, elements of which we repeat here (but would refer the reader to that response for the details).

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 to the Assessment Consultation which should be read in conjunction with this response) as to the ability to accurately:-

a) 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));
b) 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

c) do such a calculation in a timeframe whereby BM Parties can be meaningfully informed and can take action to mitigate their risk.

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 and to apportion that to BM Parties demand volumes in a way that permits them to respond.

There are, by our estimation, nine different ways by which demand can be reduced:-

1. Demand reduction initiated by NGC for operational reasons (covered by Grid Code OC6.1.2 (c), (d) and (e) and thus covered by P199).

2. Demand reduction initiated by LDSO's for operational reasons (defined in the Grid Code OC6.1.2 (a) and (b), and thus not part of P199).

3. Normal demand reduction as customers naturally reduce consumption over time, say, for example after the tea-time peak (not covered by Grid Code OC6.1.2 (c), (d) and (e), and thus not part of P199).

4. Demand reduction achieved by using radio teleswitching to disconnect load (not covered by Grid Code OC6.1.2 (c), (d) and (e), and thus not part of P199).

5. Demand reduction achieved by halting all exports across Interconnectors with other systems (not covered by Grid Code OC6.1.2 (c), (d) and (e), and thus not part of P199).

6. Demand reduction as customers respond to Government appeals to reduce consumption of electricity (not covered by Grid Code OC6.1.2 (c), (d) and (e), and thus not part of P199).

7. Demand reduction as customers implement Government instructions (issued under Energy Act 1976 powers) restricting/limiting to certain times etc., their usage of electricity, such as:-

(a) street lighting, advertising hoarding;
(b) heating premises, including factories, offices, showrooms, shops, banks, post offices, petrol stations, restaurants, bars, warehouses, studios, public halls, places of education, places of recreation, entertainment or sport;
(c) lighting offices, shops, catering establishments, warehouses, libraries, places of education, places of recreation, entertainment or sport and the public parts of hotels;
(d) to a percentage of their weekly usage;
(e) prohibiting the use of electricity on any industrial or commercial premises (except shops) or for building or engineering operations (linked back to the LDSOs' load shedding arrangements);
(f) prohibiting the use of electricity on any premises, except domestic premises, industrial premises or any other premises specified; and
(g) prohibiting the use of electricity on any industrial premises.

All of these elements (a -g) under '7' are not covered by Grid Code OC6.1.2 (c), (d) and (e) and are thus not part of P199.

8. Demand reduction due to rota disconnection instructed by the Secretary of State (by virtue of the powers in the ESEC and Energy Act 1976) to LDSOs' to shed load (not covered by Grid Code OC6.1.2 (c), (d) and (e), and thus not part of P199).

9. Noting the work of Ofgem and the DTI with respect to the "Demand Side Working Group", Industrial & Commercial customers might be undertaking demand side management steps as a result of high prices etc., etc., to reduce their demand - action which is not covered by Grid Code OC6.1.2 (c), (d) and (e), and therefore does not form part of P199.

As noted above, only one of these nine methods of demand reduction is directly related to Grid Code OC6.1.2 (c), (d) and (e) and, as such, forms part of the

P199 (Original and Alternative).

It is not clear in P199 (or the Grid Code) as to how either the SO or the DNO will be able to clearly identify, and correctly attribute, (particularly in the timely way required by P199) the amount of reduced demand to each of these nine potentially methods.

There is a very serious risk of 'cross contamination' with demand reduction that arises from items 2-9 above being mistakenly attributed to 1 (i.e. included in the demand volume figure as being associated with action under Grid Code OC6.1.2 (c), (d) and (e) and thus allocated to Suppliers when the demand has been reduced by virtue of items 2-9 actions). If this were to happen that an injustice would arise and this would unduly discriminate against those erroneously affected.

In addition we note that P199 is supposed to incentives Suppliers to act. However, if, as a Supplier, you think there will be an imbalance between generation and demand, you then need to consider which of the above nine actions will be taken to achieve that reduction in demand.

If you think the need to take demand reduction action will be quick (that is with very little warning, say, of a few minutes or hours) or for a small percentage figure (i.e. a circa 5-10% reduction, achievable by LDSOs' using just OC6 voltage reduction) then you are likely to conclude that a Grid Code OC6.1.2 (c), (d) and (e) action may well occur and as such you would wish to obtain cover; i.e. do what is sought by P199 and seeks to over contract to avoid penal marginal cashout prices.

However, if you think one or more of the other eight methods for reducing demand may be used (perhaps, for example, because there is sufficient time to invoke them, the demand reduction level required is 'significant', there is a desire to maintain supplies to protected customers etc., etc.,); then there is little, if any, need to obtain cover as the P199 proposed methodology will not apply.

This, for example, might be the case if as a Supplier whose customer base is predominately made up of those types of customer listed in 7 above, and you felt that Government action, as outlined in 7, could be taken in preference to OC6.1.2 (c), (d) and (e) "Demand Control".

Fourth, 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 to undertake Automatic Low Frequency Demand Disconnection failed to operate as intended.

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 the day after the Grid Code OC6.1.2 (d) action was taken by the LDSO (which then, according to P199, 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.

Fifth, we note the comment in section 3.2.1.1 of the Assessment Consultation 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. of the Assessment Consultation.

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).

In the light of this we also have serious doubts that a 'Targeted Volume

Allocation' can be realistically achieved (in a meaningful timescale) as it seems (given the issuing surround the provision of data by LDSOs) 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.

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?

Furthermore, noting the comment in the last paragraph of section 3.3 (of the Assessment Consultation) 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.

Sixth 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.

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 known to degrade over time. Therefore the more settlement periods that OC6.1.2 (c) voltage reduction is in force the less demand reduced can be attributed to OC6.1.2 (c) (as opposed to the numerous other methods of reducing demand noted above).

Q2 Do you agree with the Panel’s views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the Alternative Modification P199 should not be made? Please give rationale.

Yes. We agree with the Panel's provisional view that the Alternative should not be made as we do not believe that P199 Alternative better facilitates the achievement of the Applicable BSC Objectives when compared with the baseline. For the avoidance of doubt we do believe that P199 Alternative is better, when compared with P199 Original, however it is not better overall.

The reasons why we have come to this conclusion were detailed in our comments on the Assessment Consultation, elements of which we repeat here (but would refer the reader to that response for the details) and the for six reasons we give in answer to Q1 above.

Q3 Do you agree with the Panel’s view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposals? Please give rationale.

Following the clarification of the P199 legal text, we do now agree with the Panel's view that the legal text correctly addresses the defect alluded to in the Modification Proposals.

Q4 Do you agree with the Panel’s provisional recommendation concerning the Implementation Date for P199? Please give rationale.

If the Modification Proposal P199 is approved, we agree with the proposed BSC Panel recommendation regarding the timing for the Implementation Date, as outlined in the Modification Report.

Q5 Are there any further comments on P199 that you wish to make?

Yes.

First, whilst we do not believe that P199 Original 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.

Noting, in particular, that those BM Parties that are 'in balance' or 'long' prior to OC6.1.2 (c), (d) and (e) demand reduction will have purchased electricity to meet that demand, they will have incurred a cost. However, they will be unable to recover that cost from their customers as the demand of their customers (on which the cost is to be passed through) will, by virtue of OC6.1.2 (c), (d) and (e), have been cut.

What is proposed by P199 is that this electricity should be 'taken' by the SO. Whilst, under P199, this will be 'paid' for by those BM Parties that are deemed to be 'short' none of that money 'paid' will be directly 'paid' to those BM Parties from whom the electricity has been 'taken'. Put another way, we pay for something, someone takes if from us, pays us nothing for it, but sells it on to someone else. This runs counter to natural justice.

Furthermore, we believe that P199 Original may not address the defect as any BM Party who is subject to an OC6.1.2 (c), (d) and (e) related action could potentially be able to make a claim for compensation (by virtue of Article 1 of the First Protocol of the European Convention on Human Rights) based on a lack of recompense. This matter is explored in much more detail in the P173 Modification Report, which we direct the reader to.

Second, with respect to P199 Original and Alternative, 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 OC 6.1.2 (c), (d) and (e) 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, considered by Government to be vital to the safety and security of our economy and nation. This would not be the case with actions taken under OC6.1.2 (c), (d) and (e) as OC6.1.5 specifically excludes any such protection for such designated priority users.

We note that this would not preclude (for example, if the volume of ESEC rota disconnection demand reduction was not sufficient) Grid Code OC 6.1.2 (c), (d) and (e) Demand Control action being taken. However, in these circumstances the volume of demand reduction attributed to Grid Code OC 6.1.2 (c), (d) and (e) Demand Control (compared to ESEC rota disconnection) is likely to be small.

Regards

Garth Graham
Scottish and Southern Energy

P199 QUANTIFICATION OF DEMAND CONTROL IN THE BSC AS INSTRUCTED UNDER OC.6 (C), (D) & (E) OF THE GRID CODE 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:	Rob Smith
Company Name:	National Grid
No. of BSC Parties Represented	
Parties Represented	National Grid
No. of Non BSC Parties Represented	
Non Parties represented	
Role of Respondent	Transmission System Operator
Does this response contain confidential information?	No

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Proposed** Modification P199 **should not** be made? Please give rationale.	Yes	As the proposer of this modification we believe, upon reflection, that, although both proposals improve the current base line the alternative modification more fully facilitates the applicable BSC objectives than the original.

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Q	Question	Response Error! Bookmark not defined.	Rationale
2.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Alternative** Modification P199 **should not** be made? Please give rationale.	No	The BSC currently makes no explicit 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. Neither is it accurately reflected in the calculation of NIV in the imbalance price formula. As such, both the volume of a participant's energy imbalance exposure, and the imbalance price at which that account imbalance volume is priced, may not appropriately reflect the state of system imbalance in that period. Participant's imbalance exposure may then not adequately reflect their relative contribution to the state of system imbalance at that time. This in turn will distort the incentive on participants to balance their position and as such this distortion will have implications on security of supply at a time when the system may be under considerable stress. We note that it has been widely acknowledged within the working group and the panel that these distortions constitute a recognised defect. This alternative modification will more appropriately allocate the burden of imbalance to those who contributed to it and more accurately reflect the level of NIV in the imbalance price calculation. Upon reflection we believe that compensation to reflect lost revenue, that does not introduce a windfall gain, is appropriate in these circumstances and as such we believe the alternative modification better facilitates the relevant BSC objectives than the original. Whilst recognising that there is unlikely to be a perfect solution to resolve this identified defect, the solution must be looked at in conjunction with the current base line. Viewed in this regard we believe the solution devised by the modification group, despite the inclusion of an appeals process which is not a component of the modification we would have envisaged, is still an improvement on the current position.

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Q	Question	Response Error! Bookmark not defined.	Rationale
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposals? Please give rationale.	Yes	
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P199? Please give rationale.	No	As the proposed implementation date is not driven by the need to make changes to central systems we are disappointed that it is not seen to be achievable prior to this winter.

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Q	Question	Response Error! Bookmark not defined.	Rationale
5.	Are there any further comments on P199 that you wish to make?	Yes	The nature of this identified defect requires that any solution should rely on the expertise of industry members in the areas of settlement metering and DNO activity as well as System Operation. We, as a Transmission Company, have limited visibility of the activities in some of these areas. As such when raising this modification it was apparent that certain aspects of the solution should be developed in the modification group environment. This would allow the relevant industry expertise to be brought together to produce the most appropriate solution to resolve the defect. To that end the original proposal did not specify explicit solutions in relation to the methodology by which measured DNO physical activity could be mapped on to the commercial settlement of individual participants' energy accounts. Expertise to address this issue would be more readily found in areas other than the Transmission Company. We understand why the working group perceive that the accuracy of the proposed volume allocation methodology necessitated the introduction of an appeals process. However we are unsure that, in practise, the introduction of the described process will add any value or greater accuracy to the process. Our preference would be for the relevant industry experts to further explore a more robust allocation procedure that may provide the industry with the confidence that the proposed allocation methodology does not appear to engender. However, despite our thoughts on the benefits of the introduction of this appeals procedure we believe that both the original and, more so, the alternative better facilitate the applicable BSC Objectives.

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P199 QUANTIFICATION OF DEMAND CONTROL IN THE BSC AS INSTRUCTED UNDER OC.6 (C), (D) & (E) OF THE GRID CODE 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:	*Alastair Barnsley*
Company Name:	E.ON UK Energy Services Limited
No. of BSC Parties Represented	None
Parties Represented	
No. of Non BSC Parties Represented	1
Non Parties represented	E.ON UK Energy Services Limited
Role of Respondent	*Party Agent*
Does this response contain confidential information?	*No*

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Proposed** Modification P199 **should not** be made? Please give rationale.	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 agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Alternative** Modification P199 **should not** be made? Please give rationale.	Yes / No	See response to question 1

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Q	Question	Response	Rationale
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposals? Please give rationale.	Yes / No	See response to question 1
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P199? Please give rationale.	Yes / No	See response to question 1
5.	Are there any further comments on P199 that you wish to make?	No	

Please send your responses by **17:00 on Wed 28 June 2006** to modification.consultations@elexon.co.uk and please entitle your email 'P199 **Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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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	0
Non Parties represented	0
Role of Respondent	Supplier/Generator/ Trader/Distributor
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Proposed** Modification P199 **should not** be made? Please give rationale.	Yes	We agree with the Panel that including the Total Demand Control Volume in the Buy Stack would improve the calculated size and direction of NIV (thus better facilitating Objective B), and that it is completely unreasonable that an affected party is not remunerated for the Demand Control Volume that is allocated to it. This could have potentially severe financial impacts on an affected party. We also agree that an Appeals Process would add significant complexity to the BSC.

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Q	Question	Response	Rationale
2.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Alternative** Modification P199 **should not** be made? Please give rationale.	Yes	Although EDF Energy supports the concept of a payment to affected parties for their Demand Control Volume, we believe that the inclusion of a potentially very costly Reallocation Claims process is detrimental to the efficiency of the BSC arrangements (Objective D). Previous experience of Appeals Processes in the BSC suggests that the resultant costs can be significant.
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposals? Please give rationale.	Yes	
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P199? Please give rationale.	Yes	As some BSC Parties are unable to make the necessary system changes in time for this Winter, it seems prudent that any implementation date takes account of this.
5.	Are there any further comments on P199 that you wish to make?	Yes	We believe that there is a current defect in the BSC in that it does not provide a sufficient mechanism for dealing with Demand Control situations, and that the Proposed and Alternative Modifications do not sufficiently rectify this. It may therefore be appropriate to consider the defect in more detail as part of an Issues Group (as suggested by a Panel Member). Further, although outside the scope of the BSC, we note that the current provisions within the Grid Code for dealing with demand control are unclear and we would welcome any improvements to this.

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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	0
Non Parties represented	n/a
Role of Respondent	Supplier / Generator / Trader / Consolidator / Exemptable Generator/Distributor
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Proposed** Modification P199 **should not** be made? Please give rationale.	Yes	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.

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Q	Question	Response	Rationale
			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. P199 Proposed SHOULD NOT be made
2.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Alternative** Modification P199 **should not** be made? Please give rationale.	Yes	ScottishPower also do not believe P199 Alternative would better achieve the Applicable BSC Objectives compared with the current Baseline broadly for the same reasons given above. While the Alternative offers 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. P199 Alternative SHOULD NOT be made
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposals? Please give rationale.	Yes	ScottishPower agree with the Mod Groups decision that the legal text correctly addresses the issue identified in the Mod.
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P199? Please give rationale.	Yes	The February 2007 release would allow ScottishPower time to fully develop and test all required system and process changes ahead of implementation. This would be in line with our requested 6 month notice period.
5.	Are there any further comments on P199 that you wish to make?	No	

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Respondent:	Merel van der Neut Kolfschoten
Company Name:	British Gas Trading (BGT)
No. of BSC Parties Represented	1
Parties Represented	BGT
No. of Non BSC Parties Represented	
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 / Distributor / other – please state [1])*
Does this response contain confidential information?	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
1.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Proposed** Modification P199 **should not** be made? Please give rationale.	**Yes**	BGT agree with the Panel that the Proposed Modification P199 should not be approved. BGT believe that: - the Proposed Modification will have negligible impact on the incentives for parties to balance their positions; - there are serious concerns with regard to the accuracy of Demand Control Volume calculation and allocation; - the Proposed Modification adds further complexity and costs to the Trading Arrangements; - affected Parties should be compensated for the impact of a demand control event.
2.	Do you agree with the Panel's views on P199 and the provisional recommendation to the Authority contained in the draft Modification Report that the **Alternative** Modification P199 **should not** be made? Please give rationale.	**Yes**	BGT agree with the Panel that the Alternative Modification P199 should not be approved. As mentioned above, the Proposed Modification raises a number of key issues. The Alternative Modification addresses only one of these issues.
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposals? Please give rationale.	**Yes**	Notwithstanding the fact that BGT do not support the (Alternative) Modification, the legal text appears to be appropriate.
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P199? Please give rationale.	**Yes**	Notwithstanding the fact that BGT do not support the (Alternative) Modification, the implementation date appears to be appropriate.
5.	Are there any further comments on P199 that you wish to make?	**No**	

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