

Responses from P195 Urgent Modification

Consultation Issued 14 October 2005

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	Uskmouth Power Limited	P195_dMR_001	1	0
2.	International Power- Mitsui	P195_dMR_002	5	0
3.	National Grid Electricity Transmission plc	P195_dMR_003	1	0
4.	BP Gas Marketing Ltd	P195_dMR_004	1	0
5.	E.ON UK	P195_dMR_005	15	0
6.	RWE Trading	P195_dMR_006	10	0
7.	British Gas Trading	P195_dMR_007	1	0
8.	Gaz de France ESS	P195_dMR_008	1	0
9.	Slough Heat and Power	P195_dMR_009	1	0
10.	Scottish and Southern	P195_dMR_010	5	0
11.	Chemical Industries Association	P195_dMR_011	0	1
12.	British Energy	P195_dMR_012	5	0
13.	Scottish Power	P195_dMR_013	6	0
14.	EDF Energy *	P195_dMR_014	9	0
15.	Intergen(UK)Ltd	P195_dMR_015	4	4

* Late response

P195 URGENT MODIFICATION 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:	Sam Murray
Company Name:	Uskmouth Power Limited
No. of BSC Parties Represented	1
Parties Represented	Uskmouth Power Limited
No. of Non BSC Parties Represented (e.g. Agents)	/0
Non Parties represented	
Role of Respondent	Generator

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	<p>Competition – this modification is detrimental to competition as it allows for discriminatory treatment of one type of generating technology over all others. There is no rational for treating CCGT's differently from any other plant capable of some form of fuel switching.</p> <p>Efficient Operation – the modification encourages the inefficient maintenance and operation of these CCGT plants. It is also probable that it will result in less efficient balancing as CCGTs who can fire on distillate will be encourage to start up even if their reliability is very low, which at time of system stress seems likely to lead to less efficient operation of the system and possibly even worsen the security of supplies. The impact will therefore be likely to undermine the efficient operation of the transmission network and the role of the system operator.</p>

Q	Question	Response	Rationale
2.	<p>Do you believe any of the potential alternatives identified by the Group should be progressed further?</p> <p>a) The Modification should only apply to firm gas supplies</p> <p>b) The Modification should only apply in emergency situations</p> <p>c) The claim should take into account avoidable costs</p> <p>d) The Modification should include any generator that can switch from gas to another fuel</p> <p>Please give rationale.</p>	<p>a) No</p> <p>b) No</p> <p>c) No</p> <p>d) No</p>	<p>The choice to have interruptible gas supplies is a commercial decisions and the rewards available must be worth while for the generator to have agreed to be interruptible. The first alternative suggests that the interruption of firm generators should be recompensed by the electricity market when it will also be compensated in the gas market. Where interruption results in the generator being able to make a claim against the gas market rules it should not also be given the opportunity to claim in the power market. Such double counting of compensation puts the gas fired generators in a position of potentially receiving compensation in two markets. (We note the intention of the modification is to hold the generator "neutral", but the mechanism does have knock on effects in the rest of the market).</p> <p>In the case of emergency situations, Uskmouth believes that in emergency situations a different set of compensation rules should apply as the majority of energy market participants are likely to be operating under instructions from the Secretary of State. It is therefore unnecessary to provide and form of "incentive" as the instruction to generate will be a legal requirement. The emergency arrangements in both markets do offer ex-post compensation arrangements and these should be left as they are.</p> <p>Uskmouth has concerns about the whole claims process and does not therefore feel that it is worth spending more time defining the actual amounts/costs that could be claimed. The process looks very bureaucratic and were the modification to be made we would leave it with the "experts" to judge what the size of a reasonable claim was. Anything that narrows down the scope of the Panel's deliberations is likely to add complexity rather than clarity.</p> <p>Uskmouth believes that generators own economic decisions to develop the capacity to dual-fire fuels of any type should not incur additional benefits funded by the industry as a whole (through RCRC).</p>

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	No	
4.	Do you believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale	No	At times of system stress it does not seem to make any sense to encourage plant that is apparently unreliable to try and switch to back up fuels. By raising this modification SSE has indicated that it believes that its plant is not robust when fuel switching. It is therefore likely that it will not achieve the operating pattern that it has submitted to NG. Where it believes that it is going to switch fuels (we note probabilities of interruption are provided by Transco) it would be better if the plant reduced its FPN and if it did achieved higher output could spill power onto the system. Electricity system warnings are relevant to generators when looking to make plant available, but should not provide signals about fuel switching to unreliable plant.
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale	Yes	This process must be undertaken as quickly as possible due to the impact on other players.
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	A generator should know that its gas supplies are to be interrupted within the normal period for gate closure. We therefore believe that they should nominate down their plant while they switch flues to limit their exposure to imbalance prices. If they achieve higher operational levels they are free to spill power on to the system, which assuming the system is under stress, they would expect to be paid for. The moment that they have achieved "normal" operation they will be able to nominate their output back up. The neutrality window should be as short as possible if the efficient maintenance of the plant is to be encouraged.

Q	Question	Response	Rationale
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	Yes	The generator (defined by parent company) should be able to use the process no more than 3 times. If this is available indefinitely there is a risk of spiralling costs (the disputes will take more time and effort than expected), inefficient cash-out for all parties (as the costs are not being correctly targets) and incentives on the generators not to maintain their plant to make it reliable when fuel switching.
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale		3 – see above
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale		Parent Company – there are a number of generators with a lot of BSC “party” registrants. As the incentives relate to plant maintenance, we feel that the limit must be by parent company so as to encourage companies to maintain all their plants. This would also create a level playing field between the party that owns one CCGT capable of switch and the company that owns 5.
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	Yes	Uskmouth assumes that the Panel will discharge its responsibilities to a group of experts. By keeping it internal to the BSC processes the costs should be reduced. However, if claims prove to be lengthy then it is likely that Elexon staff will carry out most of the work and Elexon’s costs must be paid by the party accordingly.
11.	Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	Uskmouth believes that the Fuel Security Code is a robust document that should serve the interests of customers at times of system emergency. As mentioned above, it is likely that the Fuel Security Code will require generators to generate at time of emergency and they will get paid accordingly. This modification simply creates a distortion within the terms of “normal” market operation.

Q	Question	Response	Rationale
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed? Please give rationale	Yes	<p>With the ex-post claims process and the creation of a sort of balancing tolerance for some generators, Uskmouth has concerns about the impact on NG's ability to balance the system with "unreliable" generators declaring availability but then not running at expected levels. We would like to know what impact this may have on the use of ancillary services contract by NG and if this will add to the overall level of balancing costs.</p> <p>Furthermore Uskmouth believes it maybe necessary to flag to the rest of the market that plant is switching so that they know that there is greater probability that the SO will be either using ancillary services or taking more energy from the balancing mechanism. Would it be possible for the system warnings to accompanied by warnings about plant switching? With NG as the SO and TO in both the gas and power markets we assume that they readily have the information available. As the CCGT stations do not have the same balancing risk as all other plants we would assume that they do not have the same concerns about commercial confidentiality as other generators may.</p> <p>Such flagging may serve to reassure the market that not all CCGT plant with fuel switching capability is unreliable, but equally it will allow parties to monitor the plant performance and importantly any related impact on the electricity market as a whole.</p>
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes / No	Do not seem to have seen the text.
14.	Are there any further comments on P195 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 **Noon on Friday 21 October 2005** to modification.consultations@elexon.co.uk and please entitle your email 'P195 **Urgent Modification 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 Katie Key on 020 7380 4376, email address katie-ann.key@elexon.co.uk.

P195 URGENT MODIFICATION 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:	<i>Libby Glazebrook</i>
Company Name:	<i>International Power- Mitsui</i>
No. of BSC Parties Represented	<i>5</i>
Parties Represented	<i>First Hydro, Deeside Power Development Company Ltd, Rugeley Power Ltd, Derwent Cogeneration Ltd and Saltend Cogeneration Company Ltd</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>None</i>
Non Parties represented	
Role of Respondent	Generator

Q	Question	Response	Rationale
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Q	Question	Response	Rationale
1.	<p>Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s)</p>	No	<p>The modification does not improve security of supply as it reduces incentives to switch smoothly between fuels. It may encourage switching at times of system stress as there will be no imbalance exposure. It does not therefore better facilitate objective b</p> <p>Neither does the mod promote competition in the sale or purchase of electricity (objective c). The mod only applies to CCGT plant switching to distillate and not to other generators switching fuels or to other circumstances such as the switching of ancillary equipment (e.g. busbars). However, we would not support an alternative that did expand the scope of the mod to other kinds of plant. Generators that fail to meet their intended load levels should be required to trade out their positions and/or face imbalance exposure. The introduction of this modification would disincentivise investment in reliable switching facilities and discriminate against those sites that had invested and maintained such plant.</p> <p>The exact details of how claims would be made have not been fully detailed as there is much scope for interpretation on a case by case basis. This could prove costly, the mod therefore does not promote efficiency in the implementation and administration of the balancing and settlement arrangements (objective d)</p>
2.	<p>Do you believe any of the potential alternatives identified by the Group should be progressed further?</p> <p>a) The Modification should only apply to firm gas supplies</p> <p>b) The Modification should only apply in emergency situations</p> <p>c) The claim should take into account avoidable costs</p> <p>d) The Modification should include any generator that can switch from gas to another fuel</p> <p>Please give rationale.</p>	<p>a) No</p> <p>b) No</p> <p>c) No</p> <p>d) No</p>	<p>No to all of these, switching fuels is a commercial decision, the risk should be factored into the price.</p>

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	No	
4.	Do you believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale	No	National Grid has stated that it would not issue an emergency instruction to switch fuels. There is no obligation to switch fuels when a NISM is issued, this would be a commercial decision. Neither of these triggers is therefore necessary.
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale	Yes	
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	Failure to meet intended load levels should be treated in the same way as the proposals for plant trip i.e. held neutral until it is first possible to trade out the position
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	Yes	Ability to fuel switch should improve with practice. If there is no limit on claims, there is no incentive for smooth switching between fuels.
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale		Twice. This will provide a sufficient learning opportunity.
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale	Party	Party as the lessons learned should be transferable between BM units.

Q	Question	Response	Rationale
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	Yes	This will reduce the costs to other BSC parties
11.	Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	Although this Code is currently under review, we would not anticipate any changes to the FSC to alter our views on P195. It is inconsistent with the market design principles, providing selective immunity from imbalance charges.
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed? Please give rationale	No	
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes / No	
14.	Are there any further comments on P195 that you wish to make?	No	
15.	Do you believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period i.e. if it reduces its gas usage by switching between gas and distillate several times? Note that the legal text currently does not allow this (section 6.1.3(b)) Please give rationale.	No	Again, fuel switching is a commercial decision

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Respondent:	<i>Guy Phillips</i>
Company Name:	<i>National Grid Electricity Transmission plc</i>
No. of BSC Parties Represented	<i>One</i>
Parties Represented	<i>National Grid Electricity Transmission plc</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>Zero</i>
Non Parties represented	<i>None</i>
Role of Respondent	<i>Other – Transmission Company</i>

Q	Question	Response	Rationale
		Error! Bookmark not defined.	

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	<p>Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s)</p>	No	<p>In respect of a) the efficient discharge by the licensee (the Transmission Company) of the obligations imposed upon it by this licence (the Transmission Licence) and b) the efficient, economic and co-ordinated operation of the GB transmission system; it is our view that the proposed Modification does not better facilitate these objectives. This is because it is our view that the Modification Proposal undermines the fundamental principle and incentive on market participants to balance.</p> <p>In respect of 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; it is our view that the proposed Modification does not better facilitate this objective. The effect of the Modification Proposal would be to distort the operation of the market, potentially at times when the market signals are such that generation should be encouraged to run, taking advantage of high electricity prices at peak winter periods. A generator should not benefit from the market price whilst being held free of imbalance cashout in the event that it fails to meet its contract position. The risk to the generator of not meeting its position should be reflected in its Bid or Offer price. The limitation on the class of generators that can benefit, the avoided costs of both investment in reliable plant capable of switching fuels and reduced fuel costs derived from an interruptible gas contract are such that CCGT with distillate capability are placed in a potentially advantageous market position.</p>

Q	Question	Response Error! Bookmark not defined.	Rationale
2.	<p>Do you believe any of the potential alternatives identified by the Group should be progressed further?</p> <p>a) The Modification should only apply to firm gas supplies</p> <p>b) The Modification should only apply in emergency situations</p> <p>c) The claim should take into account avoidable costs</p> <p>d) The Modification should include any generator that can switch from gas to another fuel</p> <p>Please give rationale.</p>	<p>a) No</p> <p>b) No</p> <p>c) No</p> <p>d) No</p>	<p>a) We do not believe that limiting the applicability to those CCGT with firm gas supplies improves the Modification Proposal. This is because it is our view that a CCGT with a firm gas supply is less likely to have distillate back up fuel. Where it has a firm gas connection but has accepted an interruptible gas supply contract it is the generator's commercial decision to have done so. In this case where it has distillate back up fuel should its gas supply be interrupted under its gas supply contract, not as a result of a transportation constraint or emergency, then this circumstance is already allowed for within the original Modification Proposal as one of the 'trigger' events.</p> <p>b) Recognising the increasing interaction between the gas and electricity markets, we do not believe that the BSC alone is the appropriate route for addressing issues arising from cross market emergencies.</p> <p>c) We do not think the claim should take in to account avoided costs for the reasons given in response to question 1. In certain cases should the avoided costs be taken in to account it is difficult to see how a claim could be successful given the 'reasonable and prudent operator' aspect to the test.</p> <p>d) We do not think that an alternative on this point should be considered further because of the potential to widen the effect that it would have on the fundamental incentive for market participants to balance.</p>
3.	<p>Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered?</p> <p>Please give rationale</p>	No	We do not believe that there are any suitable alternatives in addition to those that have been specified in the Consultation.

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
4.	Do you believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale	No	We do not think that it is appropriate to have the electricity triggers as a justification for a claim. In the case of a Notice of Insufficient System Margin then this is an indication to the market that the System Operator does not at time of issue expect to have sufficient operating margin to meet reserve requirements to cover unexpected plant loss, plant shortfall or demand forecast uncertainty. As is noted in the consultation, this is not an instruction to CCGT BMUs to switch from one fuel type to another. Further, it does not seem appropriate that a CCGT would undertake the potentially risky action of a fuel switch, which could result in the loss of the plant, at times of system stress on the electricity system. Should it be included in the final Modification it would seem to fail on the grounds of the action of a reasonable and prudent operator. An Emergency Instruction only relates to the output from a generator. Currently, the Emergency Instruction will not specify the fuel to be used to achieve the output. How the generator achieves the level of output is a matter for the generator.
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale	Yes	There should be strong emphasis on a claimant to lodge its claim as quickly as possible. National Grid does not believe that it is appropriate that it should hold any record for logging Notifications of Claims as it does not see the need for it to be involved in generators claims under P195.
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	The period of neutrality should be for no more than the Balancing Mechanism window, three settlement periods, to allow the generator to recover its position.

Q	Question	Response Error! Bookmark not defined.	Rationale
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	No	The Modification Proposal suggests that each time a switch is made there is potential for a claim to be made.
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale		
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale	BM Unit / Party	
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	Yes	The Panel has the ability to appoint an expert to act on its behalf. If an independent body was used the administrative cost of assessing the claims could increase.
11.	Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	The potential developments to the FSC does not affect our view of the Modification Proposal because the FSC provisions relate to generators being instructed to switch fuel, rather than making a commercial decision to switch themselves, hence the circumstances are very different. In any case the DTI have made it clear that they would like to see a FS period managed within the context of the normal market arrangements and as such it is important that normal market drivers and incentives continue to be in place.
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed? Please give rationale	No	No additional comment to make.

Q	Question	Response Error! Bookmark not defined.	Rationale
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	No additional comment to make with the exception of the response to question 15 below.
14.	Are there any further comments on P195 that you wish to make?	No	
15.	Do you believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period i.e. if it reduces its gas usage by switching between gas and distillate several times? Note that the legal text currently does not allow this (section 6.1.3(b)) Please give rationale.	No	Following the Modification Proposal, this circumstance would apply as the restoration to the former fuel type following a switch is intended to be included as a trigger. Switching back to gas, when it is capable of doing so, is a commercial decision for the generator. The CCGT is seeking to utilise cheaper fuel whilst not being exposed to the risk arising from the reliability of its plant to effectively switch. If it subsequently switches back from gas to distillate as a result of an instruction under emergency conditions on the gas network then this would constitute a separate switching event.

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Respondent:	<i>Andrew Pearce</i>
Company Name:	<i>BP Gas Marketing Ltd</i>
No. of BSC Parties Represented	<i>1</i>
Parties Represented	<i>BP Gas Marketing Ltd</i>
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>Trader</i>

Q	Question	Response	Rationale
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Q	Question	Response	Rationale
1.	<p>Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s)</p>	No	<p>We agree with the majority of the Modification Group that this will not better facilitate any of the Applicable BSC Objectives:</p> <p>b) Efficient operation of the transmission system</p> <ul style="list-style-type: none"> • Mitigation of exposure to imbalance cashout for these parties will not give the appropriate incentives to robust maintenance of their systems, making failure more likely. • In the period following failure, the incentive to recover quickly will be dampened. • Security of supply will not be affected either way. In the current arrangements, there is no incentive to withdraw from the market rather than switch fuels because the price of replacing the generation by buying out of the market to fulfil contracts will be too high at times of stress. The only way to avoid this distress is to not contract (i.e. to spill energy and take SSP) – in such a strategy there is no disincentive to fuel-switching when expected prices will be high anyway, especially if the switched generation could be offered into the BM. <p>c) Effective competition</p> <ul style="list-style-type: none"> • The proposal is for a cross-subsidy from generators with other fuel types to a class of CCGT that has chosen interruptible fuel contracts for commercial advantage. • There is no evidence that such generators are unduly disadvantaged by the operation of the market at present. When the Authority rejected Modification P95, it did not accept the proposition that small generators were disadvantaged by lack of ability of such parties to trade out of imbalance despite evidence presented of low liquidity in traded markets, so it would be bizarre to believe that larger generators require a cross-subsidy so that they do not have to trade out of a similar commercial position.

Q	Question	Response	Rationale
2.	Do you believe any of the potential alternatives identified by the Group should be progressed further? a) The Modification should only apply to firm gas supplies b) The Modification should only apply in emergency situations c) The claim should take into account avoidable costs d) The Modification should include any generator that can switch from gas to another fuel Please give rationale.	a) No b) No c) No d) No	a) All generators must make provision to secure their fuel supplies and this applies to CCGTs whether firm or interruptible. To make a different provision for a class of generator is discriminatory. b) All parties will be exposed to high SBP in an emergency (whether on the gas supply or the electricity system. There should not be discrimination in favour of one class of market participant who must endeavour to respond as best they can to the emergency regardless of commercial consequences under both the grid code and the UNC so there is no security of supply advantage to this discrimination. c) There seems no case for a claim whether for avoidable cost or otherwise. d) There seems no case for the proposal, let alone for extending it.
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 believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale	No	All parties are potentially exposed to these electricity system triggers. There seems no case for favouring particular parties who have every incentive to respond commercially by attempting to maximise output.
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale	Yes	All claims should be made as soon as possible to reduce the uncertainty as to the extent of exposure faced by the rest of the market due to any claim being made.
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	Generators such as windfarms must face the commercial consequences of load uncertainty and must contract accordingly; the same should apply to CCGTs.

Q	Question	Response	Rationale
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	Yes	As the proposal is not justified then the limit should be zero.
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale		None
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale	BM Unit / Party	
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	Yes	If the industry is forced down this route then the cost should be kept to a minimum.
11.	Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	This is a bad proposal. When the Fuel Security Code is changed then the BSC must be reviewed to ensure that, if FSC provisions are invoked, the minimum distortion and cross-subsidy will result.

Q	Question	Response	Rationale
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed? Please give rationale	Yes	<p>The proposal is open to gaming by a contract to instigate commercial interruption at times of high pricing within the power market as a means of protection from trip risk and or a means to increase cashout and therefore influencing the forward market. The commercial contract framework could be structured to include two or more layers of contracts with different aims. What would preclude a commercial interruption clause with a 2 hour call duration with a minimum interval between calls of 1 minute and was called consecutively thereby structuring no imbalance risk on the whole period the CCGT is running on distillate.</p> <p>The lack of exposure to the balancing market for a portfolio player will also create opportunities for gaming whereby the incentive would be to increase the offer prices within the balancing market on any spare capacity surrounding the times of a trip probability through interruption.</p>
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes / No	
14.	Are there any further comments on P195 that you wish to make?	Yes	The resulting price exposure would presumably be passed through in BSUoS (the exact pricing mechanism for settlements is undefined) thereby creating a cross subsidy between the gas and power markets.

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 **Noon on Friday 21 October 2005** to modification.consultations@elexon.co.uk and please entitle your email 'P195 **Urgent Modification 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 Katie Key on 020 7380 4376, email address katie-ann.key@elexon.co.uk.

P195 URGENT MODIFICATION CONSULTATION

Respondent:	E.ON UK
Company Name:	
No. of BSC Parties Represented	15
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 and Ownlabel Energy.
No. of Non BSC Parties Represented (e.g. Agents)	N/A
Non Parties represented	N/A
Role of Respondent	Supplier, Generator, Trader, Consolidator & Exemptable Generator

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	<p>Objective c) promoting competition</p> <p>Limiting the imbalance exposure for a limited subset of generating plant discriminates against other types of plant, which is detrimental to competition. At times of system stress it is likely that other generating plant will be required to generate as much as they can, which could increase the likelihood of tripping too. However, this plant would be fully exposed to the cash-out price.</p> <p>This discrimination effect is exacerbated by the proposition that this arrangement would cover interruptible contracts. Interruptible generators have chosen such contracts in order to obtain favourable terms for access to the system. This is their commercial decision which should have been taken considering the potential downside too, such as imbalance risk. To subsequently remove this risk, underwritten by other generators as well as suppliers, would result in a cross subsidy which would further undermine competition.</p>

Q	Question	Response	Rationale
			<p>Objective b) Efficient operation of the transmission system</p> <p>The cash-out price <u>is</u> the incentive for the generator to generate. If it does not generate and has not been able to procure a contract from elsewhere to cover the shortfall, as would be likely during a period of shortage, then it will be exposed to the full cost of its subsequent imbalance. Generating, even at the risk of a trip, would have the potential to reduce this exposure. Therefore, minimising the exposure through the adjustment proposed in this modification would reduce the incentive to generate to do so.</p> <p>The modification would also reduce the incentive on the generator to improve its switching process so that it is more reliable. Additionally, the proposal requires the Panel to set an appropriate time within which a generator should be able to successfully switch fuels (see 6.4.4(b) of the legal drafting). Therefore, the incentive on the generator to maximise the speed of the switching process is also reduced as it only has to meet the time set by the Panel.</p>
2.	<p>Do you believe any of the potential alternatives identified by the Group should be progressed further?</p> <p>a) The Modification should only apply to firm gas supplies</p> <p>b) The Modification should only apply in emergency situations</p> <p>c) The claim should take into account avoidable costs</p> <p>d) The Modification should include any generator that can switch from gas to another fuel</p> <p>Please give rationale.</p>	<p>a) No</p> <p>b) No</p> <p>c) No</p> <p>d) No</p>	<p>All alternatives reduce the incentive to balance in these circumstances.</p> <p>a) This would still result in discrimination against plant of other fuel types.</p> <p>b) Different types of emergency situation can exist. Interruptible gas contracts are used to balance the system at times of stress and could be caught within this definition. It would still discriminate against plant of other fuel types.</p> <p>c) There should be no claim.</p> <p>d) This would still result in discrimination against plant of other fuel types.</p>

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	No	We do not believe a solution is necessary.
4.	Do you believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale	No	We cannot see why these triggers would require you to use distillate, other than as a commercial choice, unless it was as part of a fuel security period. In those circumstances the Fuel Security Code should provide for any relevant compensation.
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale	Yes	If this were implemented, then there should be a strict timescale under which the Party can make a claim. Otherwise, other industry Parties, who would be affected by the claim, would be exposed to further uncertainty.
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	No	This is either an appropriate modification to make or it is not. A limit on usage would imply that it is actually inappropriate, but may be tolerated if used sparingly.
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale	n/a	
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale	n/a	

Q	Question	Response	Rationale
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	Yes	It would be useful to be able to delegate to an appropriate authority so that the relevant expertise can be assured to make such a technical assessment. However, the ultimate responsibility should rest with the Panel.
11.	Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	The Fuel Security Code could affect plant of a number of fuel types. It is still not appropriate to introduce a solution which solely benefits one type of generator.
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed? Please give rationale	Yes	Although an issue for the gas market and not the BSC, limiting the cash-out exposure for distillate plant in this way would undermine the incentives for such plant to seek other backup options such as the procurement of gas storage capacity.
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	The legal text would appear to deliver the modification outlined by the proposer. We do not agree that a defect exists though.
14.	Are there any further comments on P195 that you wish to make?	No	
15.	Do you believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period i.e. if it reduces its gas usage by switching between gas and distillate several times? Note that the legal text currently does not allow this (section 6.1.3(b)) Please give rationale.	No	This is an inappropriate modification to implement regardless of whether a generator is switching from gas to distillate, or from distillate to gas.

P195 URGENT MODIFICATION 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:	<i>Name Bill Reed</i>
Company Name:	<i>RWE Trading</i>
No. of BSC Parties Represented	<i>10</i>
Parties Represented	<i>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</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>None</i>
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>(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</i>

Q	Question	Response ¹	Rationale
1.	Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	P195 would reduce the incentive to contract forwards for parties with CCGTs that are capable of operation on distillate to the detriment of Objective (C). The proposal would also reduce the incentive to invest in reliability of switching with consequent effects on security of supply and therefore impact on Objective (b). In addition, the proposed claims process will significantly increase the administrative burden on Elexon and BSC parties with consequent impact on Objective (d).

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

Q	Question	Response ¹	Rationale
2.	Do you believe any of the potential alternatives identified by the Group should be progressed further? a) The Modification should only apply to firm gas supplies b) The Modification should only apply in emergency situations c) The claim should take into account avoidable costs d) The Modification should include any generator that can switch from gas to another fuel Please give rationale.	a) Yes b) No c) No d) No	There may be merit in considering an option that applies to CCGT plant with firm gas connections that are exclusively interrupted in Stage 3 of a Gas Emergency (i.e. an interruption of a firm gas connection by the NEC).
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 believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale	No	Although the modification allows for CCGT distillate switching in an electricity emergency, the circumstances when such an event would occur appear limited. Furthermore, switching of unreliable plant during an electricity emergency may create security of supply concerns in the electricity market.
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale	Yes	This approach appears sensible.
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	Exposure to electricity imbalance costs provides the strongest incentive to return to the PN.

Q	Question	Response ¹	Rationale
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	No	The modification envisages that it should apply to each event without any limits.
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale		
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale	BM Unit / Party	
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	Yes	This approach appears sensible and there is no obvious alternative approach towards claims.
11.	Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed? Please give rationale	No	
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	We have had a limited opportunity to review the legal text. We believe that a clear definition of "distillate" is required.
14.	Are there any further comments on P195 that you wish to make?	No	

Q	Question	Response ¹	Rationale
15.	Do you believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period i.e. if it reduces its gas usage by switching between gas and distillate several times? Note that the legal text currently does not allow this (section 6.1.3(b)) Please give rationale.	No	"Multiple switching" between fuels could be used as a means of avoiding exposure for a duration longer than that envisaged for a single switch.

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Any queries on the content of the consultation pro-forma should be addressed to Katie Key on 020 7380 4376, email address katie-ann.key@elexon.co.uk.

P195 URGENT MODIFICATION 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:	<i>Danielle Lane</i>
Company Name:	<i>British Gas Trading</i>
No. of BSC Parties Represented	
Parties Represented	
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 P195 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	<p>We do not support this modification proposal.</p> <ol style="list-style-type: none"> 1) This intent of the modification proposal appears to be to try to aid system security in the event of a shortage in either the gas or electricity markets. However, we do not believe that the Modification better facilitates the achievement of BSC objectives in relation to the electricity transmission system as it removes the incentive on some generators to maintain reliable plant that does not trip whilst switching fuel. Indeed, it could potentially reduce system security by encouraging dual fuelled plant to switch fuels at times of electricity system stress increasing the risk of further short falls in power. Particularly at times of electricity system stress, it is vital that parties remain incentivised through exposure to imbalance cash-out prices and not held neutral. 2) Furthermore, we do not believe this proposal would improve system security in the gas market. It is for a Shipper to respond to commercial and operational signals in the gas market. The market arrangements in place in the UNC provide for interruption of gas supply to large loads specifically for this reason. If a CCGT agrees to an interruptible gas transportation or supply (including self-supply) contract then it is making a commercial decision to accept a higher level of risk than a CCGT that signs firm contracts. It is not the place of the BSC and BSC parties to underwrite this risk for the interruptible CCGT and to do so would distort market mechanisms in the gas market. 3) The proposal unduly discriminates in favour of gas fired power stations that can choose to run on distillate fuel stocks. The facility to do this is a commercial decision taken by the generator and the generator should not be protected from market risk by making this choice. 4) The proposal introduces further discrimination by only allowing interruption by non-affiliated shippers to apply as a qualifying criterion. In order to properly meet the intent of an emergency situation the modification proposal could only be limited to interruption by a gas transporter. 5) The risk of tripping is faced by all generation and it is not appropriate that a small sector of the market is protected from cashout exposure. To do so increases costs to the rest of the market as it will be exposed to the costs associated with NG taking action to make up shortfall in energy. 6) Should this proposal be implemented we believe it will cause additional cost and administrative burden to the BSCCo and the industry. Experience of the PNE process shows that claims such as these, and the processes associated with them, add significant additional cost to the industry.

Q	Question	Response	Rationale
2.	<p>Do you believe any of the potential alternatives identified by the Group should be progressed further?</p> <p>a) The Modification should only apply to firm gas supplies</p> <p>b) The Modification should only apply in emergency situations</p> <p>c) The claim should take into account avoidable costs</p> <p>d) The Modification should include any generator that can switch from gas to another fuel</p> <p>Please give rationale.</p>	<p>a) No</p> <p>b) No</p> <p>c) No</p> <p>d) No</p>	<p>We do not believe that there are any alternatives that would improve this modification proposal sufficiently to better facilitate the applicable BSC objectives.</p>
3.	<p>Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered?</p> <p>Please give rationale</p>	No	
4.	<p>Do you believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification?</p> <p>Please give rationale</p>	No	<p>A system warning alerts the industry to a tight system margin. It is difficult to see how this modification proposal will positively impact the system margin as it will allow a generator with a high risk of trip to switch fuels at a time when all available generation is required on the system.</p> <p>This applies equally to a response to an Emergency Instruction. They system operator is expecting the delivery of a volume of energy. If the CCGT switches fuel in response to an Emergency Instruction, trips and fails to deliver that energy then it is perverse that it should be held neutral from the consequences of this action.</p>

Q	Question	Response	Rationale
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale		Notwithstanding our lack of support for this proposal, should the relevant modification be made, we agree that an initial notification should be made within 1 Business Day. 10 Business Days is also reasonable for an actual claim to be made.
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	We do not support this modification proposal.
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	Yes	If this proposal is implemented, the Party should be restricted to a single claim during the period. To make any claims over an above this must surely fail the reasonable and prudent operator test.

Q	Question	Response	Rationale
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale		One
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale	BM Unit / Party	A Party.
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	Yes	The costs associated with this proposal must be kept as low as possible and the appointment of an independent body would only add to cost.
11.	Would your views on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	The BSC already contains provisions (Sec. XXX) dealing with imbalance prices in a Fuel Security Period under the FSC.
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed? Please give rationale	No	
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	

Q	Question	Response	Rationale
14.	Are there any further comments on P195 that you wish to make?	No	
15.	Do you believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period i.e. if it reduces its gas usage by switching between gas and distillate several times? Note that the legal text currently does not allow this (section 6.1.3(b)) Please give rationale.	No	Are comments apply equally to this point.

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Any queries on the content of the consultation pro-forma should be addressed to Katie Key on 020 7380 4376, email address katie-ann.key@elexon.co.uk.

P195 URGENT MODIFICATION 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:	<i>Name</i>
Company Name:	<i>Gaz de France ESS</i>
No. of BSC Parties Represented	<i>1</i>
Parties Represented	
No. of Non BSC Parties Represented (e.g. Agents)	<i>0</i>
Non Parties represented	
Role of Respondent	<i>Supplier/Generator</i>

Q	Question	Response	Rationale
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Q	Question	Response	Rationale
1.	<p>Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s)</p>	No	<p>We cannot find any aspect of this modification proposal to support and find that we are in full accord with the majority of modification group members. We would particularly note the following:</p> <ol style="list-style-type: none"> 1. Should the modification be approved this would introduce an element of discrimination against all participants in the market subject to the imbalance charges arising during the periods for which cashout neutrality would be applied, other than those exempt generators with the capability to switch between gas and distillate. Therefore everyone other than the failing plant pays for the plant trip/failure; 2. There is a duty upon the owners of generation plant to ensure the plant can run in a safe and efficient manner. If the plant were cash neutral whilst switching fuels, then it is likely that owners of CCGTs capable of switching from gas to distillate would chose to wait until such conditions prevail before testing their capability to switch in order to reduce their cash/risk exposure; 3. This modification would reduce the incentive on the affected CCGT owner who has failed to meet their intended load to use the market to trade out their position during the four settlement 'grace' period allowed. <p>We therefore believe that this modification would not better facilitate Applicable BSC Objective (b) 'the efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System'.</p>

Q	Question	Response	Rationale
2.	Do you believe any of the potential alternatives identified by the Group should be progressed further? a) The Modification should only apply to firm gas supplies b) The Modification should only apply in emergency situations c) The claim should take into account avoidable costs d) The Modification should include any generator that can switch from gas to another fuel Please give rationale.	a) No b) No c) No d) No	See answer to question 1 above. We do not support any elements of this modification proposal.
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	See answer to question 1 above. We do not support any elements of this modification proposal.
4.	Do you believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale	No	See answer to question 1 above. We do not support any elements of this modification proposal.
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale	No	See answer to question 1 above. We do not support any elements of this modification proposal.
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	See answer to question 1 above. We do not support any elements of this modification proposal.

Q	Question	Response	Rationale
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	Yes	Yes the limit should be set to zero as we do not believe that this modification proposal should be approved
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale		
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale	BM Unit / Party	
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	No	See answer to question 1 above. We do not support any elements of this modification proposal.
11.	Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	The debate on the Fuel Security Code is not relevant here
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed? Please give rationale	No	
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	No	See answer to question 1 above. We do not support any elements of this modification proposal.

Q	Question	Response	Rationale
14.	Are there any further comments on P195 that you wish to make?	Yes	It appears that the National Grid assumption within their Winter Outlook 2005/6 Report about the expected increased likelihood of gas interruption and the requirement of CCGT plant to switch successfully from gas to distillate has been the trigger to this modification proposal being raised. The proposal highlights genuine concerns about the increased likelihood of gas interruption and significant increase in the requirement of plant to switch fuels. We would expect National Grid, in the light of the concerns raised by the modification proposer, to engage in further dialogue with the owners of this type of plant to verify their assumptions against actual plant experience.
15.	Do you believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period i.e. if it reduces its gas usage by switching between gas and distillate several times? Note that the legal text currently does not allow this (section 6.1.3(b)) Please give rationale.	No	See answer to question 1 above. We do not support any elements of this modification proposal.

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.

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Any queries on the content of the consultation pro-forma should be addressed to Katie Key on 020 7380 4376, email address katie-ann.key@elexon.co.uk.

P195 URGENT MODIFICATION 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:	<i>Wayne Tipping</i>
Company Name:	<i>Slough Heat and Power</i>
No. of BSC Parties Represented	
Parties Represented	<i>Slough Energy Supplies Limited</i>
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	
Role of Respondent	<i>Supplier</i>

Q	Question	Response	Rationale
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Q	Question	Response	Rationale
1.	<p>Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s)</p>	No	<p>We agree with the majority of the Modification Group that this will not better facilitate any of the Applicable BSC Objectives:</p> <p>b) Efficient operation of the transmission system</p> <ul style="list-style-type: none"> • Mitigation of exposure to imbalance cash-out for these parties will not give the appropriate incentives to robust maintenance of their systems, making failure more likely. • In the period following failure, the incentive to recover quickly will be dampened. • Security of supply will not be affected either way. In the current arrangements, there is no incentive to withdraw from the market rather than switch fuels because the price of replacing the generation by buying out of the market to fulfil contracts will be too high at times of stress. The only way to avoid this distress is to not contract (i.e. to spill energy and take SSP) – in such a strategy there is no disincentive to fuel-switching when expected prices will be high anyway, especially if the switched generation could be offered into the BM. <p>c) Effective competition</p> <ul style="list-style-type: none"> • The proposal is for a cross-subsidy from generators with other fuel types to a class of CCGT that has chosen interruptible fuel contracts for commercial advantage. • There is no evidence that such generators are unduly disadvantaged by the operation of the market at present. When the Authority rejected Modification P95, it did not accept the proposition that small generators were disadvantaged by lack of ability of such parties to trade out of imbalance despite evidence presented of low liquidity in traded markets, so it would be bizarre to believe that larger generators require a cross-subsidy so that they do not have to trade out of a similar commercial position.

Q	Question	Response	Rationale
2.	Do you believe any of the potential alternatives identified by the Group should be progressed further? a) The Modification should only apply to firm gas supplies b) The Modification should only apply in emergency situations c) The claim should take into account avoidable costs d) The Modification should include any generator that can switch from gas to another fuel Please give rationale.	a) No b) No c) No d) No	a) All generators must make provision to secure their fuel supplies and this applies to CCGTs whether firm or interruptible. To make a different provision for a class of generator is discriminatory. b) All parties will be exposed to high SBP in an emergency (There should not be discrimination in favour of one class of market participant who must endeavour to respond as best they can to the emergency regardless of commercial consequences under both the grid code and the UNC so there is no security of supply advantage to this discrimination. c) There seems no case for a claim whether for avoidable cost or otherwise. d) There seems no case for the proposal, let alone for extending it.
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 believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale	No	All parties are potentially exposed to these electricity system triggers. There seems no case for favouring particular parties who have every incentive to respond commercially by attempting to maximise output.
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale	Yes	All claims should be made as soon as possible to reduce the uncertainty as to the extent of exposure faced by the rest of the market due to any claim being made.
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	Generators such as windfarms must face the commercial consequences of load uncertainty and must contract accordingly; the same should apply to CCGTs.

Q	Question	Response	Rationale
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	Yes	As the proposal is not justified then the limit should be zero.
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used?		None
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale	BM Unit / Party	
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	Yes	If the industry is forced down this route then the cost should be kept to a minimum.
11.	Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	This is a bad proposal. When the Fuel Security Code is changed then the BSC must be reviewed to ensure that, if FSC provisions are invoked, the minimum distortion and cross-subsidy will result.
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed?	No	
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes / No	
14.	Are there any further comments on P195 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 **Noon on Friday 21 October 2005** to modification.consultations@elexon.co.uk and please entitle your email 'P195 **Urgent Modification 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 Katie Key on 020 7380 4376, email address katie-ann.key@elexon.co.uk.

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 fifteen questions contained within your notes of 14th and 17th October 2005, and the associated Consultation for P195, we have the following comments to make: -

Q1 Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)

We believe that Modification Proposal P195 would better facilitate the achievement of Applicable Objectives (b) and (c). The reasons why P195 would better achieve the Applicable Objectives are set out in the Modification Proposal itself and are briefly: -

It would ensure that the distillate CCGT BMU (that have the capability to switch between gas and distillate) remain cost neutral as a result of responding to the system stress 'trigger' events by removing any potential commercial disincentive to respond to the system stress 'trigger' events. This could arise if the prevailing price did not adequately compensate for the action(s) taken in response to the system stress 'trigger' events. In addition, by ensuring that distillate CCGT BMUs are held 'neutral' to the cashout exposure that arises from tripping off completely or failing to achieve their expected output levels (as notified beforehand) this Modification Proposal will ensure that these plants receive the appropriate price signals to incentivise them to provide this capability at times of system stress.

It is particularly important that at such times of actual or potential system shortage in either the gas or electricity sectors (or both) that such distillate CCGT BMUs provide this capability otherwise there could be a threat to the security of supply for electricity (and potentially gas).

This is illustrated by looking at paragraphs 25-26 of the Winter Outlook Report.

"There is currently 72.6GW of capacity operationally available during winter 2005/06" [26] whilst "the 1 in 20 peak demand forecast is 64.9GW" [25]. Therefore 72.6GW less 64.9GW equates to a plant margin (in a 1 in 20 peak demand winter) of 7.7GW or 11.8% (rather than, for example, the 'headline' 21%). If the 5.7GW of distillate CCGT is unavailable (for the reasons outlined in P195) then this would leave a plant margin of 2GW or 3%. It is therefore clear that the availability of distillate CCGTs will be critical if the risk (that Demand Control (as detailed in Grid Code OC6) or Electricity Supply Emergency Code measures will be required over the winter period) is to be mitigated.

Times of energy shortage are most likely to be seen over the winter period as this is when the peak demand for electricity is greatest. We believe that P195 will provide more appropriate signals to distillate CCGT BMUs and thus lower the risk that Demand Control (as detailed in Grid Code OC6) or Electricity Supply Emergency Code measures will be required over the winter period. Clearly if such measures were invoked over the winter period this would be likely to have a materially adverse effect on the availability of electricity or gas for meeting the reasonable demand of consumers in Great Britain.

Therefore P195 will, in our view, better facilitate the applicable BSC Objective (b) "the efficient, economic and coordinated operation by the Transmission Company of the Transmission System".

Furthermore, Modification Proposal P195 would remove any potential distortion to Balancing Mechanism Prices brought about by the distillate CCGT BMU attempting to factor the cashout risk of responding to a system stress 'trigger' event into their prices. By including an explicit mechanism for determining appropriate neutrality for responding to a system stress 'trigger' event(s) this removes the need the distillate CCGT BMU to factor the potential costs associated with

responding to a system stress 'trigger' event into their prices. Otherwise this could lead to higher prices.

Noting that such system stress 'trigger' events are not within the control of the distillate CCGT BMU it is inappropriate that a party who responds to such an event has the potential to be exposed to financial losses as a result of complying with the instruction. P195 would, by removing the potential for such losses, promote effective competition in the generation and supply of electricity and (so far as consistent therewith) promote such competition in the sale and purchase of electricity.

Therefore P195 will, in our view, better facilitate the applicable 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".

Q2 Do you believe any of the potential alternatives identified by the Group should be progressed further? Please give rationale.

a) The Modification should only apply to firm gas supplies

It is our belief that the concerns expressed in the Winter Outlook Report signal that there maybe significant problems with gas supplies this winter (and perhaps next). P195, in seeking to address the issues regarding maximising the availability of electricity generation (by distillate plant) should apply to all plant capable of switching between gas and distillate (or vice versa). We have taken note of the concerns expressed in the Modification Group meeting; hence our suggestion that consideration should be given to developing an Alternative Modification which limits the application of the P195 approach to firm gas supplies from shippers.

b) The Modification should only apply in emergency situations

We have taken note of the concerns expressed in the Modification Group meeting; hence our suggestion that consideration should be given to developing an Alternative Modification which limits the application of the P195 approach to the 'emergency' triggers in either the electricity or gas systems (as declared by the respective System Operators) and excluding commercial interruption by shippers.

c) The claim should take into account avoidable costs

We have taken note of the concerns expressed in the Modification Group meeting and believe that consideration should be given to developing an Alternative Modification which would ensure that whilst taking account of the cost of the distillate fuel used that the cost saving associated with the natural gas (or vice versa) is taking into account in the claims process.

d) The Modification should include any generator that can switch from gas to another fuel

It is our belief that the concerns expressed in the Winter Outlook Report signal that there maybe significant problems with gas supplies this winter (and perhaps next). If the Modification Group were to develop an Alternative Modification proposal that addressed our comments in (a) and (b) and (c) above and dealt with switching gas to another fuel (including distillate) then we would consider it sympathetically.

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

At this time we feel that there are no additional alternative suggestions (over and above those outlined in our comments in 2 (a), (b), (c) and (d) above).

Q4 Do you believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale

We believe that the electricity triggers should be part of Modification Proposal P195. For example, a CCGT plant operating on gas might, acting as a reasonable and prudent operator, respond to an electricity trigger by switching from gas (to distillate). We understand some parties feel that it would be unreasonable

for a CCGT to switch in response to an electricity trigger. We disagree with this. Clearly, if the CCGT were to switch in a manner that was not considered (within the claims process) reasonable and prudent then their claim (assuming they tripped/'wobbled') would fail.

Q5 Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale

The 1 Business Day and 10 Business Days seems reasonable as they take account of the practical issues associated with submitting the initial notification and actual claim (bearing in mind that Elexon/the Panel can ask for subsequent data/clarification about the claim if they wish to).

Q6 Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?

Yes, for the reasons outlined in the Consultation Document. As we noted in the example we provided to the second Modification Group meeting, switching between fuels can take a number of periods (from start to finish/stable running). In the example shown it was up to four in total. If at the start of switching the plant were to 'wobble' then if they were not held 'neutral' then they would have no choice but to cease switching.

Clearly, as we have explained with P195, if the distillate CCGTs were to cease switching then this would be likely to have a materially adverse effect on the availability of electricity or gas for meeting the reasonable demand of consumers in Great Britain.

Q7 Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale

We do not believe there should be a limit on the number of times that an individual BM Unit or Party should be able to invoke the P195 arrangements during the period in question. All claims should be considered.

Q8 If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale

Q9 If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale

Q10 Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale

It would seem appropriate that an independent body appointed by the Panel but, for example, identified by the President of the Institute of Electrical Engineers or some other professional body representing generator operators be used to judge on the claim.

Q11 Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale

We note the comments from National Grid (with respect to the 'Electricity Triggers' in section 2.4) that they would never issue an Emergency Instruction to a generator to switch fuels. However, such an event (for NG to issued a notice to a generator to switch fuels) is covered in the revised version of the Fuel Security Code (as recently published by the DTI) and indeed the FSC notes that the BSC will need to be modified to reflect changes to these recent changes to the FSC.

Q12 Does P195 raise any issues that you believe have not been identified so far

and that should be progressed? Please give rationale

We believe that the Modification Group, together with these views we express in this consultation response, have identified the main issues that should be progressed with respect to P195.

Q13 Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.

We believe there are some parts of the legal text that require amending/clari fying accordingly: -

6.1.2 should the reference in the first line to "paragraph 9" be "paragraph 6"?

6.1.2 (f) should the reference in the first line to "BSC Costs" be "BSCCo Costs"?

6.1.3.(b) (b) in the first line should be added "...within paragraph 6.2.1 (a) or (b) or (c) or (d), the..." and at the end of the last line should be added "...the BM Unit is gas firing or liquid-firing".

6.2.1 (a) (ii) in the first line should be added "...under TPD Section Q of the UNC or....".

6.2.1 (b) in the third line should be added "... (as described in TPD Section G1.20.1 of the UNC)...".

6.2.1 (e) add "an Instruction (in accordance with the Fuel Security Code) is given in respect of the BM Unit and it is necessary for the Lead Party to switch the mode of operation of the BM Unit in order to comply with the Instruction." [wording based on paragraph (c)].

6.2.2 [repeat of our comments, as appropriate, above for 6.2.1(a) (ii), (b) and (e)].

6.2.2 (d) the reference in the second line to "BG" should be "GB".

6.2.2 there should be a secondary relevant event to cover the reversal of an Emergency Instruction (as detailed in 6.2.1 (c)).

6.2.2 (d) the reference in the third line to "NGC" should be "NGET".

6.4.2 should the reference in the second line to "paragraph 9" be "paragraph 6"?

6.4.2 should the reference in the second line to ",...and (notwithstanding...." be "... " or (notwithstanding...."?

6.4.4 (b) in the last line should be added "...capable of at the time the switching occurred;"

6.4.5 should the reference in the first line to "paragraph 9" be "paragraph 6"?

Q14 Are there any further comments on P195 that you wish to make?

We commend Modification Proposal P195 to the Modification Group, the Panel and the Authority.

Q15 Do you believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period i.e. if it reduces its gas usage by switching between gas and distillate several times? Note that the legal text currently does not allow this (section 6.1.3(b)) Please give rationale.

Yes we do believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period; i.e. its reducing its gas usage by switching between gas and distillate; as this is a scenario that has been envisaged may be utilised (at times of system stress) to maximise gas supplies whilst seeking to alleviate a potential or actual system stress on the electrical system.

P195 URGENT MODIFICATION 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:	<i>Stefan Leedham</i>
Company Name:	<i>Chemical Industries Association</i>
No. of BSC Parties Represented	
Parties Represented	<i>Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>150 Chemical companies</i>
Non Parties represented	
Role of Respondent	Trade Association

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	At a time when gas supplies for the coming winter are recognised to be tight it is important to ensure that any gas consumer that can provide a demand side response should not be disincentivised from doing so. We therefore believe that this will provide security of supply benefits.
2.	Do you believe any of the potential alternatives identified by the Group should be progressed further? a) The Modification should only apply to firm gas supplies b) The Modification should only apply in emergency situations c) The claim should take into account avoidable costs d) The Modification should include any generator that can switch from gas to another fuel Please give rationale.	a) No b) Yes c) Yes d) Yes	a) All supplies that can be encouraged to provide a demand side response should be incentivised to do so, it should not be limited to those on a firm supply contract. b) The CIA believes that this proposal's main benefits would be provided prior to an emergency. However, this issue should be explored further. c) The CIA believes that avoidable costs should be incorporated. d) The CIA observes that in the consultation document (3.4) this question refers to any generator that can switch between fuels. We require further clarification on this issue.

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	It should be considered whether this proposal should be limited to imminent emergency situations and emergency situations only. This could be achieved through the use of a Gas Balancing Alert (GBA) that is currently being developed in the gas market by National Grid Gas as a trigger. However, we note that this has cross governance issues and the GBA has not been fully defined yet.
4.	Do you believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale	Unsure	We would question whether it was appropriate for a generator to switch fuels when only the electricity system is in distress, as this could have the potential of worsening the situation. We further note that this proposal provides a security of supply benefit to the gas market and so it is gas market triggers that should be used.
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale		Unable to comment
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?		Unable to comment
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	No	Placing a limit on the number of times a BM Unit or party could claim under the P195 arrangements would place a disincentive on the party to provide a demand side response at the beginning of the winter.
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale		

Q	Question	Response	Rationale
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale	BM Unit / Party	
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale		Unable to comment
11.	Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	The Fuel Security Code may provide further incentives to switch to distillate, and any generator demand side response should be incentivised as fully as possible.
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed? Please give rationale	No	
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.		The CIA has not had time to review the legal drafting, however we would observe that CCGTs that can provide a demand side response should be encouraged to do so when required throughout the identified period
14.	Are there any further comments on P195 that you wish to make?	No	
15.	Do you believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period i.e. if it reduces its gas usage by switching between gas and distillate several times? Note that the legal text currently does not allow this (section 6.1.3(b)) Please give rationale.		The CIA believes that CCGTs with distillate back up should have made provisions for the replenishment of this back up prior to this winter given the possible tight supply/demand balance. They should therefore be encouraged to provide the maximum demand side response possible when required.

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 **Noon on Friday 21 October 2005** to modification.consultations@elexon.co.uk and please entitle your email 'P195 **Urgent Modification 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 Katie Key on 020 7380 4376, email address katie-ann.key@elexon.co.uk.

P195 URGENT MODIFICATION 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:	<i>Martin Mate</i>
Company Name:	<i>British Energy</i>
No. of BSC Parties Represented	<i>5</i>
Parties Represented	<i>British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, British Energy Direct Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>-</i>
Non Parties represented	<i>-</i>
Role of Respondent	<i>Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent</i>

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	Removal of exposure to imbalance at times of stress on the electricity system would threaten security of electricity supply, by reducing the incentive on affected parties to honour their contractual commitments and increasing the uncertainty faced by the system operator. This acts against BSC objective (b) relating to system operation. Conversely, the existing arrangements which expose affected parties to the costs of their imbalance will pass the correct signals back to the electricity and gas markets, and promote procurement of sufficient gas, electricity or reserve of each, or voluntary demand management, to cover gas and/or electricity supply shortages. Removal of exposure to imbalance for certain types of generator and certain fuel types would represent a discrimination between parties, and act against BSC objective (c) relating to competition in electricity.

Q	Question	Response	Rationale
2.	<p>Do you believe any of the potential alternatives identified by the Group should be progressed further?</p> <p>a) The Modification should only apply to firm gas supplies</p> <p>b) The Modification should only apply in emergency situations</p> <p>c) The claim should take into account avoidable costs</p> <p>d) The Modification should include any generator that can switch from gas to another fuel</p> <p>Please give rationale.</p>	<p>a) No</p> <p>b) No</p> <p>c) No</p> <p>d) No</p>	<p>Issues (a),(b),(c) identified as possible alternatives would meet BSC objectives (b) and (c) better than the original proposal. Issue (d) would better meet BSC objective (c). However, we do not consider that any or all of the alternatives would meet BSC objectives better than the current baseline.</p>
3.	<p>Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered?</p> <p>Please give rationale</p>	No	<p>In the event of major system disruption, extreme imbalance prices are possible which may not give any meaningful signals and may simply act as a lottery between BSC Parties. A cap on imbalance prices could reduce the impact of such an event, but it is very difficult to prescribe an appropriate level, and such a level may depend on the circumstances.</p>
4.	<p>Do you believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification?</p> <p>Please give rationale</p>	No	<p>Removal of exposure to imbalance at times of stress on the electricity system would threaten security of electricity supply, by reducing the incentive on affected parties to honour their contractual commitments. Conversely, the existing arrangements which expose affected parties to the costs of their imbalance will pass the correct signals back to the electricity and gas markets, and promote procurement of sufficient gas, electricity or reserve of each or voluntary demand management to cover gas and/or electricity supply problems.</p>
5.	<p>Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale.</p> <p>Please give rationale</p>	Yes	<p>Notice of a claim within 1 business day would help inform industry that a claim is likely, the materiality of which may be significant to other parties. We believe 10 business days should be sufficient to make a claim with basic information, noting that claimants will need more time to provide more details on request.</p>

Q	Question	Response	Rationale
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	The generator should be subject to the same rules as all other generators. We believe it would be very difficult to establish the true original intention of a BM Unit, given that the circumstances may have been anticipated well in advance, and the exact reason why a Unit is deviating (shortfalling?) from its intention or its PN, We believe it would be simpler to measure the potential 'neutrality period' from the start of the switching operation rather than the trip or 'failure to meet intended load levels', and to have the same period for both occurrences. This would increase the incentive on the party to manage the uncertainty it faces itself, from the outset. We do not believe a BM Unit would deliberately trip or shutdown at short notice, rather than face the possible risk of shortfall imbalance.
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	Yes	If switching between fuels becomes a routine operation rather than an extremely rare exceptional circumstance, the case for special treatment becomes even weaker than it already is. Affected parties should take operational and commercial measures to manage their imbalance position like other generators, rather than rely on preferential status.
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale		Noting that we do not support the proposal at all, and that commissioning generators receive no special imbalance treatment, we consider that after 2 occurrences for any given unit, the party should have accumulated sufficient operational experience to manage its own position in future.
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale	BM Unit	Noting that we do not support the proposal in any form; that parties with a higher proportion of gas generation could benefit at the expense of other forms of generation if it were implemented, and that there may be carry-over in operational experience between similar designs of CCGT, we believe the operational risk may vary from BM Unit to BM Unit, and if that risk were to be mitigated it should apply at a BM Unit level.
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	Yes	An independent body could be considered, but is likely to be expensive, and may be lacking in detailed knowledge and experience of the complex arrangements.

Q	Question	Response	Rationale
11.	Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	Section G of the BSC permits parties to make claims for compensation if instructed to certain actions under the Fuel Security Code. Potential compensation claims arising specifically from fuel switching instructed under the Fuel Security Code may give rise to other modification proposals in the future.
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed? Please give rationale	No	See comments on question 3. We do not propose any action at this time.
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes / No	We have not had sufficient time to properly review the legal text.
14.	Are there any further comments on P195 that you wish to make?	Yes	It is not absolutely clear whether the proposed arrangements would apply to gas interruptions arising from gas transportation problems as well as gas deficit problems. We do not support the proposal in either case, but the proposal should clarify whether local transportation limitations are included.
15.	Do you believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period i.e. if it reduces its gas usage by switching between gas and distillate several times? Note that the legal text currently does not allow this (section 6.1.3(b)) Please give rationale.	No	A party switching between fuels for whatever reason should be exposed to the consequences of its actions on its electricity energy imbalance, like any other party.

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P195 URGENT MODIFICATION 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:	<i>Rhona Peat</i>
Company Name:	<i>ScottishPower</i>
No. of BSC Parties Represented	<i>6</i>
Parties Represented	<i>Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant). Scottish Power UK plc, ScottishPower Energy Management Ltd, ScottishPower Generation Ltd, ScottishPower Energy Retail Ltd, SP Transmission Ltd, SP Manweb plc</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>0</i>
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>Supplier / Generator / Trader / Consolidator / Exemptable Generator</i>

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	<i>No</i>	<i>We feel that P195 does not achieve BSC Objective C "promote effective competition in the generation and supply of electricity". All parties should be treated equally in terms of cash-out pricing. Neutrality to cash-out prices would remove the incentive for CCGTs with distillate switching capability to maintain their plant to be able to switch fuels effectively. All market participants should be exposed to cash-out prices to ensure they are responsible for managing their own risk.</i>

Q	Question	Response	Rationale
2.	Do you believe any of the potential alternatives identified by the Group should be progressed further? a) The Modification should only apply to firm gas supplies b) The Modification should only apply in emergency situations c) The claim should take into account avoidable costs d) The Modification should include any generator that can switch from gas to another fuel Please give rationale.	a) No b) No c) No d) No	We do not believe that any of the alternatives achieve the BSC objectives (see 1 above).
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	We do not believe that this modification achieves the BSC objectives (see 1 above).
4.	Do you believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale	No	We do not believe that this modification achieves the BSC objectives (see 1 above).
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale	Yes / No	We do not believe that this modification achieves the BSC objectives (see 1 above).
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	We do not believe that this modification achieves the BSC objectives (see 1 above).

Q	Question	Response	Rationale
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	Yes / No	We do not believe that this modification achieves the BSC objectives (see 1 above).
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale		
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale	BM Unit / Party	
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	Yes / No	We do not believe that this modification achieves the BSC objectives (see 1 above).
11.	Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	We do not believe that this modification achieves the BSC objectives (see 1 above).
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed? Please give rationale	No	We do not believe that this modification achieves the BSC objectives (see 1 above) and so should not be progressed.
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes / No	We have no comment on the legal text.
14.	Are there any further comments on P195 that you wish to make?	No	

Q	Question	Response	Rationale
15.	Do you believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period i.e. if it reduces its gas usage by switching between gas and distillate several times? Note that the legal text currently does not allow this (section 6.1.3(b)) Please give rationale.	No	We do not believe that this modification achieves the BSC objectives (see 1 above).

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P195 URGENT MODIFICATION 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:	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

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	EDF Energy believes that the proposed modification will not better facilitate any of the Applicable BSC objectives. In relation to Objective B, high cashout prices at times of system stress would incentivise operators to switch as quickly and as smoothly as possible, where as under the proposed change there would be no incentive for a BMU to reach its PN until the period of neutrality is about to expire. In holding back capacity in this way, NGET may have to accept more highly priced Offers elsewhere which is both inefficient and uneconomic. In regards to Objective C, the proposal would be anti-competitive in that it would give CCGTs with the ability to fuel switch an undue competitive advantage over other types of generating set with similar capabilities which would hinder competition. The proposed modification would also be detrimental to Objective D, as the claims process would be an administrative burden with a potentially very high cost associated with it.

Q	Question	Response	Rationale
2.	Do you believe any of the potential alternatives identified by the Group should be progressed further? a) The Modification should only apply to firm gas supplies b) The Modification should only apply in emergency situations c) The claim should take into account avoidable costs d) The Modification should include any generator that can switch from gas to another fuel	a) Yes b) Yes c) No d) No	
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered?	No	
4.	Do you believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale	No	These triggers are not appropriate as they would serve only to increase the scope of the Modification. As pointed out by the Group, switching fuels at times of system stress could actually worsen the situation.
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale	Yes	Although EDF Energy does not support this Modification, we believe that one day would give sufficient time to make a claim.
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	If a generator fails to meet its intended load levels then it should be subject to the same Energy Imbalance Costs as any other type of Unit. If the system is under stress, then the high cashout prices that would be likely to arise under the current cashout pricing methodology during these settlement periods will provide the best incentive for these units to return to their PN as quickly as possible. This should also provide the necessary signals to plant operators to invest in more reliable equipment to avoid the possibility of being exposed to future cashout prices.

Q	Question	Response	Rationale
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	Yes	See rationale below.
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale		An individual BM Unit should be restricted to a maximum of one claim per qualifying period (1 November to 31 March). For the same reasons stated above, if a generator was allowed to make potentially unlimited claims in a period then it would not provide the right signals to the market. By allowing a maximum of one claim per unit, there will be potentially less claims for the BSCCo to deal with and therefore a lower risk of high administration and claim costs being passed through to BSC parties. It should be pointed out that under P37 there were in excess of 700 claims at an estimated admin cost of £1.6m.
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale	BM Unit	Although our argument is based around reducing the potential cost burden to BSC parties as much as possible, at the same time we believe that it would only be rational to place the claim limit on an individual BM Unit rather than BSC party. This would place all CCGTs with the ability to fuel switch on an equal footing.
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	Yes	It is more appropriate for the Panel to judge on the claims for two reasons: First, the Panel certainly contains the necessary expertise and independence to assess claims, and would be able to call on external advice anyway if need be. Second, if an independent body was set up to assess the claims, then this would have the effect of increasing the costs of the claims process substantially (although it should be noted that this could potentially be very high anyway).

Q	Question	Response	Rationale
11.	<p>Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code?</p> <p>Please give rationale</p>	No	<p>We note that the current fuel security code allows generators to claim various special additional costs incurred in following the secretary of state's directions, subject only to a very limited list of exclusions. We believe that this key provision is likely to continue even if other aspects of the code are changed or updated, because generators would object, and face various difficulties, if it were not.</p> <p>There is a new version under consultation, to which it appears generators may be likely to generally object, which would, in the unlikely event that it was imposed in its present form following an unsuccessful consultation, exclude the single most important category of claims within "plant damage" – as the excluded (non-recoverable) costs are defined much more widely in this draft. There had been actually an earlier consultation in August 2003 which had <i>not</i> had the wide exclusions of recoverable costs ; since then there has been a delay of more than 2 years, with no conclusion or response by the Authorities to the 2003 consultation responses, until the new consultation was published in October 2005.</p> <p>Directions when issued to power stations under the Fuel Security Code are under very broad powers and it is certainly clear that these may include directions to burn, or not burn, particular fuels. However, in the first instance it does appear that more general directions in a Fuel Security Period might more normally be issued opaquely from Government to NGT, which would give effect to them via unusual BOAs with stations, and <i>not</i> directly to the stations from Government.</p>
12.	<p>Does P195 raise any issues that you believe have not been identified so far and that should be progressed?</p> <p>Please give rationale</p>	Yes	<p>The fact that once a generator has re-proved itself by generating at FPN, it loses neutrality for the remainder of the potential neutrality period, gives a perverse incentive (to retain the hedge against cashout prices for remainder of the potential neutrality period) not to output at FPN within the remainder of the potential neutrality period, i.e. to hold back a little output. This incentive is not good for security of supply.</p>

Q	Question	Response	Rationale
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal?	Yes	
14.	Are there any further comments on P195 that you wish to make?	No	
15.	Do you believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period i.e. if it reduces its gas usage by switching between gas and distillate several times? Note that the legal text currently does not allow this (section 6.1.3(b))	No	

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Respondent:	<i>Andrew Taylor</i>
Company Name:	<i>Intergen(UK)Ltd</i>
No. of BSC Parties Represented	<i>4</i>
Parties Represented	<i>SECL, CECL, RPCL, IETS</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>4</i>
Non Parties represented	<i>RPCLPA, CECLPA, SPALPA, IETSPA</i>
Role of Respondent	<i>Generator/Trader</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	NO	The proposal gives a distortion to the market price for power. A single group of generators are unfairly advantaged through neutrality from imbalance prices. Switching between fuels is a commercial decision and the arbitrage benefits in changing fuel will achieve the financial motivation to invest in fuel change technology. This change will be difficult to administer and will reduce the transparency of the electricity market. It will also act as a barrier to new entrants by protecting the incumbent generators.

Q	Question	Response Error! Bookmark not defined.	Rationale
2.	Do you believe any of the potential alternatives identified by the Group should be progressed further? a) The Modification should only apply to firm gas supplies b) The Modification should only apply in emergency situations c) The claim should take into account avoidable costs d) The Modification should include any generator that can switch from gas to another fuel Please give rationale.	a) No b) No c) No d) No	As above
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	CCGT's that have invested in increased cycling capability, i.e. if required can minimise gas consumption and maximise power delivery in peak periods, should be considered for neutrality when starting and stopping.
4.	Do you believe that the electricity triggers (i.e. System Warnings and Emergency Instructions) should be part of the Modification? Please give rationale	No	This modification should not proceed
5.	Do you agree with the Modification Group that the initial Notification of a claim should be made within 1 Business Day and the actual claim made within 10 Business Days of the initiation of the switching? If you disagree, please suggest an alternative timescale. Please give rationale	No	This modification should not proceed
6.	Do you believe that if a generator fails to meet its intended load levels, that it should be held neutral to imbalance for four Settlement Periods for it to attempt to get back to its intended load level as well as being held neutral in the Balancing Mechanism Window?	No	This modification should not proceed

Q	Question	Response Error! Bookmark not defined.	Rationale
7.	Do you believe that there should be a limit on the number of times an individual BM Unit or Party should be able to invoke the P195 arrangements in each period from 1 November to 31 March? Please give rationale	No	This modification should not proceed
8.	If you have answered yes to Question 7, how many times do you believe the arrangement should be used? Please give rationale		This modification should not proceed
9.	If you have answered yes to Question 7, do believe that the limit should be based on an individual BM Unit or Party? Please give rationale		This modification should not proceed
10.	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	Yes	
11.	Would your reviews on this Modification Proposal be affected by the proposed changes to the Fuel Security Code? Please give rationale	No	As in Q1
12.	Does P195 raise any issues that you believe have not been identified so far and that should be progressed? Please give rationale	Yes / No	As in Q3
13.	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	
14.	Are there any further comments on P195 that you wish to make?	Yes	If this mod is approved all new technology risk can then request neutrality. Any pricing transparency that has been achieved will diminish.

Q	Question	Response Error! Bookmark not defined.	Rationale
15.	Do you believe that the BM Unit should be held neutral when switching back to gas during a gas emergency period i.e. if it reduces its gas usage by switching between gas and distillate several times? Note that the legal text currently does not allow this (section 6.1.3(b)) Please give rationale.	No	

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