

URGENT MODIFICATION REPORT for Modification Proposal P195 'Neutrality for CCGT BMUs Switching Between Gas and Distillate'

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This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.¹

The **Proposed Modification P195** seeks to ensure that a distillate Combined Cycle Gas Turbine (CCGT) Balancing Mechanism (BM) Unit that either trips or fails to meet its intended load levels after switching fuels from gas to distillate or vice versa following an appropriate trigger event on the gas or electricity Systems, in a 'winter' period, remains neutral to the cash-out exposure. A distillate CCGT is one that has the capacity to switch fuels between gas and distillate (fuel oil).

RECOMMENDATIONS

Having considered and taken into due account the contents of draft P195 Urgent Modification Report, the

Balancing and Settlement Code Panel recommends:

- The Proposed Modification P195 should not be made;
- The P195 Implementation Date of 2 Working Days after an Authority decision;
- The proposed text for modifying the Code, as set out in this Urgent Modification Report.

¹ The current version of the Code can be found at <u>http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx</u>.

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as the Modification Group has been able to assess, the following parties/documents would be impacted by P195.

Please note that this table represents a summary of the full impact assessment results contained in Annex 4.

Parties		Sections of th	e BSC	Code Subsidiary Documents	
Distribution System Operators		А		BSC Procedures	
Generators		В		Codes of Practice	
Interconnectors		С		BSC Service Descriptions	
Licence Exemptable Generators		D	\mathbf{X}	Party Service Lines	
Non-Physical Traders]	Е		Data Catalogues	
Suppliers]	F		Communication Requirements Documents	
Transmission Company		G		Reporting Catalogue	
Party Agents		Н		Core Industry Documents	
Data Aggregators]	Ι		Ancillary Services Agreement	
Data Collectors]	J		British Grid Systems Agreement	
Meter Administrators]	К		Data Transfer Services Agreement	
Meter Operator Agents]	L		Distribution Codes	
ECVNA]	М		Distribution Connection Agreements	
MVRNA]	Ν		Distribution Use of System Agreements	
BSC Agents		0		Grid Code	
SAA		Р		Master Registration Agreement	
FAA]	Q		Supplemental Agreements	
BMRA]	R		Use of Interconnector Agreement	
ECVAA]	S		BSCCo	
CDCA]	Т		Internal Working Procedures	
ТАА]	U		BSC Panel/Panel Committees	
CRA]	V		Working Practices	
SVAA]	W		Other	
Teleswitch Agent]	Х		Market Index Data Provider	
BSC Auditor]			Market Index Definition Statement	
Profile Administrator]			System Operator-Transmission Owner Code	
Certification Agent]			Transmission Licence	
Other Agents	_		I		
Supplier Meter Registration Agent]				
Data Transfer Service Provider]				

1 EXECUTIVE SUMMARY

The Panel

- AGREED UNANIMOUSLY with the P195 Modification Group's recommendation that Proposed Modification P195 should not be made;
- AGREED the Implementation Date for P195 of 2 Working Days after an Authority decision;
- **APPROVED** the proposed text for modifying the Code; and
- **APPROVED** the draft Urgent Modification Report.

The key conclusions of the P195 Modification Group 'the Group' are outlined below:

The Group:

- AGREED by MAJORITY that an the Proposed Modification would not better facilitate the achievement of Applicable BSC Objectives (b), (c), (d);
- **CONSIDERED** a number of variants on the solution as follows:
 - The Modification would only apply to firm gas transportation rights and supply contracts;
 - The 'neutrality' would extend to avoidable costs as well as neutrality to cash-out exposure;
 - The Modification would be extended to cover any generating Plant that could switch between any fuel types;
 - The Modification would be limited to imminent emergency situations and emergency situations only;
 - The Modification would be expanded to include CCGTs that have invested in increased cycling capacity;
 - The Modification would only apply to gas triggers and not electricity ones; and
 - The length of time that a CCGT is held neutral for if it fails to meet its intended load levels should be limited to the Balancing Mechanism window.

but AGREED by MAJORITY not to develop any of these options further;

- **NOTED** that the implementation costs for the Proposed Modification were estimated to be 4 Man Days which equates to £880 to introduce the changes into the BSC. The Group **NOTED** that the ongoing operational costs would depend on process operated by the Panel to assess the claims;
- **AGREED** an Implementation Date for the Proposed Modification of 2 Working Days after an Authority decision; and
- **AGREED** that the draft legal text delivers the intended solution for the Proposed Modification, however the majority of the Group were concerned with the cross governance issues introduced by the need to refer to particular sections of the Uniform Network Code (UNC) in the BSC.

In relation to defining the Modification, the Group:

- **AGREED** that the claimant would be held neutral to cash-out exposure but not to Bids and Offers. The Modification would not take into account avoidable costs;
- **AGREED** that the intended load level be calculated as the difference between the last Physical Notification submitted by the Party to National Grid for that BM Unit before it experienced problems with switching (or if this is not considered appropriate by the Panel an expected generation level determined by the Panel) and the load actually achieved;

- AGREED that other Parties would not be made neutral to the incident as any Offers taken by the System Operator to make up the shortfall in generation would feed into System Buy and Sell prices. Also all Parties would pay for the claim through Residual Cashflow Reallocation Cashflow (RCRC);
- AGREED that the Proposed Modification would allow a generator to be held neutral to cash-out exposure for three full Settlement Periods following a trip or six full Settlement Periods following the failure to meet intended load levels as a result of problems occurring during the switching process;
- **AGREED** that the Proposed Modification allowed for these arrangements to be enduring and that they would cover winter periods from 1 November to 31 March;
- AGREED that all of the trigger events identified in the Modification Proposal would be included;
- **AGREED** that any changes to the Fuel Security Code could not be considered as part of the baseline for this Modification and noted that if this Modification were approved, any changes required to the BSC to implement changes to the Fuel Security Code would need to consider changes to the legal text drafted for this Modification;
- AGREED that the Proposed Modification would only apply to distillate CCGTs;
- AGREED that there would be no limit on the number of claims that an individual Party could make;
- AGREED that these arrangements be included in the BSC as they relate to Energy Imbalance charges;
- AGREED by MAJORITY that an interruptible gas supply or transportation contract was a commercial decision taken by the CCGT operator and the financial consequences of selecting such a contract should not be underwritten in the BSC;
- AGREED that it is not possible to estimate the number of times the P195 arrangements would be used.

2 DESCRIPTION OF MODIFICATION PROPOSAL

This section summarises the Modification Proposal itself (<u>Reference</u> 1).

The Proposer states that the availability of gas will be tight for this coming winter which is expected to lead to increased use of demand side response in the gas market. This view was derived from National Grid's winter outlook report 2005/06 (<u>Reference</u> 3) This is likely to lead to (distillate) CCGT BM Units switching from gas to distillate. Whilst these BM Units have the capability to switch from gas to distillate and vice versa, this has never been put into practice on a frequent basis meaning that there is a risk that these operations cause the Plant to trip-off or fail to switch as intended. Also these BM Units are designed to primarily operate on gas and so operating on distillate presents an additional operating risk.

The Proposer asserts that one way to prevent a large degree of switching would be for the Plant, once switched to distillate to continue to run on this fuel all day. However, this would mean that distillate stock levels would be exhausted more quickly which would not be an efficient use of this limited resource. Therefore Plant should be encouraged to switch back to gas when gas becomes available again.

The Proposer notes that currently, there is a relatively minimal amount of detail relating to the effects of responding to emergency situations, such as switching the fuel used to operate a Plant at times of system stress to maximise electricity output, in the BSC. The introduction of this Modification would require new requirements to be drafted.

The Proposer suggests that a (distillate) CCGT BM Unit should only be held neutral if the following three distinct situations occur:

- 1. That it is during the 'winter' period;
- 2. That there is system stress on the electricity or gas systems (a set of defined trigger events would be required); and
- 3. That as a result of (2), acting as a reasonable and prudent operator, the (distillate) CCGT BM Unit switches from gas to distillate or vice versa.

If the above three conditions are met, and the (distillate) CCGT BM Unit trips off or fails to meet its intended load levels, meaning that it is out of balance, it should be held neutral to cash-out exposure for up to four hours.

The Proposer believes that this Modification would be beneficial as it will ensure that distillate CCGTs do not declare themselves unavailable at time of system stress, particularly where there is a gas shortage, due to the risks involved in the process of switching fuels. Also, the Proposer believes that if this Modification is not implemented, distillate CCGTs may set Bid and Offer prices very high to reflect the risks associated with switching fuels which would distort energy imbalance prices.

3 PROPOSED MODIFICATION

This section outlines the solution for the Proposed Modification as developed by the P195 Modification Group.

3.1 Claims Process

In assessing P195, the Modification Group noted that there will be a judgement as to whether the CCGT had operated in a reasonable and prudent manner as a result of the trigger events occurring. The Group therefore concluded that one of the requirements of the P195 solution would be the introduction of the following claims process:

- 1. If a generator thinks that they meet the requirements to be able to make a claim, they must make a notification of the intention to make a claim within 1 Business Day of the start time for that claim. This notification should be sent to BSCCo by fax/letter/email.
- 2. It will be down to the claimant to prove that they meet the conditions required to allow them to make a claim. These conditions are as follows:
 - a. That the BM Unit is a qualifying BM Unit i.e. a CCGT with the capability to switch fuels from gas to distillate and vice versa.
 - b. That the notification of the claim occurred in the timescale set out in point 1 above and that the actual claim was submitted in the timescale in point 5.
 - c. That one or more appropriate trigger events had occurred. The trigger events are defined in point 3 below.
 - d. That the trigger event had occurred in the period between 1 November and 31 March (in any year after the implementation of the Modification).
 - e. That as a result of the trigger event, the operator, acting as a reasonable and prudent operator (not to be defined) switches fuel from gas to distillate or distillate to gas. The definition of the start of the switch is the introduction of the alternate fuel to the gas turbine.
 - f. That the distillate BM Unit has tripped off or failed to meet its intended load levels. Once the CCGT has decided to switch fuels, at the point where the Plant starts to fail to meet its Physical Notification, they will be entitled to make a claim (providing a e above have been met). Note that the intended load level does not include any Bids or Offers that the System Operator has accepted in relation to that BM Unit.
- 3. The triggers referred to in 2b are as follows:

GAS

- a. When a distillate CCGT BM Unit receives an instruction which originated from the relevant gas transporter or Network Emergency Co-ordinator (NEC) to cease or reduce using gas, including in the case of potential or actual Network Gas Supply Emergencies or Local Gas Supply Emergencies (in accordance with the UNC [G1.20, G6.7 or Q3.1]).
- b. Where a distillate CCGT BM Unit receives an instruction from a non-affiliated shipper to cease or reduce using gas. NB this instruction could be made for commercial reasons.
- c. Where the CCGT BM Unit receives a notice informing of the cessation or revocation of the instruction referred to in 3a or 3b.

ELECTRICITY

- d. That a GB (electricity) Transmission System warning (as listed in OC7.4.8.4, and detailed in OC7.4.8.5-7.4.8.10 of the Grid Code (<u>Reference</u> 5)) is issued.
- e. When a distillate CCGT BM Unit receives an Emergency Instruction (as detailed in BC2.9 of the Grid Code) from the GB (electricity) System Operator.
- f. Where a notice or instruction relating to the end of Transmission System Warning or Emergency Instruction is issued or the time period relating to the end of Transmission System Warning or Emergency Instruction passes.
- 4. A claim is defined as every time a switch of fuels is attempted and the Plant trips or fails to meet its intended load level. There can only be one claim per switch. If a CCGT trips off as a result of the switch, and then fails to meet its intended load when it starts generating, this second failure can not be claimed as it is not counted as a switch because the CCGT is simply starting up on a new fuel.

- 5. Within 10 Business Days of the notification of the claim (detailed in point 1), the claimant will be required to submit the claim with all supporting information and any information required to determine the materiality of the claim. The claimant will then be invoiced for their non returnable claim fee of £10,000 per claim.
- 6. The administration of the claim will be undertaken by BSCCo. BSCCo can request extra information to support / explain the claim as required.
- 7. The claim will be presented to the Panel (noting that the Panel may wish to delegate authority for this to a Panel Committee, which could include the Trading Disputes Committee, or request external expertise). The Panel can uphold the claim, reject the claim, or defer the claim to a subsequent meeting if more information is required. The Panel will also be required to determine the materiality of the claim (using the information provided by the claimant).
- 8. The claimant can withdraw the claim at any time. On withdrawal, the claimant will be required to pay any costs incurred in progressing the claim that have not been covered by the claim fee.
- 9. If the claim is rejected, this is the end of the process and the claim cannot be appealed.
- 10. If the claim is rejected then the claimant will be required to pay any costs incurred in progressing the claim. If the claim is upheld, these costs will become part of BSC costs and recovered from all Parties in the usual way.
- 11. As this is a claims process, in real time the Party would have to pay for any imbalances caused by the problems in switching. However, if the claim was upheld, they would be able to receive this money back.
- 12. If the claim is upheld, the Party is held neutral to the cash-out effects of the failed switch. Neutral is defined and calculated as follows:
 - a. The BM Unit that tripped or failed to meet its intended volume would have its Energy Imbalance position adjusted to take into account the difference between the actual Metered Volume and the intended load level.
 - b. This would feed into the next Settlement Run. If the Final Reconciliation run has passed, it could be corrected in the Post Final Settlement Run or as an Extra Settlement Determination. It should be noted that all the other Parties in the market will pay for the CCGT's imbalance via Residual Cashflow Reallocation Cashflow (RCRC).
 - c. The BM Unit is only held neutral for a certain period of time, after which it will need to trade out its imbalance. The time periods are defined as follows:
 - i. If the CCGT has tripped, it will be held neutral from the time that it tripped to the end of the subsequent Settlement Period, plus the two Settlement Periods that have passed Gate Closure in this time period.
 - ii. If the CCGT failed to meet its intended load, it would be held neutral from the time that it failed to meet its Physical Notification to the end of four complete Settlement Periods after the CCGT failed to meet its intended load, plus the two Settlement Periods that have passed Gate Closure in this time period.
 - iii. At midnight on the 31 March, the neutrality period ends, even if the number of Settlement Periods within which the CCGT should be held neutral for as indicated in ci and ii above have not passed.
- 13. For the avoidance of doubt, the number of claims that a CCGT can make in a winter period is not limited.
- 14. All Parties will be notified as soon as possible at the following stages:

- a. Following the initial notification of a claim;
- b. Following the submission of a claim, including the expected materiality as submitted by the claimant;
- c. Following the withdrawal of a claim; and
- d. Following the determination of a claim including the agreed materiality.

This is shown diagrammatically in the process diagram in the following section.

3.2 Process Diagram



3.3 Rectification Process

In order to rectify upheld claims ELEXON would manually calculate the difference between the BM Unit Metered Volume and the expected export quantity for the period of neutrality (based on the Physical Notification submitted to National Grid before the Plant began switching, or another value agreed by the Panel). It is up to the claimant to provide the Physical Notification submitted before the Plant began switching to the Panel and the Panel to determine whether this reflects the Plant's capabilities, based on historical records on switching and the intended design capabilities of the Plant. The resulting volume is the failure shortfall quantity which is the volume by which the Party is shorter (i.e. has an actual position less than its contract position) than it would have been, had the trip/failure to meet the intended load not occurred. This volume would need to be agreed by the Panel when the claim is upheld.

The solution then involves the manipulation of Applicable Balancing Services Volume Data (ABSVD). ABSVD is used to apportion System Balancing actions taken by the System Operator to individual BM Units' credited

energy volumes (in the same way that Balancing Services Adjustment Data (BSAD) is used to mitigate the effects of the System Balancing actions to System Buy and Sell prices).

ABSVD therefore impacts the Party's Energy Imbalance charge, but not System Buy or Sell prices. In the particular case of P195, the failure shortfall quantity would be added to any existing ABSVD for the affected BM Unit over the affected period.

The resulting Energy Imbalance position would reflect the position that the Party would have been in had the trip/failure to meet the intended load not occurred. This would feed into the next available Settlement Run. The change to the Energy Imbalance position of the affected Party would be balanced by the change in RCRC incurred by other Trading Parties.

Further detail regarding the Group's discussions in these areas is provided below, including details of the Group's recommended implementation approach and the perceived cost-benefits of P195.

A summary of the Group's views regarding the merits of the Proposed Modification can be found in Section 6. A copy of the Group's full Terms of Reference can be found in Annex 2, whilst a summary of the Assessment Procedure consultation and impact assessment responses can be found in Annexes 3 and 4 respectively.

3.4 Options for an Alternative Modification

3.4.1 Modification Group's Initial Discussions

The Modification Group believed that there were four potential Alternative Modifications that could be considered further. These were as follows:

- The Modification would only apply to firm gas transportation rights and gas supply contracts. It would not apply to those that had an interruptible transportation rights and/or gas supply contracts.
- The Modification would only apply to emergency situations. It would not apply to commercial interruptions by the third party gas shipper.
- The 'neutrality' would extend to avoidable costs as well as neutrality to cash-out exposure, for example, the costs of selling the gas instead of using it in the Plant (offset by the cost of the distillate used), or any benefits received in the gas market by not using the gas would be taken into account in the materiality of the claim. The Modification Group noted that this would make the Panel's deliberations on the materiality of the claim more complex.
- The Modification would be extended to cover any generating Plant that could switch between any fuel types.

3.4.2 Views of Respondents to Urgent Report Consultation

The majority of respondents to the consultation believed that none of these options should be developed into an Alternative Modification. However, a minority of respondents supported the development of each of the options above as an Alternate Modification. Two other options for Alternative Modifications were suggested as follows:

- The Modification should be limited to imminent emergency situations and emergency situations only. The respondent stated that this could be achieved through the use of a Gas Balancing Alert that is currently being developed in the gas market as a trigger. The respondent noted that this would have cross governance issues and that the Gas Balancing Alert has not been fully developed yet.
- The Modification should be widened to include CCGTs that have invested in increased cycling capability, i.e. if required can minimise gas consumption by varying output to maximise power

delivery in peak periods (including 'two shifting' plant) and should therefore be considered for neutrality when starting and stopping.

3.4.3 Modification Group's Conclusions

The Modification Group noted that a minority of respondents to the consultation were in favour of one or more of the above options as a potential Alternative Modification. The Group discussed each of these in turn. A minority of the Group (the Proposer) agreed that the first three options, i.e. only applicable to firm gas supplies; only applicable to emergency situations and that the claim should take into account avoidable costs should be developed into an Alternate Modification. He believed that an Alternative Modification could be developed that was better than the current baseline and may be better than the Proposed Modification. The majority of the Group did not believe that incorporating these options into an Alternative Modification would be appropriate as they did not believe that an Alternative Modification based on these points would better facilitate the Applicable BSC Objectives when compared to the Proposed Modification or the current baseline. These members agreed that such an Alternate Modification would exhibit the following characteristics:

- It would be discriminatory as it would only apply to certain plants with certain capabilities;
- It would give a reduced incentive to balance; and
- It would be attempting to address issues in the gas market in the electricity market.

The Group agreed that the last option, i.e. that the Modification should include any generator that can switch fuel was out of scope as the trigger events may not be appropriate for all fuel switches and would have to be addressed by a new Modification Proposal. Of the two options suggested by consultation responses, the Group agreed that the first suggestion that the proposal should be limited to immediate emergency situations and emergency situations only was the same as one of the options that had already been considered and reference to a procedure currently in development could not be used. The Group agreed that the second proposal that CCGTs that have invested in increased cycling capability should be included was out of scope as this suggestion is not based around switching of fuels. Of the two options that were considered out of scope, the majority of the Group also felt that these were also discriminatory as they only applied to certain plants with certain capabilities.

Respondents were asked for views on:

- Whether the electricity triggers should be included as part of the Proposed Modification? These
 were included in the Modification Proposal, however there was a view that the Modification could be
 limited to gas triggers; and
- Whether allowing CCGTs that fail to meet their intended load level neutrality for six full Settlement Periods was appropriate? There was a view that these CCGTs should only be held neutral for the Balancing Mechanism window in the same way as any other generator that had tripped.

The Modification Group agreed that if these were to be included, they would form an Alternative Modification as opposed to being part of the Proposed Modification. The majority of the Modification Group did not believe that these formed valid options for an Alternative Modification for the same reasons as given above. Therefore seven options for an Alternative Modification were considered by the Group but not taken forwards on the basis that the majority of the Group believed that these points would not better facilitate the Applicable BSC Objectives when compared to the Proposed Modification or the current baseline.

4 GAS ARRANGEMENTS AND EMERGENCY STAGES

In the gas market, interruption can occur as part of the normal gas balancing and transportation activity to manage the System (similar to the ancillary services contracts National Grid have in the electricity market). Interruptions can also occur as part of an emergency situation. In the Gas Network there are a number of

stages of emergency procedure. The first three stages are relevant to this Modification as the stage of the emergency will affect the actions that can be taken by gas transporters, shippers and, once an emergency is declared, the Network Emergency Co-ordinator (NEC).

Over the course of a normal winter interruption may be required. This is needed by shippers for balancing their energy portfolio and by the relevant transporter for managing their transportation network. Both of these are commercial activities where the price of delivered gas is discounted in reward for the interruption rights given to the shipper, or ultimately the transporter. Such interruption rights are voluntary and all users can pay to have firm gas transportation rights and firm gas supplies.

In normal operations the relevant transporter will issue notice to shippers with suggested sites to interrupt. If the shipper disagrees with these sites, the shipper will propose different sites to the transporter to interrupt. The shipper and transporter will agree on the sites to be interrupted prior to the shipper notifying those sites to be interrupted. Notices will be sent from the shipper to the sites to be interrupted by fax. The transporter will give the shipper 5 hours notice of the interruption. The shipper's contract (via a supplier) will usually give the site to be interrupted 4 hours notice of the interruption (however if the shipper and the site to be interrupted are affiliated, a longer notice period may be available).

Stage 1 – Potential Gas Emergency

The transporter will inform the shipper of the sites that must be interrupted. The shipper has no say in which sites are to be interrupted. Notices will be sent from the shipper to the sites to be interrupted by fax. The transporter will give the shipper 5 hours notice of the interruption. The shipper will give the site to be interrupted 4 hours notice of the interruption (however if the shipper and the site to be interrupted are affiliated, a longer notice period may be available).

Stage 2 – Declaration of Gas Emergency

Once an emergency is declared, the NEC is appointed (currently in practice this is National Grid as the gas System Operator, though they are operating outside the normal UNC procedures). The important distinction is that at the commencement of an emergency the market is suspended and normal commercial activity ends. The NEC takes over in command and control mode. The NEC via the relevant transporter will inform the shipper of the sites that must be interrupted. It should be noted that where National Grid operates as a transporter, the transporter staff effectively become the NEC. The shipper has no say in which sites are to be interrupted. Notices will be sent from the shipper to the sites to be interrupted by fax with immediate effect.

Stage 3 – Firm Load Shedding

The NEC will inform the site to be interrupted directly, i.e. the information will not be passed via the shipper. Notices will be sent from the NEC or transporter to the sites to be interrupted by fax with immediate effect.

5 AREAS RAISED BY THE TERMS OF REFERENCE

This section outlines the conclusions of the Modification Group regarding the areas set out in the P195 Terms of Reference.

5.1 Definition of Fuel Switching

The Group discussed how fuel switching is defined. The Group agreed that the definition of switching is the changing of fuel in a CCGT from gas to distillate or vice versa. In some situations this can be done 'on-line' i.e. the gas levels would be decreased and distillate levels increased (or vice versa) at the same time, meaning that the CCGT would continue to produce electricity. Also in other situations it may include ramping down on one fuel and then coming back on with the alternate fuel. The Group noted that switching did not include the situation where the CCGT had already reduced its output to zero, prior to the trigger

event occurring, and then started generating from zero using the alternative fuel. The Group agreed that this scenario was no different to any other Plant starting to generate after a period of non generation.

In order to define the time that switching has been initiated, the Group agreed that this would be the time when distillate or gas is introduced to the gas turbine when it has been running on the other fuel. This would not take into account the fact that the Plant would probably reduce its output prior to switching.

The Group noted that a CCGT will not be asked to switch fuels under normal market operation. It may be asked to decrease or cease its use of gas, but it will be the CCGT's commercial decision whether to switch to using distillate as opposed to decreasing (or ceasing) output.

5.2 Types of Gas Contract

The Group noted that gas users can have either interruptible or firm gas supplies and that there are actually the following three types of gas supply:

- Firm Supply A supply meter point can have a firm transportation rights and a firm supply contract (meaning that neither the transporter nor the shipper should interrupt the supply under normal arrangements);
- Commercial Interruptability A supply meter point can have a firm transportation rights but an interruptible supply contract (meaning that the transporter cannot interrupt the supply under normal arrangements but the shipper can); or
- Interruptible Contract A supply meter point can have interruptible transportation rights and an interruptible supply contract (meaning that both the transporter and the shipper can interrupt the supply under normal conditions).

Interruptible supply is generally cheaper than a firm supply as the user is not required to pay exit capacity charges. The shipper also tends to give a discount on their gas price as they are able to use the site for balancing purposes, so it is similar to an option for flexibility. Some members of the Modification Group believed that the P195 arrangements should only be available to those generators with a firm gas connection and contract. However the Proposer confirmed that the proposal was intended for all distillate CCGTs regardless of their gas connection or contract, provided one of the triggers detailed in section 4.4 have occurred.

The Group also noted that there were three reasons why a supply could be interrupted:

- Transportation transportation capacity is limited at certain times due to supply and demand changes;
- Commercial the shipper chooses to interrupt the supply for commercial reasons, or the site using the gas chooses to self interrupt, so that it can sell the gas at a profit; or
- Emergency there is not enough gas available.

5.3 Length of Time Covered

5.3.1 Modification Group's Initial Discussions

The Modification Group discussed the definition of winter for P195. The Group noted that the definition of winter in the Modification Proposal is different to that of the winter BSC Season in the BSC. The Group agreed that the time period covered by the Modification would be from the 1 November to the 31 March inclusive; and this would be called the winter period to distinguish it from the winter BSC Season.

The Group also discussed whether the arrangements should be enduring or just last for 2 years. The Group concluded that they should be enduring, and noted that, if approved, a Modification could be raised in the future to remove the requirements should they become inappropriate.

The Group discussed the length of time that a generator should be held neutral to the cash out exposure. They concluded that this would be different depending on whether the generator had tripped off completely or just failed to meet its intended load levels. This is because a generator that had failed to meet its intended load levels could, given some time, be able to meet them. Therefore, the Proposer felt that the generator should be given longer to attempt to bring the Plant back up to the intended load levels. Some members of the Group were concerned that during this period there would be no incentive on the Party to trade out of its position. They felt that if the Plant trips, the generator should re declare the Physical Notification to a lower level as soon as possible and should attempt to contract out of its position immediately. The following time periods were suggested as the length of time the generator should be held neutral to cash-out exposure by the Proposer:

- If the CCGT has tripped, it will be held neutral from the time that it tripped to the end of the subsequent Settlement Period, plus the Settlement Periods that have passed Gate Closure in this time period. For example, if it tripped between 11.00 and 11.30, it would be held neutral until 13.00.
- If the CCGT failed to meet its intended load, it would be held neutral from the time that it failed to meet its intended load to the end of four complete Settlement Periods after the CCGT failed to meet its intended load, plus the Settlement Periods that have passed Gate Closure in this time period. For example, if it failed to meet its intended load from between 11.00 and 11.30, it would be held neutral until 14.30.

Settlement Periods passed	Time (Example)	CCGT Trips	CCGT fails to meet intended load levels
1	11.00 - 11.30	X e.g. 11.25	X e.g. 11.25
2	11.30 - 12.00	Т	F
3	12.00 - 12.30	В	F
4	12.30 - 13.00	В	F
5	13.00 - 13.30	Subject to cash-out	F (or if necessary T)
6	13.30 - 14.00		В
7	14.00 – 14.30		В
8	14.30 – 15.00		Subject to cash-out

This is shown in the following table and diagram:

X = Problems with switching occur

T = Time allowed to trade out position

F – Time allowed to try and fix Plant to meet intended load levels

B = Balancing Mechanism Window Period i.e. Settlement Periods for which Gate Closure has passed



The Proposer confirmed that the inclusion of four complete Settlement Periods' 'grace' when the CCGT fails to meet its intended load levels was based on the length of time it takes some CCGTs to complete the fuel switching process, and is a reasonable time for the CCGT operator to fix the CCGT's problem. Other members of the Group raised concerns that sufficient justification for this 'grace period' had not been provided. These members felt that, should the P195 arrangements be implemented, the same arrangements should be in place for CCGTs that fail to meet their intended position as there are for CCGTs that trip i.e. one complete Settlement Period for the generator to trade out of its position.

The Group noted the Authority decision letters for Modification Proposals P80² and P87³ which considered Parties' exposure to cash out prices in the case of a Transmission System Fault or an Intertrip respectively Although these Modifications were not related to CCGTs switching between fuel type, the Group thought the comments regarding compensation outside the Balancing Mechanism Window Period was relevant to P195 i.e. Settlement Periods for which Gate Closure has not passed. The Authority included the following statement in both the P80 and P87 decision letters:

'Ofgem agrees with the principle of removing imbalance exposure for the period of the disconnection or the Balancing Mechanism Window Period, whichever is the shorter, as during this time, Parties are unable to manage their imbalance exposure risk. However, Ofgem also considers that competition will be enhanced if all Parties are exposed to those imbalance exposure risks that they are able to manage. Ofgem considers that Parties should be able to manage at least part, if not all, of their risk beyond the Balancing Mechanism Window Period, through renegotiating contracts. Ofgem considers that providing relief beyond the Balancing Mechanism Window Period will disincentivise Parties from taking action to manage their risk and hence increase the costs to all BSC Parties. This would also reduce the number of trades being carried out and have a negative impact on effective competition.'

The Group also agreed that the trigger event must occur between 1 November and 31 March, and that neutrality from cash-out exposure would cease at midnight on 31 March, even if a CCGT was part way through a period where it would be held neutral.

5.3.2 Views of Respondents to Urgent Report Consultation

The majority of respondents to the consultation believed that the neutrality for plants that fail to meet their intended load should only be for the Balancing Mechanism window, in the same way as if the Plant tripped whilst switching fuels. These respondents believed that the Plant should only be held neutral until it is possible to trade out the position. Another respondent noted that the neutrality window should be as short as possible if the efficient maintenance of the Plant is to be encouraged.

² P80 'Deemed Bid/Offer Acceptances for Transmission System Faults'

³ P87 'Removal of Market Risk Associated with the Operation of a generator Inter-Trip Scheme'

One respondent commented that a generator should know that its gas Supplies are to be interrupted within the normal period for Gate Closure. The respondent therefore believed that these generators should reduce their Physical Notification and agree contracts to lower their position if they believe that they may experience problems when switching fuels in order to limit their exposure to imbalance prices. If they are then able to generate normally they will spill power onto the System at a time of system stress, and they can reasonably assume that they will be paid for this. The moment that they achieve their normal operation, they would be able to trade on the market to their normal position.

Another respondent stated that generators such as wind farms must face the commercial consequences of load uncertainty and must contract accordingly; the same should apply to CCGTs.

A minority of respondents supported the extended period of neutrality for CCGTs that failed to meet their intended load levels, as defined above, on the basis that this extended period would allow the generator to get back on track. These respondents believed that without this extended period of neutrality, the generator would have to cease switching, and that this would materially adversely affect the availability of electricity and gas supplies.

One respondent commented that 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 BM Unit is deviating from its Physical Notification may not be known. The respondent also believed that 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. They believed that this would increase the incentive on the Party to manage the uncertainty it faces from the outset. This respondent also noted that they did not believe that a BM Unit would deliberately shutdown at short notice rather than face the possibility of shortfall imbalance.

5.3.3 Modification Group's Conclusions

The Modification Group believed that the Proposed Modification should define the following periods where the CCGT is held neutral following a problem in switching fuels:

- If the CCGT tripped, the Settlement Period in which it tripped plus 3 full Settlement Periods; or
- Where the CCGT failed to meet its intended load levels the Settlement Period in which the CCGT failed to meet its intended load levels plus 6 full Settlement Periods.

The Modification Group believed that shortening the period of neutrality for CCGTs that fail to meet their intended load would form an Alternate Modification if it was taken forwards. The majority of the Group believed that this should not be taken forwards as an Alternative Modification for the reasons set out in section 3.4.3.

5.4 Appropriateness of all Triggers

5.4.1 Modification Group's Initial Discussions

The Modification Group discussed each of the triggers identified in the Modification Proposal⁴. The Modification Group's views on each of the triggers are as follows:

GAS TRIGGERS

(a) when a distillate CCGT BMU receives an instruction (in accordance with the UNC) from the relevant (gas) Transporter to cease or reduce using gas.

⁴ The Group noted that trigger instructions would be issued to Gas Supply Meter Points, not the CCGT BM Unit. There would need to be some consideration in the Code to take account of this.

(b) a potential or actual Network Gas Supply Emergency (including, but not limited to either (i) a Gas Deficit Emergency – Insufficient Gas Supplies to the Primary System, or (ii) a Gas Deficit Emergency – GS(M) R Safety Monitor Breach, or (iii) a NGSE Critical Transportation Constraint Emergency) is declared (in accordance with the UNC).

(c) a Local Gas Supply Emergency is declared (in accordance with the UNC).

(d) a Localised (gas) Transportation Deficit is declared (in accordance with the UNC).

(e) a P70/P71 Notification shall be issued for the distillate CCGT BMU (gas) Supply Meter Point (in accordance with the UNC).

There was some concern that whilst the Modification referred to the CCGT being issued instructions by a Transporter, the instructions would actually come from a shipper. The Group did however note that a Transporter can physically isolate a Meter and that under a Gas stage three emergency (as described in section 4) can send instructions directly to the gas user. In addition, the Group noted that the shippers would not be instructing the generator to switch from gas to distillate, or vice versa. The instruction would be telling the generator to reduce its gas usage. It would then become a commercial decision for the generator itself to decide whether to switch to distillate or to stop generating.

Where gas interruption is for commercial rather than transportation reasons, a generator may also contract with a number of shippers to provide gas. Therefore if one shipper was unable to supply gas, there is a potential that the generator can obtain gas from a different shipper. They can also request that their shipper buys gas at the National Balancing Point (NBP) on their behalf and ships it to the site.

The Group also noted that some CCGTs are shipped to by affiliated Parties. In these circumstances the Group believed that the CCGT would have a longer notice period to reduce the use of gas than CCGTs that are shipped to by separate shippers.

The Group discussed whether these trigger events should only apply to gas emergencies. The majority of the Group believed that this should be the case; however the Proposer stated that the Modification is also intended to apply to commercial interruptions by a non-affiliated shipper i.e. any interruption that is outside the control of the generator itself.

The Group therefore concluded that these triggers could be merged into two triggers as follows:

- When a distillate CCGT BM Unit receives an instruction which originated from the relevant gas transporter or Network Emergency Co-ordinator (NEC) to cease or reduce using gas, including in the case of potential or actual Network Gas Supply Emergencies or Local Gas Supply Emergencies (in accordance with the UNC (<u>Reference</u> 2) [G6.7, G1.20 or Q3.1]); or
- Where a distillate CCGT BM Unit receives an instruction from a non-affiliated shipper to cease or reduce using gas.

The Group also concluded that a generator should not be covered by the P195 arrangements if they take a commercial decision to switch fuels without an instruction from the shipper or transporter to reduce their gas usage, regardless of whether a gas emergency has been declared.

ELECTRICITY TRIGGERS

(f) a GB (electricity) Transmission System Warning (as listed in OC7.4.8.4, and detailed in OC7.4.8.5-7.4.8.10 of the Grid Code) is issued.

(g) when a distillate CCGT BMU receives an Emergency Instruction (as detailed in BC2.9 of the Grid Code) from the GB (electricity) System Operator.

The Group questioned why a CCGT would switch fuel during a time of electricity system stress, however noted that this could be a switch from distillate back to gas in order to increase electricity output. The Group were not sure that the electricity triggers were appropriate triggers as increasing the risk of the Plant

tripping by attempting to switch at times of system stress could worsen the situation. The Group agreed to specifically ask for consultation views. The Group noted that trigger (f) differed from the gas triggers as it did not involve an instruction to the generator i.e. it would totally be a commercial decision on the part of the generator. In addition the Group questioned whether National Grid would ever issue an Emergency Instruction to a generator to switch fuel types. National Grid confirmed that this would not be the case; an Emergency Instruction would only ever be issued to ask the generator to increase or reduce output.

REVERSE TRIGGERS

(h) there is a cessation, or revocation or replacement of any of these said instruction, or declaration or notification.

The Group noted that this is a reversal of triggers (a) to (g). The Group discussed whether each trigger should be separated out in the same way as (a) to (g). The Group noted that in come cases there would not be a reverse instruction issued. Also some of the instructions mentioned in (a) to (g) above would be time limited, so the reverse instruction would be the end of that time period. The Group concluded that since (a) to (g) had been merged into four triggers, it would be appropriate to have one reversal trigger for the gas instructions and one for the electricity instructions.

The Group also discussed whether the reverse instructions should be time limited, however concluded that this was not possible as there would not be any requirement for the CCGT to switch back within a certain amount of time. Therefore the generator would be able to make a claim if the switching process failed when switching back from distillate to gas at any time, provided the reason for switching to distillate was due to one of the previous triggers. The Panel would have to assess whether this linkage existed and to consider whether it was reasonable and prudent for the CCGT to switch back when it did.

The Group noted that a CCGT could therefore attempt two switches in one day. If they were unable to meet their intended load for both switches, they could be held neutral to cash-out exposure for up to 14 Settlement Periods in that day.

5.4.2 Views of Respondents to Urgent Report Consultation

The majority of respondents to the consultation believed that the electricity triggers should not be included in the Modification as at times of electricity system stress it does not seem to be appropriate to carry out the risky process of switching fuels as this would threaten security of supply. It was also noted that Electricity System Warnings are relevant to generators when looking to make Plant available but should not provide signals about fuel switching to unreliable Plant. Since National Grid would not issue an instruction to switch fuels, it is up to the Plant to determine what fuel should be used to achieve the expected output. Therefore it would be a commercial decision whether a Plant switched fuels. One respondent stated that, unlike at a time of gas system stress, all Parties are potentially exposed to these electricity system triggers and there does not seem to be a reason for favouring particular Parties who have every incentive to respond commercially by attempting to maximise output. Another respondent noted that the only circumstance in which these triggers would require the use of distillate is in a fuel security period, in which case the Fuel Security Code should provide for any relevant compensation.

A minority of respondents believed that the electricity triggers should be part of the Modification as it may be reasonable and prudent for an operator to switch fuels in this circumstance. The respondent believed that if it was not reasonable and prudent to switch, then this would mean that the claim would be rejected.

The consultation asked for views as to whether a BM Unit should be held neutral when switching back to gas during a gas emergency period (if a problem occurred), for example if the BM Unit chose to reduce gas by switching back and forwards between gas and distillate a number of times during a gas emergency period. A majority of respondents believed that the BM Unit should not be held neutral in this case. Respondents noted that this is a commercial decision. It was also noted that if a respondent switched back to gas at the end of one emergency period, and then another trigger occurred, this would constitute a separate event. A

minority of respondents believed that the BM Unit should be held neutral for multiple switching as this action would seek to alleviate a potential or actual system stress and these plants should be encouraged to provide the maximum demand side response in these conditions.

5.4.3 Modification Group's Conclusions

The Modification Group concluded that the Proposed Modification should include all triggers provided in the Modification Proposal. Therefore, removing the electricity triggers would form an Alternate Modification if it was taken forwards. The majority of the Group believed that this should not be taken forwards as an Alternative Modification for the reasons set out in section 3.4.3.

The Group also agreed that a BM Unit should only be held neutral for the first switch following a trigger event. If the BM Unit switched between gas and distillate a number of times following one trigger event, it would only be held neutral to any problems arising during the first switch that occurred after the trigger event.

5.5 Claims Process

5.5.1 Modification Group's Initial Discussions

The Modification itself refers to the CCGT operator acting in a reasonable and prudent manner. In order to assess whether the CCGT operator acted in a reasonable and prudent manner, the Group agreed that an assessor (the Panel) would be required to assess the claim. The Panel would be required to confirm whether one of the triggers had occurred and also whether the actions taken as a result of that trigger were reasonable and prudent. The Panel would also have to assess the materiality of the claim. The Group agreed that the responsibility for assessing the claims should rest with the BSC Panel, although the Panel could delegate this authority to a Panel Committee, or request expert advice, although it was suggested that the assessment of claims could be undertaken by an independent body.

The Group considered whether it would be necessary to define 'reasonable and prudent' in the BSC. It was noted that both the BSC and Grid Code used the term 'reasonable and prudent' without including a definition and that it would be extremely difficult to define. It was therefore agreed that a definition should not be included in the BSC and that the Panel (or its delegated authority) should decide what factors to take into account. Some members of the Group were however uncomfortable with not defining 'reasonable and prudent'. The Group therefore agreed that this may need to be defined to some extent in the Panel's Terms of Reference relating to this process.

Some Group members believed that it would not be reasonable and prudent to make a claim under this process if a CCGT was subject to an interruptible gas connection or contract, and so any claimants falling into this category would have their claim rejected. Since the intent of the Modification includes interruptible supply, it was suggested that the Panel Terms of Reference would need to be clear on the definition of 'reasonable and prudent' in some areas to ensure that the Modification is implemented and judged robustly.

The Group also considered whether claimants should be required to pay a fee, to avoid the Panel having to deal with frivolous claims. It was initially agreed that the fee should be set at £10,000 and should be paid when the claim is made. In addition, the Group agreed that the cost of progressing the claim should be recovered from the claimant if the claim is rejected. If the claim is upheld then the costs will be recovered from all Parties via BSCCo costs. It should be noted that a process will be required for the claimant to withdraw the claim at any time. On withdrawal the claimant will be required to pay the costs associated with processing the claim that have been incurred to date.

The Group discussed the timescales in which claimants would have to notify that they are going to make a claim and then submit the evidence for the claim. The Group suggested that the claimant should notify that they are going to make a claim within 1 Business Day of the incident and should submit the evidence for the claim within 10 Business Days of the incident.

The Group discussed whether a limit should be placed on the number of times that an individual BM Unit or Party could make a claim in each period from the 1 November to 31 March. The Group agreed to ask a specific consultation question regarding multiple claims.

5.5.2 Views of Respondents to Urgent Report Consultation

A majority of the respondents believed that the assessment of the claims should be undertaken by the Panel in order to limit the cost of the claims process and noted that a large proportion of the work would also be undertaken by BSCCo. One respondent also noted that it would be useful for the Panel to delegate this assessment to an appropriate committee so that the relevant expertise can be assured to make such a technical assessment, however they noted that the ultimate responsibility should lie with the Panel. The respondent who disagreed with this view did so because they did not support the Modification.

A majority of respondents to the Modification agreed with the timescales of notification of the claim within 1 Business Day of the incident and submission of evidence of the claim within 10 Business Days of the incident. The rationale was that a short timescale was appropriate in order to limit the uncertainty as to the extent of exposure faced by the rest of the market as a result of a claim. The respondent who disagreed with these timescales did so on the basis that they did not support the Modification and did not suggest any alternate timescales.

The consultation respondents commented on whether a limit should be placed on the number of times that an individual BM Unit or Party could make a claim in each period from 1 November to 31 March. A slight majority of respondents believed that a limit on the number of claims should be set. Of these, some consultation respondents stated that this limit should be zero as they did not agree with the Modification Proposal. A small number of the respondents suggested that a limit of one, two or three claims in the period should be used. A number of respondents believed that there should be no limit on the number of times that a claim could be made as this was not limited in the Modification Proposal. One respondent commented that 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. Of the respondents that believed a limit should be set, a slight majority believed that this limit should be at a Party level as opposed to BM Unit level as the lessons learnt should be transferable between BM Units. A minority believed that the limit should be set at a BM Unit level as operational risk would vary from BM Unit to BM Unit.

5.5.3 Modification Group's Conclusions

The Modification Group concluded that the assessment of claims should be undertaken by the Panel using expertise as the Panel sees fit. This could also include the Panel delegating authority to determine on these claims to a Panel Committee. The Group believed that this would minimise the costs.

The Modification Group agreed with consultation respondents that a notification of a claim should be made within one Business Day of the incident and submission of the claim within 10 Business Days of the incident.

The Modification Group agreed that no limit should be placed on the number of times that a BM Unit or Party could make a claim. The Group noted that if a limit were to be included, this would form an Alternative Modification. The Group noted that including a limit on the number of times that a claim could be made would suggest that the Modification itself is inappropriate, but could be bearable with a limit. The Group believed that if this is a valid Modification, it will be valid for all incidents that could be claimed and therefore that including a limit would not better facilitate the Applicable BSC Objectives when compared to the Proposed Modification. The Group also noted that if a Party or BM Unit made a number of claims, that after a while, this would likely fail the reasonable and prudent test as it would suggest that the operator is not submitting appropriate Physical Notifications for the switching process based on experience.

5.6 Definition of Neutrality

5.6.1 Energy Imbalance Impact

The Modification Group discussed the definition of neutrality. It was noted that in the case of a CCGT tripping, there is an expectation that the System Operator will be required to take additional balancing actions. As the Modification refers to times of system stress or gas shortage, the actions taken will potentially be high priced actions and may impact cash-out prices. The Group therefore considered whether neutrality should relate only to the generator whose CCGT has tripped, or whether the cash-out price should also remain neutral to the CCGT trip. This may require specific rules to ensure that related balancing actions are not included in the price calculation. The Group agreed that the definition of neutrality should be limited to the affected BM Unit's Energy Imbalance position and P195 should not impact the price calculation.

The Group also noted that whilst the individual BM Unit might be out of balance due to problems occurring during the switching process, at the Party's Energy Account level, the result of the problems when switching could either increase the Party's overall Energy Imbalance Volume or could actually reduce their imbalance position depending on the performance of their other assets and whether they have contracted to meet their intended load levels. Obviously if the failure to meet the intended load level led to an improvement in the Party's imbalance position, they would be unlikely to make a claim under the P195 arrangements.

The Group discussed what would happen if a Bid or Offer was accepted on the CCGT when it was switching, and whether it would also be held neutral to the Bid or Offer if it failed to achieve it. The Group agreed that there would be no neutrality to Bids and Offers, and non-delivery charges would have to be paid if the CCGT failed to achieve the Bid / Offer.

5.6.2 Intended Load Level

The Group discussed how the intended load level would be defined. The Group agreed that it would have to be calculated compared to the last Physical Notification that the CCGT submitted prior to the start of the switching process. It would be up to the claimant to provide evidence of the relevant Physical Notification if a claim was made. The impact on the Party's imbalance position would then be calculated as the difference between this Physical Notification and the actual Metered Volume achieved by the CCGT. Some members of the Group expressed concern regarding the use of this Physical Notification as it may be possible for the generator to increase the Physical Notification prior to switching in case of Plant trip, in order to benefit from the P195 arrangements. To reduce the chance of this occurring it was noted that the Panel could ask to see data relating to the CCGT when it had previously switched, to check that the Physical Notification submitted prior to switching was appropriate. In addition, the Panel would have the ability to determine an appropriate materiality for the claim if it felt that the prevailing Physical Notification was inappropriate.

5.6.3 Neutrality Payment

The Group discussed the cost for the neutrality payment. If a claim is upheld, the Party's Energy Imbalance position would be adjusted by the amount of energy that was not generated due to the problems with switching. Therefore the payment for this would depend on whether they were long of short in the affected Settlement Periods. The payment would be directly related to the System Sell Price or System Buy Price (depending on whether the Party's Energy Account was short or long) in the affected Settlement Periods.

5.7 Impact of Neutrality

The Group noted that under the current arrangements, Parties that are effectively causing system stress (i.e. those that are long when the System is long, and those that are short when the System is short) pay for this through their Energy Imbalance Charge. Under P195 a CCGT that fails to meet its intended load levels may lead to the System Operator taking addition balancing actions. The cost of these actions would be paid by all Parties, excluding the CCGT owner itself, via the System Buy Price. Effectively all other Parties in the

market would pay for the Plant trip/failure. The Group also noted that the additional balancing actions taken could be at a high price which would potentially lead to an increase in the System Buy Price paid by all other Parties.

The Group also noted that this Modification implies that cash-out prices will be high at the time when the switching occurs, but equally they could be low. A gas emergency does not automatically imply that there is an electricity emergency. The Group questioned whether it would be reasonable and prudent for an operator to switch to distillate where there was no problem on the electricity System as opposed to just ceasing to use gas. The Group agreed that this again would be a consideration for the Panel when determining whether the claim should be upheld and guidance on this matter may need to be included in the Panel's Terms of Reference.

5.8 Other Types of Plant

5.8.1 Modification Group's Initial Discussions

The Group noted that there are other types of Plant that can switch fuel. For example, some coal fired plants can run on biomass. This reduces their emissions, but if the biomass is damp this also has the potential to decrease the output of the Plant. Other plants can switch between coal/oil and gas e.g. Didcot A. The Group noted that to include other generating Plant that could switch fuel in the P195 solution would be an Alternative Modification.

The Group discussed why CCGT BM Units that switch between gas and distillate can have special treatment in this way. The Proposer stated that if there are gas shortages over the winter, these CCGTs will be expected to switch fuel. Whilst there will only be instructions to them to decrease their use of gas, they would be expected to generate on distillate if they could at times of system stress. A majority of the Group felt that at times of system stress other Plant would be expected to generate at higher levels than normal. This could increase the possibility of those plants tripping; however they would still be exposed to cash-out prices. The majority of group members also had concerns about the potential for undue discrimination between different Plant types, and therefore different Parties, under the Code. However the Proposer felt that others could raise a separate Modification for a different fuel type if there was a perception that similar concerns existed for the forthcoming winter.

5.8.2 Views of Respondents to Urgent Report Consultation

A number of respondents commented on issues surrounding discrimination to single out (distillate) CCGTs for these arrangements. These are captured in the arguments against Applicable BSC Objective (c) in section 6.1.

5.8.3 Modification Group's Conclusions

The Modification Group noted the consultation comments in this area but did not believe that any new arguments had been put forward.

5.9 Security of Supply

5.9.1 Modification Group's Initial Discussions

The Proposer noted that the one of the reasons behind the raising of this Modification is to ensure that CCGTs with switching capability do not declare themselves unavailable at times of gas and electricity system stress. In addition if a CCGT is unable to meet its intended load level when it attempts to switch it will be held neutral to cash-out exposure for four Settlement Periods to allow it to fix the problem rather than simply withdrawing the Plant and trading out of its position. The Proposer also raised the concern that if

there was system stress in both the gas and electricity market, that there may be an expectation to switch fuels.

The majority of the Group did not agree that P195 would increase security of supply as the generator would take a commercial decision when deciding whether to switch fuels. In addition it would not be reasonable or prudent for a CCGT to attempt to switch fuels during a period of electricity system stress, as this could lead to the Plant tripping which would have a worse effect on the availability of Plant at the time of system stress.

5.9.2 Views of Respondents to Urgent Report Consultation

A number of respondents commented on issues surrounding security of supply. These are captured in the arguments for and against Applicable BSC Objective (b) in section 6.1.

5.9.3 Modification Group's Conclusions

The Modification Group noted the consultation comments in this area but did not believe that any new arguments had been put forward.

5.10 Incentive to Maintain Plant

5.10.1 Modification Group's Initial Discussions

The Group discussed whether this Modification would decrease the incentive for CCGT users to maintain Plant and ensure that it is able to switch effectively. It was felt that introducing neutrality to cash-out, if problems were experienced during switching, would reduce the incentive to ensure that the CCGT could switch effectively as being exposed to cash-out if the Plant trips will incentivise Parties to ensure that their Plant does not trip. At times of system stress, cash-out prices are likely to be high, and it was felt that CCGTs could attempt switching to remain neutral to the high cash-out prices as it would not matter if they were able to do so efficiently or not.

5.10.2 Views of Respondents to Urgent Report Consultation

A number of respondents commented on issues surrounding the incentive to maintain Plant. These are captured in the arguments against Applicable BSC Objective (b) in section 6.1.

5.10.3 Modification Group's Conclusions

The Modification Group noted the consultation comments in this area, including that consultation respondents had cited this argument against Applicable BSC Objective (c) as well as (b) but did not believe that any new arguments had been put forward.

5.11 Appropriateness of the BSC

5.11.1 Modification Group's Initial Discussions

The Group discussed whether the BSC was the correct place for these requirements. The Group agreed that it was, since the requirements are in relation to Energy Imbalance exposure. The Group however noted that if the BSC includes references to particular sections of the UNC, there will need to be some arrangements for BSCCo to track, or be made aware of, changes to the UNC to ensure that the references do not go out of date.

The Group also noted that there is a Modification to the UNC that has been approved but not yet implemented that pays a Party who has an unplanned interruption to their gas supply. In addition, the Group noted that some Parties have contracts for interruptible gas supply at an appropriate price.

5.11.2 Views of Respondents to Urgent Report Consultation

A number of respondents commented on issues relating to plants having interruptible gas supplies. These are captured in the arguments against Applicable BSC Objective (c) in section 6.1.

5.11.3 Modification Group's Conclusions

The Modification Group noted the consultation comments in this area but did not believe that any new arguments had been put forward.

5.12 Quantification of the Issue

The Group attempted to quantify the number of times that the P195 arrangements may be used. The Group noted that the base case in the National Grid Winter Outlook 2005/06 report (<u>Reference</u> 3) assumed that that:

'90% of the 5.7 GW of CCGTs with distillate are able to switch successfully, reflected technical and commercial risks. These 5.2 GW of CCGTs run on distillate for 12 hours on weekdays, for a maximum of 200 hours'.

The report does not however detail the number of switches between gas and distillate that are likely this winter. It has not been possible for the Group to determine the number of switches likely this winter.

An estimate of the amount of Plant that is able to switch between other fuel types has been obtained which suggests that there is 2-3 GW of generation that has the capability to switch between fuels other than gas and distillate.

5.13 Interaction with the Fuel Security Code

5.13.1 Modification Group's Initial Discussions

The Group discussed whether there is an interaction with the Fuel Security Code. The Group noted that the draft Fuel Security Code is in the process of being consulted on; however the new version will not be finalised before P195 is submitted to the Authority. The Group agreed that there is no interaction between the current version of the Fuel Security Code and P195. The Group also noted that the requirements in section G of the BSC relating to Fuel Security would override the P195 requirements.

Further to the Group's discussions on this area, the Panel was provided with an update on P195 at their meeting on the 13 October 2005. The Panel particularly noted that the consultation on the draft Fuel Security Code has been issued (<u>Reference</u> 4). One Panel Member stated that the draft Fuel Security Code includes provisions for instructions to be issued to generators to increase or reduce the utilisation of specified fuels. The draft version of the Fuel Security Code states that this instruction would be issued by the Secretary of State to National Grid and National Grid may achieve that objective by one or more of the following methods:

- The Acceptance of Bids and Offers in accordance with the BSC;
- The giving of instructions under Balancing Services Agreements; or
- The giving of instructions under other commercial arrangements between National Grid and generators.

The draft Fuel Security Code also includes a section related to the recovery of exceptional costs. This involves the generator applying to the Panel for a determination that Exceptional Costs have been incurred and a determination that the generator should receive compensation of these Exceptional Costs. The draft Fuel Security Code includes an outline process for the claim of these costs.

There are similarities between P195 and the draft Fuel Security Code, particularly in relation to a generator being asked to switch fuels and the Panel Member noted that some of the triggers in the draft Fuel Security Code are similar to those included in P195. It should however be noted that under the draft Fuel Security Code, the instruction to switch fuels would originate from the Secretary of State, whereas under P195 the instruction would be to decrease gas as opposed to switch fuels and this would originate from the NEC or gas transporter.

The Panel agreed that whilst P195 must be assessed in relation to the current version of the Fuel Security Code, consultees should also bear in mind the new draft Fuel Security Code and the interactions between it and P195. It was also noted that if changes are required to the Balancing BSC as a result of the new Fuel Security Code, these will be progressed following the publication of the final version of the new Fuel Security Code. This could include changes in the BSC in relation to the legal text for P195 if this Modification is approved.

5.13.2 Views of Respondents to Urgent Report Consultation

The consultation asked whether the respondent's views on P195 would be affected by the proposed changes to the Fuel Security Code. All respondents stated that their views would not be affected by the proposed changes to the Fuel Security Code, however a number of comments were made:

- One respondent stated that debate on the Fuel Security Code is not relevant.
- Other respondents stated that the Fuel Security Code will require generators to generate at times of emergency and they will get paid accordingly. The DTI would like to see a Fuel Security period managed within normal market operations, meaning that the normal market drivers and incentives should be kept in place.
- A further respondent stated that any changes to the Fuel Security Code would not alter their view of P195 as it is inconsistent with market design principles by providing selective immunity from imbalance charges. Also there are already provisions in the BSC for dealing with imbalance prices in a Fuel Security Period.
- Another respondent stated that the Fuel Security Code could affect any number of Plant types and that it is not appropriate to introduce a solution that only benefits one type of generator.
- Another respondent stated that when the Fuel Security Code is changed then the BSC must be reviewed to ensure that if the Fuel Security Code provisions are invoked then the minimum distortion and cross subsidy will result. This point was included in the draft Fuel Security Code that is currently being consulted on.
- Another respondent stated that 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.

5.13.3 Modification Group's Conclusions

One member of the Group noted that there are three stages to the Fuel Security Code:

- Firstly, the market responds to fuel security threats;
- Then, the Fuel Security Code is invoked and National Grid manages fuel security threats though market mechanisms. It was noted that this could include instructions to generators to switch fuels;
- Finally, the Secretary of State becomes involved and manages the fuel security threats.

This Group member stated that the second stage is the one to be expanded in the new version of the Fuel Security Code that is currently being consulted on (Reference 4).

The majority of the Group agreed that a Modification to the BSC would be required to implement the new Fuel Security Code, and that Modification would take into account P195 if it was approved as it would be part of the current baseline. A minority of the Modification Group believed that the proposed new Fuel Security Code (as issued for consultation) should be considered as part of the deliberations under P195 due to the linkage with electricity trigger events.

5.14 Other Issues raised by Consultation Respondents

One respondent stated that P195 is open to gaming by generators obtaining a contract to instigate commercial interruption at times of high prices as a means of protection from trip risk and a means to increase cash-out, therefore influencing the forward market. The respondent stated that the contracts with gas suppliers could be fixed to the advantage of distillate CCGT Plants under the P195 arrangements to provide regular trigger events. For example, a contract could contain clauses whereby gas is supplied for two hours, then interrupted for a minimum of one minute, giving a trigger event just over every two hours. This could mean that there is no imbalance risk on the whole period the CCGT is running on distillate as it could attempt to switch every two hours and would be held neutral for at least that period if it experienced problems.

The Modification Group did not believe that gaming would be possible under P195 as the claimant would have to provide historic records of when other switches had occurred and plans showing the intended design capability for the Plant and any modifications to this capability. Therefore a claim would only be valid if the switching did not follow a normal routine, and there were no reasons for this. The majority of the Modification Group reiterated their argument that P195 reduces the incentive on Plant to remain reliable as opposed to it being one where gaming is possible.

The respondent also stated that allowing CCGTs neutrality when experiencing problems in switching would be beneficial for Parties who own more than one Generating Plant. The respondent felt that this would create opportunities for gaming whereby the incentive would be for the Party to increase the Offer prices within the balancing market on any of their spare capacity at times where the probability of experiencing problems whilst switching fuels is high, as the likelihood of these Offers being accepted by National Grid is higher. The Modification Group felt that this was possible but unlikely.

One respondent stated that the Modification Proposal introduces further discrimination by only allowing interruption by non-affiliated shippers to apply as the qualifying criterion. The majority of the Group agreed with this comment however the Proposer noted that this had been included to prevent gaming opportunities between affiliated Parties due to the possibility that information could be passed between affiliated Parties quicker than it could be passed between non-affiliated Parties.

Another respondent noted that P195 was allowing CCGTs that trip during a switching process neutrality and was using a claims process, with the decisions on whether the claim is to be upheld being taken some time after the event. The respondent felt that this could impact National Grid's ability to balance the System where CCGTs had submitted unrealistic Physical Notifications. The respondent asked whether this would affect National Grid's use of ancillary services contracts and whether this would add to the overall level of balancing costs. A second respondent assumed that this price exposure would be passed to the market through Balancing Services Use of System (BSUoS) charges and felt that this would create a cross subsidy between the gas and electricity markets. The Modification Group felt that this is a minor issue. National Grid will have to take further Offers to balance the System and this may be achieved by the use of ancillary services contracts, or through Bids and Offers that would feed into BSUoS, however this is no different to what has to happen when other Plant trips or does not generate at intended levels.

The respondent also believed that it may be necessary to flag to the rest of the market that Plant is switching so that they know that there is greater probability that the System Operator will be either using ancillary services or taking more energy from the Balancing Mechanism. The respondent asked whether it would it be possible for the System Warnings to be accompanied by warnings about Plant switching. With

National Grid as the System Operator and Transmission Owner in both the gas and power markets the respondent assumed that they readily have the information available. The respondent stated that as the CCGT stations do not have the same balancing risk as all other plants they would assume that they do not have the same concerns about commercial confidentiality as other generators may.

This respondent also stated that 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.

The majority of the Modification Group did not agree that there should be an obligation for a CCGT to notify the System Operator that it is switching fuels as this is a commercial decision, but noted that CCGTs could do this voluntarily. The majority of the Group also felt that this action is not in the scope of the Modification as the Modification focuses on the claims process and CCGTs being held neutral when having problems with switching. The Modification Group also noted that whilst National Grid is 'corporately' the Great Britain System Operator in both gas and electricity, the two sides (gas and electricity) of National Grid can only communicate with each other in limited defined circumstances detailed in the Licence Condition(s). This means that as a general rule, National Grid as the electricity System Operator would not receive information on gas interruptions to CCGTs.

Another respondent stated that 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. The majority of the Modification Group agreed with this point and noted that this Modification would reduce signals for the procurement of gas storage capacity. These group members also believed that the Modification would undermine existing gas storage schemes. A minority of the Group did not believe this to be the case as they believed that there is already enough storage planned.

One respondent noted that 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 a significant increase in the requirement of Plant to switch fuels. This respondent stated that they would expect National Grid, in the light of the concerns raised by the Proposer, to engage in further dialogue with the owners of this type of Plant to verify their assumptions against actual Plant experience. The Modification Group noted this was outside the scope of the Modification. The National Grid member of the Modification Group stated that consultation on the draft Winter Outlook 2005/6 Report has been carried out to obtain views and this would be refined year on year.

One respondent stated that 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. This respondent suggested that this should be made clear. The Group noted that the trigger events in the Modification Proposal do include transportation problems and so this point is included.

5.15 Implementation Approach and Costs

5.15.1 Impact Assessment Results

PROPOSED MODIFICATION IMPLEMENTATION COSTS⁵

	Stand Alone Cost	Tolerance
Total Demand Led Implementation Cost	£0	+/- 0%
ELEXON Implementation Resource Cost	4 Man days £880	+/- 0 Man Days
Total Implementation Cost	£880	+/- 0%

PROPOSED MODIFICATION ONGOING SUPPORT AND MAINTENANCE COSTS

	Stand Alone Cost	Tolerance
Service Provider Operation Cost	0.5 Man Days per claim charged at contracted rates	+/-0%
ELEXON Operational Cost	5 – 15 Man Days per claim ⁶	No realistic estimate can be made at this stage
	£20,000 per claim for expert advice to Panel	

a. BSC Agent Impact

An impact assessment was carried out by the BSC Agent. There are no costs to implement this change as the value of Applicable Balancing Services Volume Data will be amended manually. Operational costs are provided per claim at a rate of 0.5 Man Days work for each claim to manually change the value of ABSVD.

b. Transmission Company Impact

The Transmission Company has noted that in their view, the Modification Proposal undermines the fundamental incentive on participants to balance. The Transmission Company also felt that given the proposed number of periods of neutrality, there could be consequential increases in balancing costs. The Transmission Company has not identified any changes required to its systems and processes to support this Modification. Nor has it identified any changes required to the Core Industry Documents.

⁵ An explanation of the cost terms used in this section can be found on the BSC Website at <u>Clarification of Costs in Modification</u> <u>Procedure Reports</u>.

⁶ Note that the 5 Working Days minimum timescale is based on the average time taken to process a Trading Dispute.

c. BSCCo Impact

BSCCo will be required to update the BSC and develop appropriate guidance documentation on behalf of the Panel. BSCCo will also need to manage the claims process, providing administrative, analytical and secretarial support to the Panel (or Panel Committee) to process the claims. BSCCo will need to instruct the relevant BSC Agent to make the changes required to ABSVD to include upheld claims in Settlement.

5.15.2 Proposed Implementation Date

The Proposed Implementation Date for P195 is 2 Working Days after an Authority decision for the changes required to the Code to support P195. The Modification Group agreed this Implementation Date.

If approved, claims may be made in relation Plant failures that have occurred as a result of trigger events which occurred on or after the Implementation Date i.e. it will not be possible to claim for Plant failures if the trigger event occurred prior to the Implementation Date.

If P195 is approved the Panel will need to decide how to manage the process and determine on claims. Appropriate documentation or working practices and changes to the Panel's (or delegated authority's) Terms of Reference will need to be developed at this stage.

5.15.3 Modification Group's Comments

The Modification Group believed that the basing the ELEXON effort per claim on the effort for processing Trading Disputes was too low at 5 Business Days. The Group explored this issue further. The Group believed that if the Panel hired an expert to advise them on the claims, this could cost around £1,000 per day. Furthermore, the Group believed that 20 Man Days would be a reasonable estimate of the time that an expert would spend advising the Panel on assessing a claim, giving an estimate of £20,000 administration charges per claim. This would be on top of any time ELEXON spends supporting the claims process and the Panel spends assessing the claim.

The Past Notification Errors process cost approximately \pounds 1.6 million for 42 investigations. This equates to approximately \pounds 38,000 for each investigation.

The Modification Group also believed that these claims could be open ended if more information is required from the claimant and believed that progress on outstanding claims should be reported to the Panel in the monthly ELEXON report. Thus the £20,000 for expert advice should be seen as an estimate of the average cost. Multiple, near identical claims would probably be processed more quickly, however individual claims could equally prove more complex.

5.16 Legal Text

The Modification Group has reviewed the text and agreed that it delivers the solution developed by the Group.

Some respondents to the consultation stated that they had not had enough time to review the legal text. The Group discussed whether enough time had been given to respondents to review the legal text as part of the consultation and agreed that enough time had been given.

The Group carried out a walkthrough of the legal text on a paragraph by paragraph basis. The Group made a number of comments which included all comments on the legal text made as part of the consultation. These comments have either been addressed in the legal text, or an explanation has been circulated to the Group as to why no changes are required to the legal text as a result of these comments and no further concerns have been raised. The revised legal text was circulated to the Group. One further comment on a reference has been raised and resolved by correcting the incorrect reference in the legal text. The majority of the Modification Group was uncomfortable with the cross governance issues in the legal text, i.e. its interaction with the Uniform Network Code, with which ELEXON has no joint working arrangements. The Group noted that this is an issue inherent to the Modification and the references to the UNC need to be included to appropriately define the trigger events.

One Group member expressed concerns that the solution to this Modification results in a successful Party being credited with extra energy which is not taken into account in BSUoS charges.

The Modification Group also noted that whilst the failure shortfall quantity will be an extra variable in the Period BM Unit Balancing Services Volume, since this will actually be included in Settlements through the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing Services Volume, the reported value of the BM Unit Applicable Balancing S

A copy of the draft legal text can be found in Annex 1.

6 ASSESSMENT OF MODIFICATION AGAINST APPLICABLE BSC OBJECTIVES

6.1 Modification Group's Initial Discussions

The majority view of the Modification Group was that the Proposed Modification would not better facilitate the achievement of Applicable BSC Objectives (b), (c), and (d) when compared to the current BSC baseline, for the following reasons:

Applicable BSC Objective (b) 'the efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System'

FOR – Minority (the Proposer)

 This Modification will ensure that distillate CCGTs do not declare themselves unavailable at time of system stress, particularly where there is a gas shortage, due to the risks involved in the process of switching fuels. This will increase security of supply.

AGAINST – Majority

- This Modification would reduce the incentive to keep Plant reliable. If the CCGT was exposed to cash-out prices when it had problems switching, operators would have a greater incentive to ensure that switch was carried out smoothly.
- At times of stress on the electricity Transmission System it could be detrimental for Parties to attempt to switch fuel as it is a risky process and could lead to the Plant tripping. CCGTs should not be encouraged to switch in these circumstances as that could be detrimental to security of supply.
- It is not efficient to try to address concerns about the operation of one fuel market with changes to related markets.

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'

FOR – Minority (the Proposer)

• If this Modification is not implemented, distillate CCGTs may set Bid and Offer prices very high to reflect the risks associated with switching fuels. This would distort energy imbalance prices.

AGAINST – Majority

• There are arrangements in the gas market in relation to shippers and transporters decreasing gas availability. Firstly, users can choose to have interruptible transportation rights or supply contracts.

There are financial benefits associated with having interruptible transportation rights or supply contracts over a firm supply. Secondly there is an approved modification to the UNC to pay for gas interruptions at an appropriate price. Therefore there is a mechanism in the gas market for Parties to remain neutral for gas interruptions. If neutrality is also introduced on the electricity side, it was felt that this would be anti-competitive.

- Allowing CCGTs that fail to meet their intended load level four Settlement Periods to fix the Plant would decrease the incentive on CCGT operators to use the market to trade out the position.
- The risk associated with tripping off whilst switching from gas to distillate or vice versa is no greater than the risk of a Plant tripping off in the normal course of operation. Furthermore, it was felt that at times of system stress, National Grid may request generators to generate at a higher level than normal which may increase the likelihood that these generators trip off. Therefore it was felt that it would be discriminatory if CCGTs were given neutrality to cash-out prices following a problem in the circumstances suggested, where other generators were not.
- There are Generating Plant that can switch between fuels other than gas and distillate. These would also be subject to the same risks as a distillate CCGT whilst switching fuels. Therefore it was felt that this Modification would be unduly discriminatory if CCGTs were given neutrality to cash-out prices if they tripped or failed to meet their intended load levels in the circumstances suggested where other generators who switched were not.
- Under P195 a CCGT that fails to meet its intended load levels may lead to the System Operator taking addition balancing actions. The cost of these actions would be paid by all Parties, excluding the CCGT owner itself, via the System Buy/Sell Prices. Effectively all other Parties in the market would pay for the Plant trip/failure.

Applicable BSC Objective (d) promoting efficiency in the implementation and administration of the balancing and Settlement arrangements.

FOR

• No arguments as to how the Modification better facilitates Applicable BSC Objective (d) were developed by the Modification Group.

AGAINST - Majority

 The claims process under this Modification was likened to the Past Notification Errors (PNE) claims process. It was noted that the PNE claims process was very costly and it was felt that a P195 claims process could carry similar costs. It was felt that this would be inefficient as the costs of processing an upheld claim could be greater than the claim itself.

6.2 Views of Respondents to Urgent Report Consultation

The majority of respondents agreed with the majority of the Modification Group that P195 would not better facilitate the Applicable BSC Objectives for the reasons given by the Group. The following additional arguments were included in consultation responses. Full details of the consultation responses are contained in Annex 3:

Applicable BSC Objective (a) 'the efficient discharge by the licensee [i.e. the Transmission Company] of the obligations imposed upon it by this Licence [i.e. the Transmission Licence]

FOR

• No arguments were expressed.

AGAINST

 One view (provided by the Transmission Company) was that the Modification undermines the fundamental principle and incentive on the market to balance. The Modification Group noted this view.

Applicable BSC Objective (b) 'the efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System'

FOR

 One respondent noted that 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. The Modification Group noted the view but did not believe that it is an argument for the BSC Objectives as the comment relates to any gas consumer and the impact of gas arrangements on the electricity market.

AGAINST

- The Transmission Company noted that the Modification undermines the fundamental principle and incentive on the market to balance. The majority of the Modification Group agreed with this comment. A minority (the Proposer) disagreed.
- Two respondents commented that in the period following a failure to meet intended load levels, there is no incentive to recover quickly and generate back up to Physical Notification levels quickly as the generator will be held neutral for six Settlement Periods. The majority of the Modification Group agreed with this comment. A minority (the Proposer) disagreed.
- One respondent noted that the proposal requires the Panel to set an appropriate time within which a
 generator should be able to successfully switch fuels meaning that the incentives on the generator
 to maximise the speed of the switching process is reduced. The majority of the Modification Group
 agreed with this comment. A minority (the Proposer) disagreed.
- A further argument developed by the Group is that this Modification introduces a new parameter into the BSC i.e. 6 Settlement Periods to recover from a failure to meet intended load levels. The Proposer provided a justification as to why six Settlement Periods is suitable number. This is based on the historic operation of a Plant during a switch of fuels and this example is provided in Annex 5. The majority of the Modification Group did not believe that this was sufficient evidence to set the parameter and therefore believed that this parameter was an arbitrary value.
- One respondent believed that security of supply will not be affected either way. The respondent stated that 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 respondent believed that the only way to avoid this distress is to not contract (i.e. to spill energy and take System Sell Price) and 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 Balancing Mechanism. The Modification Group noted the comment.

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'

FOR

 No new arguments as to how the Modification better facilitates Applicable BSC Objective (c) were provided as consultation responses.

AGAINST

- One respondent stated that this Modification does not encourage sites to ensure that their Plant is reliable, and as such discriminates against those sites that have invested in reliable Plant. The majority of the Modification Group agreed with this comment and noted that it has also been made against Applicable BSC Objective (b). A minority (the Proposer) disagreed.
- One respondent stated that the effect of the Modification 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 cash-out in the event that it fails to meet its contract position. Risks should be reflected in Bid / Offer prices. The majority of the Modification Group agreed with this comment. A minority (the Proposer) disagreed.
- One respondent stated that the Modification does not encourage effective competition as the proposal introduces a cross subsidy, providing CCGTs that have chosen interruptible contracts with a commercial advantage. The Modification Group noted that the claims would be paid for by other BSC Parties through RCRC. This would include generators that had chosen to have firm gas contracts. The majority of the Group therefore felt that there was some cross subsidy between gas and electricity.
- One respondent noted that there is no evidence that such generators are unduly disadvantaged by the operation of the market at present. The respondent noted that when the Authority rejected Modification P95⁷, 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 felt that 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. The majority of the Modification Group agreed with this comment. A minority (the Proposer) disagreed and noted that under P95 there were not the same drivers as there are for this Modification, being the Winter Outlook 2005/6 report.
- One respondent stated that the Modification Proposal introduces further discrimination by only allowing interruption by non-affiliated shippers to apply as the qualifying criterion. The majority of the Modification Group agreed with this comment. A minority (the Proposer) disagreed.
- One respondent stated that this Modification would be a barrier to entry by protecting the incumbent generators. The Modification Group did not agree with this statement as they felt that it may encourage generators to build more CCGTs that can switch fuels between gas and distillate.

Applicable BSC Objective (d) promoting efficiency in the implementation and administration of the balancing and Settlement arrangements.

FOR

 No arguments as to how the Modification better facilitates Applicable BSC Objective (d) were provided as consultation responses.

AGAINST

 A number of respondents stated that 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. The respondent stated that this could prove costly. The majority of the Modification Group agreed with this comment and stated that the allowance for the Panel to use experts could be costly but noted that it likely to be necessary. The Group also discussed whether sufficient criteria had been developed to

⁷ P95 'Transitional Amelioration of Barriers to Licenced Exempt Generators' Market Participation'

aid the assessment of claims and to minimise costs. A minority (the Proposer) felt that the criteria included in the Modification is deliberately wide so that the Panel (or delegated authority) has the flexibility to determine the claims on a case by case basis. The Group suggested that over time, the Panel would probably build up a precedence register.

6.3 Modification Group's Conclusions

A minority of the Modification Group (the Proposer) believed that P195 better facilitates Applicable BSC Objectives (b) and (c) for the reasons stated above.

The majority of the Modification Group do not believe that P195 better facilitates Applicable BSC Objectives (b), (c) or (d) for the reasons stated above in sections 5.1 and 5.2.

The Transmission Company also does not believe that P195 better facilitates Applicable BSC Objective (a) for the reason stated above.

6.4 Final Recommendation to the Panel

On the basis of the above assessment, the Modification Group therefore agreed a **MAJORITY** recommendation to the Panel that:

• The Proposed Modification **SHOULD NOT** be made.

Details of the Group's recommended Implementation Date and legal text can be found in Section 5.15.

7 PANEL'S RECOMMENDATIONS TO THE AUTHORITY

7.1 Panel's Discussions

The unanimous view of the Panel was that the Proposed Modification would not better facilitate the achievement of Applicable BSC Objectives (b), (c), and (d) when compared to the current BSC baseline.

One member of the Panel noted general concerns around the issue of security of supply and agreed that P195 should be assessed as an Urgent Modification on that basis. However, following the assessment of P195, he did not believe that this Modification was appropriate and effective to address those concerns.

Another member stated that P195 was a response by the Proposer to the National Grid Winter Outlook Report 2005/06 which suggests that CCGTs may need to switch fuels a number of times this winter. The Proposer believed that this Modification would minimise the risks associated with switching fuels. The Panel member believed that there are other ways to minimise risk using the current market arrangements. The Panel noted that the choice to switch to fuels would be a commercial decision.

The Panel agreed with the views of the majority of the Modification Group in terms of their assessment of P195 against the Applicable BSC Objectives and endorsed the Modification Group's views on how these impact the individual BSC Objectives (as set out in section 6).

Individual Panel Members particularly emphasised the following arguments raised by the Modification Group:

- That this Modification would not provide the right incentives to the market to ensure that Plant was
 reliable which in turn impacts Applicable BSC Objective (b) as it reduces the ability of the
 Transmission Company to operate the GB Transmission System in an efficient way;
- That the prices submitted by generators as Bids and Offers should reflect the risks associated with switching and therefore P195 would distort prices if the risks of switching were not reflected in Bid and Offer prices. The Panel Member stated that the market structure already has a mechanism for dealing with this risk through Bids and Offers. This in turn impacts Applicable BSC Objective (c) as P195 would reduce effective competition in the generation and supply of electricity. The Panel

Member noted that this is in contrast to the argument provided by the Proposer in support of this Modification against Applicable BSC Objective (c);

- That this Modification is discriminatory in a number of ways which impacts Applicable BSC Objective (c) as this discrimination could distort competition; and
- That the processing of claims will add complexity and therefore costs to the administration of the Balancing and Settlement arrangements, thus negatively impacting Applicable BSC Objective (d).

7.2 Panel's Recommendation

The Panel unanimously agreed that Proposed Modification P195 would not better facilitate Applicable BSC Objects (b), (c) and (d) for the reasons included in section 6. The Panel also noted the Transmission Company's views that P195 would not better facilitate Applicable BSC Objective (a).

The Panel therefore **UNANIMOUSLY** agreed the recommendations of the Modification Group that:

- The Proposed Modification SHOULD NOT be made;
- The P195 Implementation Date of 2 Working Days after an Authority decision; and
- The proposed text for modifying the Code, as set out in this Urgent Modification Report.

8 TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

Acronym/Term	Definition
ABSVD	Applicable Balancing Services Volume Data
BMU	Balancing Mechanism Unit
BSC	Balancing and Settlement Code
BSCCo	Balancing and Settlement Code Company
BSUoS	Balancing Services Use of System
CCGT	Combined Cycle Gas Turbine
NEC	Network Emergency Co-ordinator
RCRC	Residual Cashflow Reallocation Cashflow
TDC	Trading Disputes Committee
UNC	Uniform Network Code

9 DOCUMENT CONTROL

9.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	21/10/05	Katie Key	P195 Modification	For discussion at Modification
			Group	Group meeting
0.2	24/10/05	Katie Key	P195 Modification	For Modification Group review
			Group	
0.3	25/10/05	Katie Key		Inclusion of Modification Group
		-		comments

1.0	27/10/05	Change Delivery	For Panel decision
1.1	28/10/05	Katie Key	Incorporating Panel's decision
2.0	28/10/05	Change Delivery	For Authority Determination

9.2 References

Ref.	Document Title	Owner	Issue Date	Version
Reference 1	Modification Proposal P195 'Neutrality for CCGT BMUs Switching Between Gas and Distillate' <u>ELEXON - Modification Proposal 195</u>		3/10/05	1.0
Reference 2	Uniform Network Code http://www.gasgovernance.com/unc.asp	Joint Office of Gas Transporters	8/6/05	
Reference 3	Winter Outlook Report 2005/06 www.ofgem.gov.uk/temp/ofgem/cache/cmsatt ach/11584 14405b.pdf	National Grid	5/10/05	
Reference 4	Consultation on draft Fuel Security Code http://www.dti.gov.uk/energy/domestic_marke ts/security_of_supply/index.shtml	DTI	5/10/05	
Reference 5	The Grid Code http://www.nationalgrid.com/uk/Electricity/Cod es/gridcode/gridcodedocs/	National Grid	12- 30/9/05	

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ANNEX 1 LEGAL TEXT

Legal text for the Proposed Modification is attached as a separate document, Annex 1A.

ANNEX 2 PROCESS FOLLOWED

Date	Event
03/10/05	Modification Proposal raised by Scottish and Southern Energy
	P195 Modification Proposal
04/10/05	Request for urgency issued to The Authority
	P195 Request for Urgency
05/10/05	The Authority agreed that P195 should be treated as an Urgency Modification
	P195 Authority Consent to Urgent Treatment
06/10/05	First Urgent Modification Group meeting held
1110/05	Second Urgent Modification Group meeting held
13/10/05	Update provided to the Panel
14/10/05	Urgent Modification consultation issued
	P195 Consultation Document
17/10/05	Request for BSC Agent impact assessment issued
17/10/05	Request for Transmission Company analysis issued
17/10/05	Request for BSCCo impact assessment issued
21/10/05	BSC Agent impact assessment response returned
21/10/05	Transmission Company analysis returned
21/10/05	BSCCo impact assessment returned
21/10/05	Urgent Modification consultation responses returned
24/10/05	Third Urgent Modification Group meeting held
27/10/05	Urgent Modification Report issued to the Panel
28/10/05	Urgent Modification Report presented to the Panel
28/10/05	Urgent Modification Report issued to Authority

ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL⁸

Meeting Cost	£1,500
Legal/Expert Cost	£8,000
Impact Assessment Cost	£5,000
ELEXON Resource	31 Man days
	£9,080

MODIFICATION GROUP MEMBERSHIP

Member	Organisation	Email	06/10	11/10	24/10
Sarah Jones	ELEXON (Chairman)	Sarah.Jones@elexon.co.uk	\checkmark	\checkmark	
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	Energy	southern.co.uk			

MODIFICATION GROUP TERMS OF REFERENCE

What cost should be used to determine neutrality?

How should the intended load level be defined?

Should other Parties be left neutral to the incident through a change to the pricing calculation?

How long should the generator be held neutral to cashout exposure?

How long will the arrangements be available for?

⁸ Clarification of the meanings of the cost terms in this annex can be found on the BSC Website at <u>Clarification of Costs in Modification</u> <u>Procedure Reports</u>.

Is the solution appropriate for all trigger events?

How does P195 interact with current Emergency Instruction arrangements?

Why should the P195 arrangements only apply to distillate CCGTs?

Should Parties be allowed to make multiple claims?

Should these arrangements be included in the BSC?

Are there other routes available to deal with this situation?

Is it possible to quantify the number of time the P195 arrangements will be used?

ANNEX 3 RESULTS OF ASSESSMENT PROCEDURE CONSULTATION

15 responses (representing 65 Parties and 5 non-Parties) were received to the P195 Assessment Procedure consultation.

A summary of the consultation responses is provided in the table below (bracketed numbers represent the number of Parties and non-Parties represented by respondents).

	Consultation Question	Yes	Νο	No comment / No response
1	Do you believe Proposed Modification P195 better facilitates the achievement of the Applicable BSC Objectives?	2 (5,1)	13 (60,5)	
	Please give rationale and state objective(s)			
2	Do you believe any of the potential alternatives identified by the Group should be progressed further?	3 (24,0)	12 (41,5)	
	a) The Modification should only apply to firm gas supplies			
	b) The Modification should only apply in emergency situations	3 (14,1)	12 (51,4)	
	c) The claim should take into account avoidable costs	2 (5,1)	13 (60,4)	
	d) The Modification should include any generator that can switch from gas to another fuel	2 (5,1)	13 (60,4)	
	Please give rationale.			
3	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered?	2 (4,5)	13 (61,0)	
	Please give 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	1 (5,0)	13 (60,4)	1 (0,1)
L				

	Consultation Question	Yes	No	No
				comment / No
				response
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.	10 (53,0)	2 (5,4)	3 (7,1)
	Please give 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?	1 (5,0)	13 (60,4)	1 (0,1)
	Please give 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?	8 (24,0)	6 (35,5)	1 (6,0)
	Please give rationale			
8	If you have answered yes to Question P195, how many times do		Zero – 3 (3,0))
			Once – 2 (10,	0)
		۲ 	wice – 2 (10,	,0)
		Three time	s 1 (1,0)	
9	If you have answered yes to Question P195, do believe that the limit should be based on an individual BM Unit or Party?	BM Unit - 2 (14,0)	Party – 2 (6,0)	11 (45,5)
	Please give rationale			
10	Is it appropriate that the Panel (or delegated authority) judge on the claims, as opposed to an independent body? Please give rationale	12 (58,4)	1 (1,0)	2 (5,1)
11	Would your reviews on this Modification Proposal be affected by		15 (65.5)	
	the proposed changes to the Fuel Security Code?		(,-,	
	Please give rationale			
12	Does P195 raise any issues that you believe have not been identified so far and that should be progressed?	5 (30,4)	10 (35,1)	
	Please give rationale			
13	Do you believe that the legal text correctly addresses the defect or issue identified in the Modification Proposal?	6 (40,4)	2 (6,0)	7 (19,1)
	Please give rationale.			

	Consultation Question	Yes	No	No comment / No response
14	Are there any further comments on P195 that you wish to make?	5 (16,4)	1 (49,1)	
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.	1 (5,0)	9 (51,4)	5 (9,1)

Full copies of the consultation responses are attached as a separate document, Annex 3A.

ANNEX 4 RESULTS OF IMPACT ASSESSMENT

During the Assessment Procedure an impact assessment was undertaken in respect of all BSC Systems, processes, documentation and parties. The following have been identified as impacted by P195.

For details of the costs associated with these impacts, please refer to Section 2.

a) Impact on BSC Systems and Processes

System / Process	Impact of Proposed/Alternative Modification
Claims process	This will be a new process. The Panel will need to decide how they will manage the claims process and who will determine on the claims.
Settlement Adjustment	The value of ABSVD will have to be manually adjusted to allow any upheld claims to be entered into Settlement.

A copy of the full BSC Agent impact assessment is attached as a separate document, Annex 4A.

b) Impact on BSC Agent Contractual Arrangements

BSC Agent Contract	Impact of Proposed/Alternative Modification
LogicaCMG (BMRA, CRA, CDCA, SAA, ECVAA, TAA, FAA)	If a claim is upheld, the SAA will need to manipulate ABSVD to adjust the Energy Imbalance of the affected Party if the claim is rectified in the next Settlement Run. The FAA will be impacted if the claim is rectified as an Extra Settlement Determination).

c) Impact on BSC Parties and Party Agents

Parties will be indirectly impacted by the Modification as they will have to pay for the claim itself through RCRC, and will also have to pay for the processing of upheld claims (after the first $\pm 10k$) through BSCCo Charges.

Parties will only be directly impacted by this Modification if they choose to make a claim. In this case they will have to notify BSCCo that they wish to make a claim and provide all the evidence supporting that claim. They will also have to pay the fee to make a claim and administration charges if the claim is not upheld.

d) Impact on Transmission Company

ſ	Q	Question	Response
	1	Please outline any impact of the Proposed Modification (and, if applicable, any Alternative Modification) on the ability of the Transmission Company to	In our view as the Modification Proposal undermines the fundamental incentive on participants to balance given the
		discharge its obligations efficiently under the Transmission Licence and on its ability to operate an efficient, economical and co-ordinated transmission system.	proposed number of periods of neutrality there could be consequential increases in balancing costs.

Q	Question	Response
2	Please outline the views and rationale of the Transmission Company as to whether the Proposed Modification (and, if applicable, any Alternative Modification) would better facilitate achievement of the Applicable BSC Objectives.	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.
		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.

Q	Question	Response
3	Please outline the impact of the Proposed Modification (and, if applicable, any Alternative Modification) on the computer systems and processes of the Transmission Company, including details of any changes to such systems and processes that would be required as a result of the implementation of the Proposed Modification (and, if applicable, any Alternative Modification	No changes have been identified to the systems and processes of the Transmission Company required as a result of the implementation of the Proposed Modification P195. The majority of changes will be required to Elexon's processes to deliver this proposed modification. The proposed solution for the rectification of upheld claims would be based on the calculation of the error volume involving the manipulation of ABSVD post event by Elexon.
4	Please outline any potential issues relating to the security of supply arising from the Proposed Modification (and, if applicable, any Alternative Modification).	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.
		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 a 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.

Q	Question	Response
5	Please provide an estimate of the development, capital and operating costs (broken down in reasonable detail) which the Transmission Company anticipates that it would incur in, and as a result of, implementing the Proposed Modification (and, if applicable, any Alternative Modification).	No additional costs would be incurred as the result of the implementation of the Proposed Modification. Our existing systems and processes which respond in the current instance of generator trip or plant loss would operate in the same way for the circumstances identified in P195 where CCGT failure was experienced as a result of a switch in fuel type.
6	Please provide details of any consequential changes to Core Industry Documents and/or the System Operator Transmission Owner Code that would be required as a result of the implementation of the Proposed Modification (and, if applicable, any Alternative Modification).	No consequential changes have been identified to the Core Industry Documents that would be required as a result of the implementation of the Proposed Modification P195.
7	Any other comments on the Proposed Modification (and Alternative Modification if applicable).	No other comments.

e) Impact on BSCCo

Area of Business	Impact of Proposed/Alternative Modification
Implementation	There will be an initial minor impact to update the BSC with the Approved Legal Text. There will be a more significant impact once the Panel has decided how they are going to manage the process as appropriate documents will need to be developed.
Operational	BSCCo will need to manage the claims process, providing administrative, analytical and secretarial support to the Panel (or Panel Committee) to process the claims.
	The Panel will need to decide how they will manage the claims process. The outcome of their decisions will indicate which area of BSCCo is impacted. This will be dependent on whether they chose to determine on the claims themselves, delegate this authority to the Trading Disputes Committee or delegate it to another (potentially new) Panel Committee.
	BSCCo will need to instruct the relevant BSC Agent to make the changes required to ABSVD to include upheld claims in Settlement.

f) Impact on Code

Code Section	Impact of Proposed/Alternative Modification
Section D	This section will be updated to allow BSCCo to recover the costs of processing the claim from a single Party whose claim has been withdrawn or rejected.
Section G	This section will be updated in include details of the claims process and the circumstances in which a claim can be made.
Section T	This section will be updated to allow the rectification of the claim through ABSVD.
Section X	This section will be updated with appropriate definitions.

A copy of the draft legal text to give effect to these changes can be found in Annex 1.

g) Impact on Code Subsidiary Documents

No impacts have been identified

h) Impact on Core Industry Documents/System Operator-Transmission Owner Code

No impacts have been identified.

i) Impact on Other Configurable Items

No impacts have been identified.

j) Impact on BSCCo Memorandum and Articles of Association

No impacts have been identified.

k) Impact on Governance and Regulatory Framework

This Modification interacts with the Fuel Security Code. This document is currently undergoing changes and is being consulted on (<u>reference</u> 4). The details of the interaction between P195 and the changes to the Fuel Security Code are included in section 5.13



ANNEX 5 JUSTIFICATION FOR LENGTH OF NEUTRALITY

This example shows that a switch was attempted in Settlement Period 12, and Physical Notification levels are achieved in Settlement Period 15. The Proposer believes that this is justification for CCGTs that fail to meet intended load levels when switching neutrality for four Settlement Periods plus the Balancing Mechanism window of two Settlement Periods to attempt to achieve their Physical Notification level.