



Nick Simpson
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4 October 2005

Dear Nick,

Panel recommendation regarding urgency for Modification Proposal P195 'Neutrality for CCGT BMUs Switching Between Gas and Distillate'

Modification Proposal P195 'Neutrality for CCGT BMUs Switching Between Gas and Distillate' was raised by Scottish and Southern Energy Plc on 3 October 2005.

In accordance with the procedures set out in Section F2.9 of the Balancing and Settlement Code ('the Code'), the Proposer has recommended that P195 should be progressed as an Urgent Modification Proposal.

The Panel has carefully considered this recommendation, and recommends to the Authority that P195 should be progressed as an Urgent Modification Proposal.

I am writing to seek the Authority's determination as to whether urgency should be granted and, if so, endorsement of the process and timetable to be followed in respect of the Urgent Modification Proposal.

Issues Addressed by the Modification Proposal

A copy of Modification Proposal P195 including the recommendation for urgency is attached to this letter.

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 following an instruction to switch from gas to distillate at times of stress on either the gas or electricity system, remains neutral to the cash-out exposure.

Rationale for Urgency Recommendation

The Proposer requested that P195 be treated as an Urgent Modification Proposal due to the potential impact on security of supply. The Proposer states that the availability of gas within the GB market will be tight this coming winter, with distillate CCGT's being instructed to switch from gas to distillate. It is important that distillate CCGTs provide this capability otherwise there could be a threat to the security of supply of electricity. Ensuring that distillate CCGTs remain neutral to cash-out exposure should the plant trip, will prevent CCGTs simply removing this capability.

Panel Views

Attempts were made to contact all Panel Members. Of the 6 Panel Members available, 5 were supportive of the urgent treatment of this Modification Proposal. Furthermore, the Transmission Company representative also expressed support to the urgent treatment of P195.

The Panel noted that, should P195 not be treated as an Urgent Modification Proposal, the final Modification Report would be issued to the Authority in January 2006. The proposed urgent timetable would allow the Urgent Modification Report to be issued to the Panel on 28 October 2005 i.e. before winter 2005/6. The Panel also noted that a manual solution would be required to allow P195 to take effect shortly after an Authority decision, should the Authority approve P195. Therefore it would be possible to progress and implement P195 before the bulk of winter has taken place, if it is progressed as an Urgent Modification Proposal.

The majority of the Panel agreed that P195 should be treated as urgent for the reason given by the Proposer i.e. failure to treat P195 as an Urgent Modification Proposal would impact on security supply during winter 2005/6.

In addition several Panel members believed that there is a very real likelihood of significant commercial impact upon CCGT owners if P195 is not urgent. This was based on the view that, although there are a large number of CCGTs with the ability to switch from gas to distillate, this functionality has not been used frequently. Therefore it is possible that the plant will trip when instructed to switch to distillate, which could lead to significant imbalance exposure.

One Panel member did not believe that P195 should be treated as an Urgent Modification Proposal as the arguments are similar to those given in relation to previous winters, and have not yet been realised. Therefore it would be more appropriate to consider the issues via the normal Modification Procedures.

Proposed Process and Timetable

The proposed process and timetable that would be adopted if this Modification Proposal were to be treated as urgent is set out in the table below. The aim would be to submit an Urgent Modification Report in respect of P195 to the Authority on 28 October 2005.

P195 Proposed Process and Timetable

Activity	Date
First Modification Group Meeting	6 October
Second Modification Group Meeting	11 October
Update to Panel	13 October
Issue Consultation to Modification Group for review	13 October 2005 am
Comments from Modification Group	14 October 2005 midday
Consultation / Impact Assessment	COB 14 October - midday 21 October 2005
Third Modification Group meeting	24 October 2005
Issue Urgent Modification Report to Modification Group for review	COB 25 October 2005
Comments from Modification Group	27 October 2005 midday
Issue Urgent Modification Report to Panel	COB 27 October 2005
Panel Meeting	28 October 2005 am
Issue Urgent Modification Report to Authority	28 October 2005 pm

Decision Required

You are invited to determine whether P195 should be treated as Urgent Modification Proposal and, if so, to direct the processes and timetables to be followed. Given the proposed timing of the first Modification Group Meeting on 6 or 7 October 2005, I would be grateful if you could reach a timely decision on this matter.

Yours sincerely,



Richard Brealey

BSC Panel Deputy Chairman

(Signed on his behalf by the BSC Panel Secretary)

Enc: 1. Modification Proposal P195