

P175 TRANSMISSION COMPANY ANALYSIS AND IMPACT ASSESSMENT – RESPONSE PRO-FORMA

In accordance with paragraph F 2.8 of the Code, please respond to the following questions concerning P175 (including the rationale for each response):

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 discharge its obligations efficiently under the Transmission Licence and on its ability to operate an efficient, economical and co-ordinated transmission system.	See answer to question 2.
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.	<p>It is evident from the documentation associated with the Modification Proposal and the discussion at the only modification group meeting held so far that the PSMG is still developing Modification Proposal P175, as well as the solution to the defect. We are concerned that there is a danger that the Proposal itself will change post consultation and that the industry will not fully consider the eventual proposal.</p> <p>It is not possible for NGT to determine whether, on balance, P175 better facilitates the applicable BSC Objectives as the Modification Proposal and solution outlined in the consultation document allows for key elements of the proposal to change following this consultation. In particular:</p> <ul style="list-style-type: none"> • Whether the proposal applies to whole sections of the Grid Code or explicitly to Emergency Instructions and the operation of Intertrips • Exactly what costs are included in the compensation provisions and what is meant by “plant damage” <p>Additionally, we do not believe an adequate assessment of the appropriateness of using a replacement price and the consistency of this approach with existing imbalance pricing provisions has been performed.</p>

		<p>However we welcome recognition by P175 that Emergency Instructions and Intertrips are events which occur outside of the normal operation of the Balancing Mechanism and it is therefore not appropriate to apply normal Bid-Offer prices to those events.</p> <p>Based on our current understanding of the Modification Proposed, and the solution that is being developed, we believe P175 would better facilitate the Applicable BSC Objectives if:</p> <ul style="list-style-type: none"> • Compensation was limited to Avoidable Costs as currently defined in the BSC • The proposed provisions were explicitly linked to Emergency Instructions and the operation of an Intertrip • Further assessment of the use of a replacement price concludes that it is appropriate and consistent with the treatment of other "System" actions in cashout.
3	Do you believe that scope of P175 as defined by the PSMG (see section 2.1.2 of the consultation document) is appropriate?	<p>The BSC contains explicit provisions for determining Acceptance Data relating to Emergency Instructions and the operation of Intertrips (as these are currently treated as Bid Offer Acceptances). However, if in the future a change were made to the Grid Code to treat another instruction as a Bid-Offer Acceptance, corresponding changes would be required to the BSC to determine Acceptance Data for that instruction. The required BSC modification could therefore propose to apply the P175 arrangements (or not) as appropriate, and could be assessed on its own merits. We do not therefore believe it is appropriate or necessary to make this judgement now. It is our view that the "closed approach" should be adopted in relation to which Grid Code Acceptances are covered by P175 and therefore that P175 should explicitly apply to Emergency Instructions and the operation of an Intertrip using the existing provisions contained within BSC Q5.1.3 and Q5.1.5.</p> <p>We note that there are instructions contained within BC2.10 which result in the issuing of Bid-Offer Acceptances in real time in the Balancing Mechanism. We believe it would be inappropriate to invoke the P175 proposals on these instructions. Additionally, we would like to point out that the provisions for treating the <i>operation</i> of an Intertrip as a Bid-Offer Acceptance are contained within BC2.5.2.3, and not in BC2.9 or BC2.10. These factors also lead to the logical conclusion that P175 should only apply to the specific instructions which the provisions were designed for. We also note the comment in the consultation document that the "open approach" is not one of the fundamental objectives of the Modification Proposal.</p>

4	<p>Do you agree with the PSMG's definition of the costs that should be deemed legitimate to include in a compensation claim under P175?</p> <p><i>(NB: If you answer 'no' to this question, please specify what costs you think should be included.)</i></p>	<p>No.</p> <p>The Transmission Company believes there is ambiguity regarding what costs are and are not included in the compensation provisions for P175, and are concerned that these may change following this consultation.</p> <p>We believe it is appropriate for Emergency Instructions to be treated as a contingency and that the current Avoidable Cost provisions should apply. In respect of Intertrips, the Authority has indicated in its decision on P87 that remuneration for the operation of an intertrip should be dealt with under the CUSC, and NGT is progressing a CUSC Modification (CAP076) in this area. However, when compared with the current BSC baseline, we believe remuneration for the operation of an Intertrip using the currently defined Avoidable Costs provisions is more appropriate than using the prevailing Bid price. A determination of what items are appropriate to include and exclude in relation to Avoidable Costs for the purposes of providing compensation in contingency circumstances has already been made in the BSC, as it forms the current BSC baseline in section W. We see no reason to change it, or suggest that it is inadequate. We note that the PSMG have not reached a conclusion as to what costs should be included or excluded.</p> <p>We therefore support the use of the existing Avoidable Costs provisions (as currently defined within the BSC) for compensating Parties who have delivered against an Emergency Instruction or following the Operation of an Intertrip (prior to explicit provisions being set out in the CUSC). However extending the compensation beyond Avoidable Costs to include plant damage would in our view be inappropriate and could be seen as a replacement for plant insurance, underwritten by the rest of the industry. This would not promote competition, and would not better facilitate BSC objective (c).</p>
5	<p>Do you believe that there should be a de minimis level for a compensation claim to the Panel under P175?</p> <p><i>(NB: If you answer 'yes' to this question, please specify the level that you deem appropriate.)</i></p>	<p>It would seem appropriate to set a de-minimis limit for compensation claims to promote efficiency in the claims process. Whilst we do not have strong views on the limit, we suggest £5k as this is consistent with the cost of raising a manifest error claim.</p>
6	<p>Do you believe that the Panel Determination of the replacement price should be</p>	<p>The Transmission Company believes that leaving the Panel's determination open to appeal would be inconsistent with other contingency arrangements.</p>

	open to appeal?	
7	<p>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)</p>	<p>There are three processes to be followed by the Transmission Company in the event that P175 is approved. These are:</p> <ul style="list-style-type: none"> • Notifying the Industry of an Emergency Instruction / Intertrip • Determining Acceptance Data and entering it into settlement • Providing information to the Panel in relation to the replacement price <p>Notifying the Industry of an Emergency Instruction:</p> <p>It is envisaged that such a notification would be relayed via the Systems Warnings page on the Balancing Mechanism Reporting Service (BMRS) website. This would employ existing IS functionality and so there is not anticipated to be an impact on any of the Transmission Company's computer systems. In terms of process, a new Control Room procedure will need to be put into place to facilitate the publishing of such information. This is not expected to be onerous provided a number of key factors are taken into consideration. These include:</p> <ul style="list-style-type: none"> • That any message is provided on a reasonable endeavours basis once Transmission System conditions have returned to normal. In an extreme event where several Emergency Instructions are having to be issued by the Control Room, it is unlikely that there will be sufficient time for a Control Engineer to input messages to the BMRS. This could only happen once the extreme event had subsided. • That the information contained within such a message is limited to the time of issue of the Emergency Instruction(s) and the BMU(s) instructed to provide an Emergency Instruction. It is unlikely that any further information will be available in Control timescales, as all Emergency Instructions will be instructed via telephone. As a result any information regarding Acceptance Data/volumes will not be available until after any such telephone instructions have been carefully analysed. <p>Determining Acceptance Data and entering it into settlement</p> <p>It is anticipated that this process will be performed as it is currently through the use of BSCP18 (formally Workaround 18). As such no IS impacts are envisaged as existing systems and processes will be utilised. In the majority of cases such data should be available in time for the Interim Information (II) (D+5WD) run. There is the possibility that where significant numbers of Emergency Instructions have been issued for a single event and a large number of telephone instructions are required to be analysed that it will not be possible to determine the Acceptance Data by the II run. In such cases it is anticipated that the information would be available by the Initial Settlement Run (SF). Currently BSCP18 requires that Acceptance Data is provided by the SF run and so</p>

		<p>such an obligation would be concurrent with existing obligations. If it is determined that the use of BSCP18 is not appropriate for the purposes of entering Bid-Offer Acceptance Data pursuant to an Emergency Instruction then it is possible that there may be an impact on the computer systems of the Transmission Company.</p> <p>Information relating to determining the replacement price</p> <p>A manual process for identifying replacement Bid-Offer Pairs currently exists for Manifest Errors. We would use the same process for determining and submitting the information required for P175. It should be noted that in extreme circumstances, it may not be possible to determine the required information in time for a Panel determination before SF (if for instance, a significant number of Emergency Instructions had been issued within this timescale).</p> <p>There are a number of scenarios which could arise in relation to using the prices and volumes of unaccepted Bids and Offers (e.g. when there are insufficient Bids or Offers available), and we believe clear guidance as to the appropriate treatment of each scenario should be provided in a BSCP.</p> <p>We believe the possible scenarios to be:</p> <ul style="list-style-type: none"> • Sufficient unaccepted feasible Bids-Offers available to meet entire volume • No other unaccepted feasible Bids/Offers available • Unaccepted feasible Bids-Offers available to meet a proportion of the volume <p>Within each scenario, consideration should be given to the treatment of the deemed BOA resulting from the Emergency Instruction / Intertrip.</p>
8	Please outline any potential issues relating to the security of supply arising from the Proposed Modification (and, if applicable, any Alternative Modification).	Emergency Instructions are an essential element of the suite of tools used by NGC when operating the transmission system and it is important to security of supply that all Parties follow their obligations under the Grid Code. We believe that arrangements should be put in place that give all Parties comfort that if an Emergency Instruction is issued, it will be treated appropriately in settlement.
9	Please provide an estimate of the development, capital and operating costs (broken down in	Minimal costs in this area are currently envisaged.

	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).	
10	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).	We do not believe there are any necessary consequential changes to any other Industry Codes or Statements.
11	Any other comments on the Proposed Modification (and Alternative Modification if applicable).	No.

Please send your response by **12:00 Midday on Tuesday 9 November 2004** to modifications@elexon.co.uk. Any queries regarding the analysis should be addressed to Tom Bowcutt on 020 7380 4309, email address Thomas.bowcutt@elexon.co.uk.