

## Responses from P172 Draft Report Consultation

Consultation Issued 16 December 2004

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	Energywatch	P172_dMR_001	0	1
2.	British Gas	P172_dMR_002	1	0
3.	RWE Trading GmbH	P172_dMR_003	10	0
4.	Scottish and Southern	P172_dMR_004	5	0
5.	E.ON UK	P172_dMR_005	15	0
6.	Teesside Power	P172_dMR_006	1	0
7.	British Energy	P172_dMR_007	4	0
8.	EDF Energy	P172_dMR_008	9	0
9.	Central Networks	P172_dMR_009	1	0
10.	National Grid Transco	P172_dMR_010	1	0
11.	Total Gas and Power Ltd	P172_dMR_011	1	0

## P172 REPORT PHASE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

<b>Respondent:</b>	<i>Lesley Davies</i>
<b>Non Parties represented</b>	<i>energywatch</i>
<b>Role of Respondent</b>	<i>Gas and electricity consumer watchdog</i>

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P172 <b>should</b> be made? <i>Please give rationale.</i>	Yes	energywatch agrees with the Panel that the proposed modification P172 should be made. energywatch is of the view that P172 would better facilitate applicable BSC objective (c).
2.	Do you agree with the Panel's views on <b>Alternative Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P172 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	energywatch considers that both the proposed and the alternative modifications are better than the current baseline but would opt in favour of the proposed modification.
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>	No comment	
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P172 (Proposed and Alternative)? <i>Please give rationale.</i>	Yes	
5.	Are there any further comments on P172 that you wish to make?	Not at this time	

Please send your responses by **12:00 on 23 December 2004** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P172 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

Any queries on the content of the consultation pro-forma should be addressed to either Thomas Bowcutt (0207 380 4309, email address [thomas.bowcutt@elexon.co.uk](mailto:thomas.bowcutt@elexon.co.uk)) or Sarah Parsons (020 7380 4293, email address [sarah.parsons@elexon.co.uk](mailto:sarah.parsons@elexon.co.uk)).



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Tel. (01753) 431137  
Fax (01753) 431150  
Our Ref.  
Your Ref.  
23 December 2004

Dear Sirs,

**Re: Modification Proposal P172 – Removal of Emergency Instructions taken for System Reasons from Imbalance Prices**

Thank you for the opportunity of responding to this draft modification report considering Modification Proposal P172. British Gas Trading (BGT) agrees with the Panel's provisional recommendation that the proposed modification should be made.

BGT concur with the views of the modification group and the Panel that both the proposed and the Alternative modification proposal are significantly better than the current baseline. However, BGT believes that the original modification is better than the Alternative. BGT anticipate that Emergency Instructions will be infrequent events and as the replacement price will be calculated post event, BGT believe the additional process detailed in the original is not required. BGT believe the proposed modification better facilitates competition in the generation and supply of electricity as it will ensure that energy imbalance prices more accurately reflect the energy actions taken by the System Operator. This is consistent with the intent of imbalance prices.

BGT agrees with the proposed implementation date, which is consistent with the suite of modification proposals being discussed in this area.

If you have any questions regarding this response please contact me 01753 431137.

Yours faithfully

Mark Manley  
Contract Manager

**A *centrica* business**

**British Gas Trading Limited** Registered in England No.3078711. Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD  
[www.gas.co.uk](http://www.gas.co.uk)

## P172 REPORT PHASE CONSULTATION QUESTIONS

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<b>Respondent:</b>	<i>Bill Reed</i>
<b>No. of Parties Represented</b>	10
<b>Parties Represented</b>	<i>Please list all Parties responding on behalf of (including the respondent company if relevant). RWE Trading GmbH; RWE Npower Ltd; Npower cogen Ltd; Npower cogen trading Ltd; Npower Direct Ltd; Npower Ltd; Npower northern Ltd; Npower northern supply Ltd; npower yorkshire Ltd; npower yorkshire supply Ltd.</i>
<b>No. of Non Parties Represented</b>	None
<b>Non Parties represented</b>	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant). None</i>
<b>Role of Respondent</b>	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state <sup>1</sup>) Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P172 <b>should</b> be made? <i>Please give rationale.</i>	Yes	We believe that the modification better facilitates Objective C by removing system actions from the calculation of cash out prices.
2.	Do you agree with the Panel's views on <b>Alternative Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P172 <b>should not</b> be made? <i>Please give rationale.</i>	No	We support the application of a replacement price since the cash out prices derived will provide an appropriate reflection of the cost of actions that would have been taken by NGC. We note that if the volume is unpriced and is not tagged out then it is implicitly priced at either SSP or SBP.
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>	Yes	

<sup>1</sup> Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

Q	Question	Response Error! Bookmark not defined.	Rationale
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P172 (Proposed and Alternative)? <i>Please give rationale.</i>	Yes	
5.	Are there any further comments on P172 that you wish to make?	No	

Please send your responses by **12:00 on 23 December 2004** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P172 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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From: Garth Graham  
Sent: 23 December 2004 09:44  
To: Modification Consultations  
Subject: P172 Report Phase consultation

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd., SSE Energy Supply Ltd. and Medway Power Ltd.

In relation to the five questions listed in the Report Phase Consultation document, contained within your note of 16th December 2004 concerning Modification Proposals P172, we have the following comments to make: -

Q1 Do you agree with the Panel's views on Proposed Modification P172 and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P172 should be made? Please give rationale.

Yes, we agree with the Panel's proposed recommendation to the Authority that the Proposed Modification P172 should be made (although, as noted in our answer to Q2 below, we believe the Alternative better achieves the applicable objectives than P172 'Original').

We support the argument expressed by some respondents to the Assessment Consultation (and enunciated by some members of the PSMG) concerning a System Balancing action influencing the Energy Imbalance Price (it being indicated in BC 2.9 of the Grid Code that any 'Emergency Instruction' is a System Balancing Action - as it is an action, as noted in BC2.9.1.1, taken by the GBS0 that is "necessary, in order to preserve the integrity of the GB Transmission System") and we believe that P172, in addressing this matter, (regarding the handling of Emergency Instructions vis the impact on Energy Imbalance Prices) better facilitates the achievement of the Applicable BSC Objectives.

Q2 Do you agree with the Panel's views on Alternative Modification P172 and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P172 should not be made? Please give rationale.

No, we do not agree with the Panel's proposed recommendation to the Authority that the Alternative Modification P172 should not be made.

We believe that the Alternative P172, with its better reflection of the 'true' Energy Imbalance Price arising from the taking of the (system related) Emergency Instruction action (than either the baseline or P172 'Original') will better facilitates the achievement of the Applicable BSC Objectives.

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

It appears to.

Q4 Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P172 (Proposed and Alternative)? Please give rationale.

If the Modification Proposal P172 (original or alternative) is approved, we agree with the BSC Panel's provisional recommendation concerning the Implementation Dates.

Q5 Are there any further comments on P172 that you wish to make?

Not at this time.

Regards

Garth Graham  
Scottish and Southern Energy plc

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Scottish Hydro-Electric, Southern Electric, SWALEC and S+S  
are trading names of the Scottish and Southern Energy Group.  
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## P172 REPORT PHASE CONSULTATION

<b>Respondent:</b>	E.ON UK plc
<b>No. of Parties Represented</b>	15
<b>Parties Represented</b>	E.ON UK plc, Powergen Retail Limited, Cottam Development Centre Limited, Enizade Ltd, E.ON UK Drakelow Limited, E.ON UK Ironbridge Limited, E.ON UK High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy.
<b>No. of Non Parties Represented</b>	-
<b>Non Parties represented</b>	-
<b>Role of Respondent</b>	Supplier, Generator, Trader, Consolidator & Exemptable Generator

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P172 <b>should</b> be made? <i>Please give rationale.</i>	No	Please see box below.



Q	Question	Response	Rationale
2.	<p>Do you agree with the Panel's views on <b>Alternative Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P172 <b>should not</b> be made? <i>Please give rationale.</i></p>	No	<p>Although we believe both the original and the alternative would address the defect and better meet the applicable objectives, we do not believe that the Panel has correctly assessed the available solutions or chosen the more appropriate solution. The solution for the alternative is not significantly more complex than the original. Additionally, the fact that the solution is to be used infrequently is not a reason for not implementing it. Any solution chosen will be used infrequently. Finally, it is not true that actions are always either tagged as for system or energy purposes. In NIV tagging, for the vast majority of the time only part of the marginal acceptance is tagged out. Therefore, part of this acceptance is deemed as being for system purposes and is excluded from the price, and the remaining is deemed as being for energy purposes.</p> <p>P172 should be assessed in terms of getting the right answer, not to put in a less appropriate answer for a limited set of circumstances. It is entirely possible that a different set of circumstances could lead to an extreme price being set under the original proposal, which the alternative proposal would have avoided. In the absence of a difference in implementation and operation costs making it prohibitive, the more appropriate solution should be chosen. In respect of P172, this is the alternative proposal.</p>
3.	<p>Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i></p>	Yes	
4.	<p>Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P172 (Proposed and Alternative)? <i>Please give rationale.</i></p>	Yes	
5.	<p>Are there any further comments on P172 that you wish to make?</p>	No	



## P172 REPORT PHASE CONSULTATION QUESTIONS

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<b>Respondent:</b>	<i>Teesside Power Limited</i>
<b>No. of Parties Represented</b>	1
<b>Parties Represented</b>	<i>Teesside Power Limited</i>
<b>No. of Non Parties Represented</b>	
<b>Non Parties represented</b>	
<b>Role of Respondent</b>	<i>Generator</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P172 <b>should</b> be made? <i>Please give rationale.</i>	Yes	
2.	Do you agree with the Panel's views on <b>Alternative Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P172 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>		
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P172 (Proposed and Alternative)? <i>Please give rationale.</i>		
5.	Are there any further comments on P172 that you wish to make?		

Please send your responses by **12:00 on 23 December 2004** to [modification.consultations@exxon.co.uk](mailto:modification.consultations@exxon.co.uk) and please entitle your email '**P172 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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## P172 REPORT PHASE CONSULTATION QUESTIONS

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<b>Respondent:</b>	<i>Martin Mate</i>
<b>No. of Parties Represented</b>	4
<b>Parties Represented</b>	<i>British Energy Power &amp; Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd</i>
<b>No. of Non Parties Represented</b>	-
<b>Non Parties represented</b>	-
<b>Role of Respondent</b>	<i>Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent</i>

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P172 <b>should</b> be made? <i>Please give rationale.</i>	Yes/No	The cost of actions which are clearly and without doubt system balancing actions should ideally not be reflected in energy imbalance prices, and the proposal achieves that aim. However, in removing the cost of the emergency instruction from pricing altogether, the proposal ignores the cost of the actions which would otherwise have been taken, and which should be reflected in imbalance prices. Although in this case the effect is small, it could be more significant in other cases. The proposal can only be justified on the expectation of very infrequent applicability, and on the basis that on balance the removal of extreme system actions is preferable to the exclusion of valid normal actions.
2.	Do you agree with the Panel's views on <b>Alternative Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P172 <b>should not</b> be made? <i>Please give rationale.</i>	No	The alternative is better than the original proposal. It would in principle give an imbalance price more reflective of actions which would have been taken to balance the system in the absence of the emergency instruction.
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>	Yes / No	

Q	Question	Response	Rationale
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P172 (Proposed and Alternative)? <i>Please give rationale.</i>	Yes / No	
5.	Are there any further comments on P172 that you wish to make?	Yes / No	

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<b>Respondent:</b>	Paul Chesterman (EDF Energy)
<b>No. of Parties Represented</b>	9
<b>Parties Represented</b>	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power) Jade Power Generation Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; London Energy plc; Seeboard Energy Limited
<b>No. of Non Parties Represented</b>	0
<b>Non Parties represented</b>	N/A
<b>Role of Respondent</b>	Supplier / Generator / Trader

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P172 <b>should</b> be made? <i>Please give rationale.</i>	Yes	
2.	Do you agree with the Panel's views on <b>Alternative Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P172 <b>should not</b> be made? <i>Please give rationale.</i>	No	We also believe that the Alternative Modification would better facilitate Applicable Objective ©.
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>	Yes / No	We would look to Elexon and the Modification Group to advise on the suitability of the Legal Text.
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P172 (Proposed and Alternative)? <i>Please give rationale.</i>	Yes	
5.	Are there any further comments on P172 that you wish to make?	No	

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P172\_dMR\_009.txt

RE: P171, P172, P173, P175 Report Phase consultation - responses requested by  
5pm 23/12/04  
From: Sue Pritchard  
Sent: 23 December 2004 12:38  
To: Modification Consultations  
Subject: RE: P171, P172, P173, P175 Report Phase consultation - responses  
requested by 5pm 23/12/04

Central Networks would like to return a response of 'No Comment' to the P171,  
P172, P173, P175 Report Phase consultation

Regards  
Simon Sturgess

Registration Services  
Central Networks

## P172 REPORT PHASE CONSULTATION QUESTIONS

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<b>Respondent:</b>	<i>National Grid Transco</i>
<b>No. of Parties Represented</b>	
<b>Parties Represented</b>	<i>National Grid Company plc</i>
<b>No. of Non Parties Represented</b>	
<b>Non Parties represented</b>	
<b>Role of Respondent</b>	<i>BSC Party</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P172 <b>should</b> be made? <i>Please give rationale.</i>	Yes	Our views on this modification are expressed fully in our response to the assessment consultation. However we provide the following comments:  P172 proposes an additional tagging mechanism to ensure that the costs of system actions do not influence cashout prices. We agree with the BSC Panel that this better facilitates the applicable BSC Objectives and therefore agree with the Panel's recommendation.
2.	Do you agree with the Panel's views on <b>Alternative Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P172 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	We agree with the Panel that the potential benefits brought about by the Alternative Modification are outweighed by the complexity of the solution, and the detrimental impact on the efficiency of the arrangements. We also support the Panel's view that the proposed treatment of Emergency Instructions taken for 'system' reasons introduces an inconsistency in the cashout arrangements, and believe this could be considered further by the cashout review. We therefore support the Panel's recommendation that the Alternative Modification P172 should not be made.

Q	Question	Response Error! Bookmark not defined.	Rationale
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>	Yes	
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P172 (Proposed and Alternative)? <i>Please give rationale.</i>	Yes	As soon as possible.
5.	Are there any further comments on P172 that you wish to make?	Yes	We note that until the current arrangements are changed, all classes of market participant continue to face the risk that extreme prices will be applied to SO actions which in certain circumstances impact entirely inappropriately on industry cash flows.

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<b>Respondent:</b>	<i>Sharif Islam</i>
<b>No. of Parties Represented</b>	1
<b>Parties Represented</b>	<i>Total Gas and Power Limited</i>
<b>No. of Non Parties Represented</b>	
<b>Non Parties represented</b>	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
<b>Role of Respondent</b>	<i>(Supplier/Trader)</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P172 <b>should</b> be made? <i>Please give rationale.</i>	Yes	We agree the intent of the Electricity Energy Imbalance price is to reflect the costs of energy imbalances by tagging out system related actions. We note the costs of local system-related actions in the gas industry are excluded from impacting imbalance prices for e.g. balancing actions on the OCM by Transco to alleviate local transportation constraints. Also, the principle of pay-as-bid is respected with respect to any related actions on the OCM. Total consider this an appropriate model to bear in mind because it would appear to provide a useful conceptual framework in which to evaluate these modifications, and help to apply in this circumstance an appropriate level of consistency in cashout-price determination between the gas and power industry.

Q	Question	Response Error! Bookmark not defined.	Rationale
2.	Do you agree with the Panel's views on <b>Alternative Modification P172</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P172 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	The Pay-as-Bid principle should be respected and we also consider that ex-post determination for compensating a party for its balancing actions or in developing a proxy imbalance price is problematic and will introduce unnecessary uncertainty, complexity and inefficiencies into participation in the BM and operation of central arrangements.
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>	Yes	
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P172 (Proposed and Alternative)? <i>Please give rationale.</i>	Yes	
5.	Are there any further comments on P172 that you wish to make?	No	

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