

## Responses from P172 Assessment Consultation

Consultation Issued 28 October 2004

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	RWE Trading	P172_AR_001	10	0
2.	First Hydro Company	P172_AR_002	1	0
3.	E.ON UK	P172_AR_003	15	0
4.	National Grid Transco	P172_AR_004	1	0
5.	British Gas Trading	P172_AR_005	1	0
6.	British Energy	P172_AR_006	4	0
7.	BizzEnergy	P172_AR_007	1	0
8.	Central Networks	P172_AR_008	1	0
9.	Scottish power	P172_AR_009	6	0
10.	EDF Energy	P172_AR_010	9	0
11.	Teesside Power	P172_AR_011	1	0

## P172 ASSESSMENT PROCEDURE 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>Bill Reed</i>
<b>No. of Parties Represented</b>	<i>10</i>
<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>	<i>None</i>
<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/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state <sup>1</sup>) Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent</i>

<b>Q</b>	<b>Question</b>	<b>Response <sup>1</sup></b>	<b>Rationale</b>
1.	Do you believe Proposed Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We support removal of system emergency actions from cash out prices.
2.	Do you believe Alternative Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We support the alternative modification (over the original) since this approach would enable the NIV tagging process to determine the system/energy definition of bid offer acceptances and remove the need for determination of system/energy actions from the system operator.
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	The lowest cost option should be implemented for these rare events.

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

Q	Question	Response <sup>1</sup>	Rationale
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P172 Alternative Modification? Please give rationale	Yes	The determination of the replacement price should be based on the existing manifest error provisions, subject to allowing the emergency BOA to be taken into account.
6.	Under the P172 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	Yes / No	Replacement prices should be calculated for all emergency BOAs with the NIV tagging process determining system/energy actions.
7.	Do you believe P172 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	Emergency instructions are rare events and it is difficult to envisage consequential changes to Bid/Offer prices. Note that this means that if "sleeper" prices will continue to be submitted, parties will be indifferent to the cash out impact (if accepted these BOAs would have material implications for BSUoS).
8.	Does P172 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P172 that you wish to make?	No	

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12:00 Midday on Tuesday 9 November 2004** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email 'P172 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Tom Bowcutt on 020 7380 4309, email address [Thomas.bowcutt@elexon.co.uk](mailto:Thomas.bowcutt@elexon.co.uk).

## P172 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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<b>Respondent:</b>	<i>Libby Glazebrook</i>
<b>No. of Parties Represented</b>	<i>1</i>
<b>Parties Represented</b>	<i>First Hydro Company</i>
<b>No. of Non Parties Represented</b>	<i>none</i>
<b>Non Parties represented</b>	<i>none</i>
<b>Role of Respondent</b>	<i>Generator</i>

<b>Q</b>	<b>Question</b>	<b>Response</b> Error! Bookmark not defined.	<b>Rationale</b>
1.	Do you believe Proposed Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	Whilst the P172 removes an acceptance from the price calculation, the cost of the acceptance remains in BSUoS and is smeared amongst all parties. In instances where emergency instruction are issues for system reasons, it seems inappropriate if the affected BM unit receives a windfall gain at the expense of others
2.	Do you believe Alternative Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	This might not reflect the costs incurred in delivering the bid or offer.
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	This has only happened once since NETA go live
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	

Q	Question	Response Error! Bookmark not defined.	Rationale
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P172 Alternative Modification? Please give rationale	Yes	Although we do not support the alternative
6.	Under the P172 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	Yes	This should only apply to to EIs issued for system reasons else it will capture other types of emergency instructions which should feed into cashout prices to provide the correct signals
7.	Do you believe P172 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	This has only happened once since NETA go live
8.	Does P172 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	Yes / No	
9.	Are there any further comments on P172 that you wish to make?	Yes / No	

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## P172 ASSESSMENT PROCEDURE 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 believe Proposed Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	It removes the risk that a high priced system action could feed into energy imbalance prices which may significantly distort them. The reduced risk of this occurring will benefit competition and thereby better meet objective (c).
2.	Do you believe Alternative Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	As long as it does not significantly increase the complexity of the solution. Including the likely energy cost of the action in the imbalance price calculation would be more accurate than including nothing at all as in the original. However, if the alternative were too complex then the original would suffice.
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	As emergency instructions are likely to be a very infrequent event, it would not be sensible to develop an expensive automated solution to the issue. Therefore, as long as the quality of the solution is not significantly impacted, a manual solution would appear more appropriate.
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	

<b>Q</b>	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P172 Alternative Modification? Please give rationale	Yes	
6.	Under the P172 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	All	Separating system and energy actions is not often possible. Many actions are taken for both purposes. Allowing trade tagging to work on all emergency acceptances would retain consistent treatment with acceptances made for other purposes.
7.	Do you believe P172 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	
8.	Does P172 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P172 that you wish to make?	No	

**P172 ASSESSMENT PROCEDURE 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>National Grid Transco</i>
<b>No. of Parties Represented</b>	<i>1</i>
<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>

<p>1.</p>	<p>Do you believe Proposed Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)</p>	<p>Yes</p>	<p>The current imbalance pricing methodology employs a set of mechanistic tagging rules to distinguish between certain balancing actions by virtue of their characteristics, for the purposes of excluding the costs of those actions from the energy imbalance price calculation. The excluded balancing actions are generally referred to as “System” actions as their characteristics make it more likely that they were taken for reasons other than to assist in resolving the Net Energy Imbalance of the market. Additionally, in relation to balancing actions taken outside of the Balancing Mechanism NGC makes a similar distinction by including a relevant balancing action in the calculation of either the System or Energy BSAD variables.</p> <p>In relation to the treatment of Emergency Instructions in the calculation of Energy Imbalance prices as proposed by P172, NGT believes it is appropriate for the System Operator to have the ability to identify Emergency Instructions taken for system reasons, in a manner consistent with the judgements already made relating to the treatment of system balancing actions in the calculation of BSAD. Once a system related Emergency Instruction has been identified, we believe that it is consistent with other “tagging” methodologies employed in the BSC to treat the Bid-Offer Acceptance as an unpriced volume, in order that the costs of that action do not influence energy imbalance prices. It is our view that P172 proposes an appropriate mechanism consistent with the current arrangements for preventing the costs of “System” balancing actions from influencing energy imbalance prices. P172 therefore better facilitates 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”.</p>
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2	<p>Do you believe Alternative Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)</p>	No	<p>NGT believes that the calculation of energy imbalance prices should deliver appropriate incentives to market participants to balance their own positions, and be designed to be reflective of the costs incurred by the System Operator in balancing the system.</p> <p>We are concerned that the use of a replacement price as proposed by P172A may be inconsistent with the treatment of other balancing actions which are “tagged” by the imbalance pricing mechanism and included in the calculation as unpriced volumes. We believe the consequences of setting a precedent whereby prices that are not ultimately paid to or by BM Participants are applied to system volumes and then used in the imbalance price calculation should be further assessed by the PSMG. This seems to be a significant departure from the principles that underpin the current treatment of “system” actions, which was not part of the original Modification Proposal.</p> <p>Without proper assessment, it has not yet been proved that using a replacement price rather than ‘no price’ better facilitates the BSC Objectives.</p>
3	<p>Do you support the manual implementation approach preferred by the Modification Group? Please give rationale</p>	Yes	<p>Given that these events are likely to be infrequent, NGT believes that the lowest cost implementation approach should be adopted.</p>
4	<p>Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale</p>	No	-

5	<p>Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P172 Alternative Modification? Please give rationale</p>	Yes	<p>Notwithstanding our concerns regarding further assessment of using a replacement price, NGT believes it would be appropriate to base the methodology for determining it on the existing provisions relating to Manifest Errors. 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"> <li>● Sufficient unaccepted feasible Bids-Offers available to meet entire volume</li> <li>● No other unaccepted feasible Bids/Offers available</li> <li>● Unaccepted feasible Bids-Offers available to meet a proportion of the volume</li> </ul> <p>Within each scenario, consideration should be given to the treatment of the deemed BOA resulting from the Emergency Instruction.</p>
6	<p>Under the P172 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale</p>	System Only	<p>The current imbalance price methodology specifically treats only those actions which are tagged as "system" differently from other actions. We therefore believe that any solution for P171A should be consistent with this.</p> <p>It is only possible for NGC to potentially tag Emergency Instructions as "system" actions with sufficient accuracy because:</p> <ul style="list-style-type: none"> <li>● there will be a single reason for issuing the Emergency Instruction</li> <li>● the determination of whether to tag an action as "system" is made post event</li> <li>● Emergency Instructions are issued infrequently</li> </ul> <p>This is in stark contrast to normal Balancing Mechanism Acceptances where this type of determination cannot be made as there is likely to be multiple reasons for issuing a particular acceptance (and any determination would therefore be arbitrary). Additionally the practicalities of making such a determination in real time, given the number of Acceptances issued in a settlement period are prohibitive.</p>

7.	Do you believe P172 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	N/A	In general we do not believe there is evidence to suggest that Bid-Offer pricing strategies are directly related to imbalance prices. However, by implementing P172 alone there is at least a possibility that parties would be more likely to post "extreme" Bid or Offer prices knowing there is a remote chance that an Emergency Instruction will be issued, but with the comfort that they are unlikely to influence cashout prices.
8.	Does P172 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	Only the precedent set by using a replacement price in the Alternative as referred above.
9.	Are there any further comments on P172 that you wish to make?	Yes	We note that implementation of P172 (or the potential alternative) does not affect one of the industry cashflows created by the Emergency Instruction. The cost of the BOA is included in the CSOBM cashflow, paid by NGC, and recovered from all Market Participants through NGC Balancing Services Use of System Charges. The basis for charging BSUoS to Market Participants is similar to the basis upon which RCRC is distributed in the BSC. If P172 is implemented, the "offset" to BSUoS charges currently provided by RCRC will be reduced. We believe the fundamental issue that needs to be addressed is the cost of the BOA, as well as the impact on imbalance prices and P172 alone does not achieve this.

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## P172 ASSESSMENT PROCEDURE 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>	Mark Manley
<b>No. of Parties Represented</b>	
<b>Parties Represented</b>	British Gas Trading (BGT)
<b>No. of Non Parties Represented</b>	
<b>Non Parties represented</b>	
<b>Role of Respondent</b>	

<b>Q</b>	<b>Question</b>	<b>Response</b> Error! Bookmark not defined.	<b>Rationale</b>
1.	Do you believe Proposed Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	<p>BGT believes P172 does better facilitate Applicable BSC Objective (c) as it will better facilitate competition in the generation and supply of electricity.</p> <p>Energy Imbalance Prices (EIP) are intended to be reflective of the cost of Electricity balancing actions taken by the System Operator (SO). Emergency Instructions (EI) can be taken for energy or system reasons although looking at the instances specified in the Grid Code an EI will generally be taken for system reasons. Allowing the SO to tag an EI taken for system reason is the best methodology for ensuring that EIP reflect the cost of Electricity balancing. This is an extension of the existing principles, which are enshrined within the current baseline in respect of pre gate closure transaction.</p> <p>This methodology also allows for EI taken for Electricity balancing to feed into cash-out prices in the same manner as all other Bid Offer Acceptances (BOA). P172 will improve confidence amongst existing and potential new</p>

Q	Question	Response Error! Bookmark not defined.	Rationale
			entrants that they will not be exposed via EIP to the impact of system actions taken by the SO.
2.	Do you believe Alternative Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	<p>BGT believes the Alternative developed by the modification group is better than the current baseline but not better than the original modification proposal. However if the group choose to develop an Alternative BGT would not be unduly concerned.</p> <p>The Alternative maintains the pay as bid principle that is integral to NETA, whilst also calculating a replacement price based upon the Electricity balancing actions the SO may have taken in the absence of the EI. The Alternative is a vast improvement on the current baseline, as it would ensure that Energy Imbalance Prices (EIP) are not unduly polluted by EI System balancing actions.</p> <p>BGT do not believe the Alternative is better than the original as it introduces an additional unnecessary process into the calculation of imbalance prices. This process would require involvement from a number of entities, the SO, the BSC Panel (or Panel sub-committee) and ELEXON and its Agents. The SO would be required to produce an unconstrained schedule, the BSC Panel (Panel sub-committee) to approve or reject the replacement price and ELEXON in conjunction with their Agents to process it. BGT understands the group's rationale in developing the Alternative but on the grounds of efficiency, do not believe the additional effort in calculating a replacement price achieves proportionally more value than including a zero price.</p>
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	BGT supports the manual implementation approach that has been developed by the modification group. EI appear to be relatively infrequent occurrence. This is borne out by the fact that the instruction issued by the SO on May 19 was the first EI since NETA go-live. BGT agrees with the views expressed by the Transmission Company in their analysis that EI will

<b>Q</b>	<b>Question</b>	<b>Response</b> Error! Bookmark not defined.	<b>Rationale</b>
			<p>continue to be infrequent events. A manual solution therefore is a much more cost-efficient implementation approach.</p> <p>However due to the sensitive nature of the change and the impact on the derivation of imbalance prices it is essential that the manual solution is robust. Parties must have assurance that the process calculates the imbalance price correctly and therefore BGT believe the solution must include the 'dry-run' process that is referred to in the consultation document.</p>
4.	<p>Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale</p>	No	
5.	<p>Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P172 Alternative Modification? Please give rationale</p>	No	<p>BGT believes that if a replacement price is to be calculated it would be sensible to develop a similar process to that used for Manifest Errors (ME). The process has been used to resolve ME claims and is an accepted principle within the industry. BGT do not agree with the views of the group that in cases where there is insufficient volume available from unused Bid Offer Pairs (BOP) that the original Bid Offer Acceptance (BOA) price is used to calculate imbalance prices.</p> <p>BGT believe that any unused BOP should be used to offset the volume of the EI and then the remaining volume should be calculated based upon the initial instruction. If more than one BOP is required to meet the volume of the original acceptance a weighted average price of the chosen acceptances should be used to calculate the replacement price.</p>
6.	<p>Under the P172 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes?</p>	No	<p>BGT believe there is merit in both approaches, however, on balance BGT prefer the option that allows the SO to tag the instruction as system or energy on the grounds of efficiency.</p>

<b>Q</b>	<b>Question</b>	<b>Response</b> Error! Bookmark not defined.	<b>Rationale</b>
	Please give rationale		<p>BGT in raising P172 intended that a simple solution was developed to correct the defect. The concept of the SO tagging system and energy trades is an accepted principle for pre gate closure transactions. BGT proposed to extend this concept to BOA within a very tightly constrained set of circumstances, EI. If the SO is allowed to tag instructions then a replacement price process would not be required.</p> <p>The option of calculating a replacement price could be argued to be the 'purer' solution, as any instruction will contain system and energy elements. However BGT believe the primary intent of the instruction should be clear to the SO and they should be able to tag the instruction appropriately.</p> <p>BGT also questions the efficiency of calculating a replacement price and what purpose it serves. Imbalance prices provide a signal to Parties on the length of the market and an incentive to balance. The process that has been proposed is post event and therefore does not provide an incentive to balance or signal market length. Therefore it satisfies none of the original aims of imbalance prices and BGT questions what value can be derived from the process of calculating a replacement price.</p>
7.	Do you believe P172 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	BGT do not believe that P172 will have any impact on the Bid Offer Prices submitted to the SO. EI occur so infrequently that BGT does not believe P172 will impact on Parties bidding structures.
8.	Does P172 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P172 that you wish to make?	No	

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## P172 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

### P172 'Removal of Emergency Instructions taken for System reasons from Imbalance Price'

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>Martin Mate</i>
<b>No. of Parties Represented</b>	<i>4</i>
<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>	<i>-</i>
<b>Non Parties represented</b>	<i>-</i>
<b>Role of Respondent</b>	<i>Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent</i>

<b>Q</b>	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
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Q	Question	Response	Rationale
1.	<p>Do you believe Proposed Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)</p>	Yes	<p>Energy Imbalance Prices are intended to represent the cost of energy balancing actions. The processing, under the current Code baseline, of Emergency Instruction may result in actions taken for system reasons significantly distorting Energy Imbalance prices. This has the potential to expose parties to imbalance prices that may be unrepresentative of the prices necessary simply to balance energy at a national level. P172 would reduce this potential exposure to unrepresentative Energy Imbalance Prices. We consider these benefits would better facilitate achievement of Applicable BSC Objective (c) "Promoting effective competition in the generation and supply of electricity and promoting such competition in the sale and purchase of electricity"</p> <p>Excluding System actions from Energy Imbalance Prices leads to more appropriate incentives to balance, leading to more efficient operation of the Transmission System. These benefits would better facilitate achievement of Applicable BSC Objective (b) "The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System";</p> <p>We acknowledge that under P172 Parties could submit high Bid/Offer prices which if accepted via an Emergency Instruction would not create high Energy Imbalance Prices. However, we see no reason why P172 should make such practice more likely than the current baseline arrangements.</p> <p>We consider that on balance P172 would better facilitate achievement of the Applicable BSC Objectives</p>

Q	Question	Response	Rationale
2.	Do you believe Alternative Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	The original proposes that Acceptances resulting from Emergency Instructions taken for System purposes are excluded from Imbalance Prices. We note that, in practice an Emergency Instruction (even if issued for System purposes) may deliver both energy and System balancing. Under the Alternative Modification a replacement Bid/Offer price would be derived from the Bids and Offers that would have been taken by the Transmission Company had the Emergency Instruction not been issued. The Acceptance would then be included in the existing Imbalance Price calculation at this replacement Price. However, the Lead Party would continue to be paid for the Acceptance at the prevailing Bid/ Offer price. This approach would be utilised in an attempt to represent the consequential energy balancing that may be delivered by an Emergency Instruction issued for System balancing reasons.
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	Given that Emergency Instructions are infrequent events a manual approach is the most cost-effective approach.
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P172 Alternative Modification? Please give rationale	Yes	This approach would have the merit of attempting to represent the consequential energy balancing that may be delivered by an Emergency Instruction issued for System balancing reasons. Under the potential Alternative Modification P172, a replacement Bid/Offer price would be derived from the Bids and Offers that would have been taken by the Transmission Company had the Emergency Instruction not been issued. The Acceptance would then be included in the existing Imbalance Price calculation at this replacement Price.

Q	Question	Response	Rationale
6.	Under the P172 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale		Having considered the arguments presented we agree that the Transmission Company should have the discretion to flag Emergency Instructions as System balancing and that they would base their decision on the criteria currently contained in the BSAD methodology rather than having a further set of criteria contained in the Code.
7.	Do you believe P172 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	
8.	Does P172 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P172 that you wish to make?	No	

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## P172 ASSESSMENT PROCEDURE 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>Keith Munday</i>
<b>No. of Parties Represented</b>	<i>1</i>
<b>Parties Represented</b>	<i>BizzEnergy</i>
<b>No. of Non Parties Represented</b>	<i>0</i>
<b>Non Parties represented</b>	<i>0</i>
<b>Role of Respondent</b>	<i>Supplier</i>

<b>Q</b>	<b>Question</b>	<b>Response</b> Error! Bookmark not defined.	<b>Rationale</b>
1.	Do you believe Proposed Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes / No	
2.	Do you believe Alternative Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes / No	
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes / No	
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes / No	

<b>Q</b>	<b>Question</b>	<b>Response</b> Error! Bookmark not defined.	<b>Rationale</b>
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P172 Alternative Modification? Please give rationale	Yes / No	
6.	Under the P172 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	Yes / No	
7.	Do you believe P172 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	Yes / No	
8.	Does P172 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	Yes / No	<p>P172 is not retrospective. Due to the materiality of the Damhead Creek incident and potential other incidents prior to implementation of any mods to address this general defect, a retrospective element either P171 or alternate needs to be developed.</p> <p>The major element of the materiality of the defect is the relative ability of different parties to absorb the impact of such an event. This differs depending on size of company and degree of generation within the company due to the smearing effects on RCRC. As it differentially disadvantages small independent suppliers it has a net effect of distorting competition and therefore needs to be removed.</p>
9.	Are there any further comments on P172 that you wish to make?	Yes / No	Due to not operating in the imbalance market Bizz does not have strong views on the relative merits of any solution. We are concerned and wish to see the removal of any potential for non energy balancing issues to impact imbalance prices.

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Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

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P172\_AR\_008.txt

P171/P172 Assessment Consultation - responses requested 09/11/04  
From: Sue Pritchard

Sent: 09 November 2004 16:02

To: Modification Consultations

Subject: RE: P171/P172 Assessment Consultation - responses requested 09/11/04

Central networks would like to return a response of 'No comment' to the P171/P172 Assessment Consultation

Regards  
Simon Sturgess

## P172 ASSESSMENT PROCEDURE 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>	Man Kwong Liu (SAIC Ltd)
<b>No. of Parties Represented</b>	6
<b>Parties Represented</b>	<i>Please list all Parties responding on behalf of (including the respondent company if relevant).</i> Scottish Power UK plc; ScottishPower Energy Management Ltd.; ScottishPower Generation Ltd; ScottishPower Energy Retail Ltd.; SP Transmission Ltd; SP Manweb plc.
<b>No. of Non Parties Represented</b>	0
<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/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state<sup>1</sup>)</i> Supplier / Generator / Trader / Consolidator / Exemptable Generator

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We agree that emergency instructions which are issued for system reasons should not impact on the energy imbalance price. P172 Proposed provides a simple way of achieving this by treating emergency instructions as unpriced in the imbalance price calculation. We agree with the view that P172 Proposed would reduce the potential exposure to unrepresentative energy imbalance prices, give confidence and certainty to the market and therefore better facilitate Applicable BSC objective (c) - "promoting effective competition".

<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
2.	Do you believe Alternative Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We also believe P172 Alternative is better than current baseline in term of Applicable Objective (c). However, in view of the fact that emergency Instructions should be mostly system related and occur infrequently, the need for a post event adjustment would only complicate the process which would be detrimental to the Applicable BSC Objective (d). Any post event adjustment requiring the judgement/discretion of the System Operator also adds uncertainty to the arrangement. We therefore on balance, believe that P172 Proposed would better facilitate the Applicable BSC Objectives than P172 Alternative. Hence we prefer P172 Proposed to P172 Alternative.
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	On the basis of the infrequent occurrence of this scenario and considering the cost of implementing an automated solution, we agree that a manual solution is most appropriate.
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P172 Alternative Modification? Please give rationale	Yes	Notwithstanding the fact that P172 Proposed is our preferred option as explained above, we agree if P172 Alternative were to be implemented, the use of a replacement Bid/Offer price derived from the Bids and Offers that would have been taken by the Transmission Company had the Emergency Instruction not been issued, would be appropriate.
6.	Under the P172 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	No	Notwithstanding the fact that P172 Proposed is our preferred option as explained above, we believe if P172 Alternative were to be implemented, the Transmission Company should flag those issued for System purposes which should then be set as Unpriced.

Q	Question	Response Error! Bookmark not defined.	Rationale
7.	Do you believe P172 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	We are not aware of any impact.
8.	Does P172 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P172 that you wish to make?	No	

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## P172 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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<b>Respondent:</b>	Helen Bray (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) EDF Energy (Cottam Power) Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; London Energy plc; Seaboard 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	Rationale
1.	Do you believe Proposed Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	EDF Energy believes that P172 does better facilitate the Applicable BSC Objectives because under the current code baseline an Emergency Instruction may result in actions taken for System reasons polluting the Energy Imbalance Prices. P172 would remove this potential pollution, which would better facilitate achievement of Applicable BSC Objective (c).
2.	Do you believe Alternative Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	EDF Energy believes that P172 Alternative does better facilitates the Applicable BSC Objectives because under the current code baseline an Emergency Instruction may result in actions taken for System reasons polluting the Energy Imbalance Prices. P172 would remove this potential pollution, which would better facilitate achievement of Applicable BSC Objective (c).
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	

Q	Question	Response	Rationale
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P172 Alternative Modification? Please give rationale	Yes	It seems sensible to start from the manifest error process and we note that the replacement price could be the same as the actual price submitted by the affected BM Unit.
6.	Under the P172 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	Yes and No	Allowing the Transmission Company to tag acceptances taken in the Balancing Mechanism Window Period for system and energy purposes sets a precedent. At the moment, accepted Bids and Offers are not tagged as system or energy as NIV tagging is the process used to tag out system actions. As was stated by the PSMG, it may not be clear for all actions that the action was purely a system or energy action. We are also interested to find out if there are other actions that the Transmission Company can differentiate as system and energy. We note that this is only required for the alternative and therefore we are willing to support the solution chosen by the modification group.
7.	Do you believe P172 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale		As with any proposed solution it is difficult to determine how the market will react.
8.	Does P172 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P172 that you wish to make?	No	

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

<b>Q</b>	<b>Question</b>	<b>Response</b> Error! Bookmark not defined.	<b>Rationale</b>
1.	Do you believe Proposed Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	TPL believe that parties should be paid as bid/offer when reacting to an Emergency Instruction. However, it does seem appropriate to only include the element of the acceptance that relates to Energy balancing in the Imbalance Cashout calculations.
2.	Do you believe Alternative Modification <b>P172</b> better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	TPL believe that parties should be paid as bid/offer when reacting to an Emergency Instruction. However, it does seem appropriate to only include the element of the acceptance that relates to Energy balancing in the Imbalance Cashout calculations.
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	

Q	Question	Response Error! Bookmark not defined.	Rationale
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P172 Alternative Modification? Please give rationale	Yes	
6.	Under the P172 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	Yes	
7.	Do you believe P172 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	
8.	Does P172 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P172 that you wish to make?	No	

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