## Responses from P162 Draft Report Consultation

## Consultation Issued 25 May 2004

#### Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	Powergen UK Plc	P162_dMR_001	14	0
2.	National Grid	P162_dMR_002	1	0
3.	Metering Services Ltd	P162_dMR_003	0	1
4.	Central Networks	P162_dMR_004	1	0
5.	Scottish Power	P162_dMR_005	6	0
6.	RWE Npower	P162_dMR_006	10	0
7.	Scottish And Southern	P162_dMR_007	5	0
8.	British Gas Trading	P162_dMR_008	1	0
9.	British Energy	P162_dMR_009	3	0

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.

Respondent:	Powergen UK plc
No. of Parties	14
Represented	
Parties Represented	Please list all BSC Parties responding on behalf of (including the respondent company if relevant). Powergen UK plc, Powergen Retail Limited, Cottam Development Centre Limited, TXU Europe Drakelow Limited, TXU Europe Ironbridge Limited, TXU Europe 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
No. of Non Parties	N/A
Represented	
Non Parties represented	N/A
Role of Respondent	Supplier, Generator, Trader and Exemptable Generator

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on P162 and the provisional recommendation to the Authority contained in the draft Modification Report that P162 should be made? Please give rationale.	Yes	
2.	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.	Yes	
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P162? Please give rationale.	Yes	
4.	Are there any further comments on P162 that you wish to make?	No	

Please send 17:00 25 2004 your responses by on Tuesday May to modification.consultations@elexon.co.uk and please entitle your email 'P162 Report Phase Consultation'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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.

Respondent:	NGT - Kevin Rendell
No. of Parties	1
Represented	
Parties Represented	NGC
No. of Non Parties	0
Represented	
Non Parties	
represented	
Role of Respondent	Transmission System Operator

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on P162 and the provisional recommendation to the Authority contained in the draft Modification Report that P162 should be made? Please give rationale.	Yes	National Grid recognises that the current definition of Imports and Exports contained within the Code is ambiguous. It believes that the draft legal text adequately addresses this ambiguity by ensuring that the instances where parties are required to separately identify imports and exports below the boundary point are clearly explained. In National Grid's view, the revised legal text gives effect to the existing htent of the code in its definition of imports and exports and will not result in any change to operational practice. In light of the above points National Grid supports the Panel's view that the Authority should approve P162 Modification.
2.	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.	Yes	See above comments.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P162? Please give rationale.	Yes	

Q	Question	Response Error! Bookmark not defined.	Rationale
4.	Are there any further comments on P162 that you wish to make?	Yes	It should be noted that the definitions of Imports and Exports, as defined within the BSC, could be inappropriate if the prevalence of embedded and exemptible generation parties significantly increase. Such an increase could result in a requirement for National Grid to access further metered information from these parties in support of its ongoing role to operate an efficient, economic and co-ordinated transmission system. National Grid recognises that the impact of an increase in embedded or non-licensable generation on Import and Export metering requirements is outside of the scope of this modification. However, it feels that it is important for industry parties to be aware of the possibility that further changes in this area of the Code may be required at some point in the future.

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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.

Respondent:	Metering Services Limited		
No. of Parties			
Represented			
Parties Represented	Please list all Parties responding on behalf of (including the respondent		
	company if relevant).		
No. of Non Parties			
Represented			
Non Parties represented	Please list all non Parties responding on behalf of (including the respondent company if relevant).		
Role of Respondent	(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state <sup>1</sup> )		

Q	Question	Response <sup>1</sup>	Rationale
1.	Do you agree with the Panel's views on	Yes	
	P162 and the provisional		
	recommendation to the Authority		
	contained in the draft Modification		
	Report that P162 should be made?		
	Please give rationale.		
2.	Do you agree with the Panel's view that	Yes	
	the legal text provided in the draft		
	Modification Report correctly addresses		
	the defect or issue identified in the		
	Modification Proposal?		
	Please give rationale.		
3.	Do you agree with the Panel's	Yes	
	provisional recommendation concerning		
	the Implementation Date for P162?		
	Please give rationale.		
4.	Are there any further comments on	No	
	P162 that you wish to make?		

Please send your responses by **17:00 on Tuesday 25 May 2004** to modification.consultations@elexon.co.uk and please entitle your email '**P162 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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

From: Sue Pritchard Sent: 25 May 2004 09:37 To: Modification Consultations Cc: Lees, Helen Subject: Central Networks Response to P162 Consultation on Draft Modificat ion Report

Good Morning,

Central Networks would like to return a response of 'No Comment' to P162 Consultation on Draft Modification Report.

Regards,

Deborah Hayward Distribution Support Office & Deregulation Control Group Central Networks West PLC

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.

Respondent:	John W Russell (SAIC Ltd)
No. of Parties Represented	6
Parties Represented	Please list all Parties responding on behalf of (including the respondent company if relevant). Scottish Power UK plc; ScottishPower Energy Management Ltd; Scottish Power Generation Ltd; ScottishPower Energy Retail Ltd; SP transmission Ltd; SP Manweb PLC.
No. of Non Parties Represented	0
Non Parties represented	Please list all non Parties responding on behalf of (including the respondent company if relevant).
Role of Respondent	(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state <sup>1</sup> ) Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent

Q	Question	Response <sup>1</sup>	Rationale
1.	Do you agree with the Panel's views on P162 and the provisional recommendation to the Authority contained in the draft Modification Report that P162 should be made? Please give rationale.	Yes	While ScottishPower initially did not believe there was any ambiguity, we agree that if other Parties feel further clarification is required, the implementation of P162 would better facilitate BSC Objective (d). By clearly allowing netting off and reducing the numbers and costs of metering, it would enable more generation plants to compete in the markets and therefore better facilitates BSC Objective (c).
2.	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.	Yes	We agree the legal text seems appropriate.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P162? Please give rationale.	Yes	We agree that this should be implemented as soon as possible to clarify the ambiguity.
4.	Are there any further comments on P162 that you wish to make?	No	

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

#### P162 REPORT PHASE CONSULTATION

Please send your responses by **17:00 on Tuesday 25 May 2004** to modification.consultations@elexon.co.uk and please entitle your email `**P162 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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.

Respondent:	Carl Wilkes
No. of Parties	Ten
Represented	
Parties Represented	RWE Trading Gmbh, RWE Innogy plc, Innogy Co-gen Ltd, Innogy Co-gen Trading Ltd, Npower Direct Ltd, Npower Ltd,Npower Northern Ltd, Npower Northern Supply Ltd, Npower Yorkshire Ltd, Npower Yorkshire Supply Ltd
No. of Non Parties Represented	
Non Parties represented	
Role of Respondent	Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on P162 and the provisional recommendation to the Authority contained in the draft Modification Report that P162 should be made? Please give rationale.	Yes	The proposed modification better meets applicable BSC objectives C and D.
2.	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.	Yes	Although it may be impossible to use a short group of clauses to cover all possible scenarios, the legal drafting appears as comprehensive as reasonably possible.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P162? Please give rationale.	Yes	The Modification Proposal needs to be implemented as soon as possible to remove an area of ambiguity from the BSC.
4.	Are there any further comments on P162 that you wish to make?	No	

Please send your responses by 17:00 on Tuesday 25 May 2004 to modification.consultations@elexon.co.uk and please entitle your email 'P162 Report Phase Consultation'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

#### P162\_dMR\_007. txt

From: Garth Graham Sent: 25 May 2004 15:40 To: Modification Consultations Subject: Re: P162 Consultation on draft Modification Report - Responses requested by 17.00 on Tuesday 25 May 2004

Dear Sirs,

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

Further to your note of 14th May 2004, and the four questions listed in the Modification Report consultation for P162, we have the following comments to make: -

Q1 Do you agree with the Panel's views on P162 and the provisional recommendation to the Authority contained in the draft Modification Report that P162 should be made? Please give rationale.

Yes, we agree with the proposed BSC Panel recommendation to the Authority that Modification Proposal P162 should be made.

Q2 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.

Q3 Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P162? Please give rationale.

If the Modification Proposal P162 is approved, we agree with the proposed BSC Panel recommendation on the timing for the Implementation Date, as outlined in the Modification Report.

Q4 Are there any further comments on P162 that you wish to make?

Nothing further at this time.

Regards

..

Garth Graham Scottish and Southern Energy plc



energy management group

ELEXON Limited 4<sup>th</sup> Floor 350 Euston Road London NW1 3AW

25 May 2004

Dear Sirs,

#### Re: Modification Proposal P162 - Changes to the definition of Imports & Exports

Thank you for the opportunity of responding to this draft modification report considering Modification Proposal P162. British Gas Trading (BGT) agrees with the Panel's provisional recommendation that the Modification Proposal should be made.

BGT believes that this modification proposal better facilitates competition in the generation and supply of electricity as it provides greater clarity for Parties in terms of metering obligations. BGT do not believe that any additional benefits will be gained by obligating Parties to install additional metering systems it will simply mean Parties will incur unnecessary costs.

BGT agrees with the proposed implementation dates as detailed in the draft modification report.

If you have any questions regarding this response please contact me 01753 758137.

Yours faithfully

Mark Manley Contract Manager

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.

Respondent:	Martin Mate	
No. of Parties Represented	3	
Parties Represented	British Energy Power & Energy Trading, British Energy Generation	
	Ltd, Eggborough Power Ltd.	
No. of Non Parties Represented	-	
Non Parties represented	-	
Role of Respondent	Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party	
	Agent	

Q	Question	Response	Rationale
1.	Do you agree with the	No	The modification proposes to remove a longstanding and
	Panel's views on P162		fundamental, and in our view, desirable, principle that
	and the provisional		underlying generation and demand should be separately
	recommendation to the		metered. This principle is currently waived in the code for
	Authority contained in		the case of licence exemptable generation that does not give
	the draft Modification		rise to a net export for a party at a boundary point. But
	Report that P162 should		licensed generation and exemptable generation which gives
	be made?		rise to an export for a party at a boundary point is required
	Please give rationale.		to be distinguished from demand at the site.
			Whilst we agree that current clause K1.1.4(d) referring to
			generator and unit transformers introduces an unintended
			effect of requiring all generating units to be individually
			metered, the modification goes far beyond correcting that, by
			removing clause K1.1.4(c) and with it any requirement to
			distinguish generation and demand at a site with licence
			exempt embedded generation. We consider such a change
			as short-sighted. Installing metering at a later date to sites
			being built now will almost certainly be far more expensive
			than installing now. Short term savings in metering costs for
			some parties now would leave long term difficulties in
			identifying underlying supply and demand. As the level of
			distributed generation increases, this could present network
			operation difficulties, would present obstacles to potential
			future changes to the charging regimes for obtaining services
			from an integrated electrical system, and entrench local
			vertical integration. We do not believe this would better
			meet BSC objectives relating to competition (c) or efficiency
			(d) in the long term, and in the long term could reduce the
			ability of network operators to manage the system effectively (BSC objectives (a) and (b)).
			If the government wishes to assist favoured new projects, or
			sites in Scotland which do not currently have code compliant
			metering, this should be given in the form of explicit,
			transparent, individual dispensations, or direct aid via
			renewable subsidies.

Q	Question	Response	Rationale
2.	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.	No	We acknowledge a defect in the current code concerning clause K1.1.4(d), which we believe was intended to apply to licensed generating units rather than all generating units, and should have permitted combined generator and unit transformer metering rather than requiring it. This is partly addressed by the proposed legal text. The proposal also claims that a defect exists because some parties would incur costs in installing metering to satisfy current code requirements, but the metering is not actually required for current BSC settlement purposes. We do not accept that this is a defect, given the wider use to which metering data gathered under the BSC is put. Further the proposal suggests that some parties may already not have adhered to code metering requirements. This is not a code defect.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P162? Please give rationale.	Yes / No Yes	Please see below. This proposal has considerable impact
4.	Are there any further comments on P162 that you wish to make?	Yes	Please see below. This proposal has considerable impact beyond the scope of the BSC.

### Further Comments

British Energy have fundamental objections to this modification, which, in removing BSC K1.1.4(c), we think goes far beyond any immediate desire to make relatively trivial cost reductions for licence exempt windfarms or other small scale generation schemes.

We believe minimal changes are required to clarify the current intent of the BSC that:

- Licensed generating units should be separately metered (optionally with their associated unit transformer, if any).
- Generation and demand sharing a boundary point should be separately metered even when belonging to the same party **except** where the generation is licence exempt and does not give rise to an export from the site.

The proposed modification could save small amounts of money now but will create barriers or increased costs to future developments in the electricity industry, particularly as the level of distributed and licence exempt generation increases according to government plans. These issues require wider discussion, beyond the scope of the BSC. Our concerns include:

• Loss of transparency of national generation capability and underlying demand. This includes potential loss of transparency of the fuels providing the energy.

- Entrenchment of the 'embedded benefits' to a subset of generation and demand. These 'embedded benefits' represent a subsidy from users paying transmission, balancing and other costs to the embedded parties. In the long term, and as distributed generation grows, it should be more efficient economically to provide the subsidy directly rather than through blanket 'benefits' regardless of true system service usage, as at present.
- 'Vertical integration' at a site level presents a barrier to future competition. Sites constructed with single net metering at the boundary point would require considerably more expenditure to install component metering at a future date. The main cost for non-domestic voltages is the Current and Voltage Transformers and associated circuitry and protection, which are relatively much cheaper to install as part of the design on construction. Division of large sites or separation of generation and demand at a future date to facilitate competition become more difficult.
- Operationally, as the volume of embedded and exempt generation increases, and the number of sites exporting to the total system increases, the balancing and stability of the total system is likely to become more complicated. NGT currently require more technical information about current generation than is required for idealised electricity trading, in order to maintain the stability and facilitate balancing of the transmission system. With increased distributed generation, both the transmission company and the distribution companies are likely to require more information about the underlying physical assets and their current state in order to maintain electrical stability and balance. Discrete metering below the boundary point can facilitate this.
- While physical metering solutions are avoided for 'distributed' generation, potential technical developments in metering will be stifled. Electronic and communication technology has moved a long way since the electricity industry was privatised. Except electricity metering? Cost reductions come with volume. True demand side participation in balancing will not occur until the demand of individual customers is measured half-hourly (or at finer resolution, as had been anticipated in 1990 when the Pool was created).
- Parties with generation and demand metered net at a boundary point will have flexibility to vary opaquely the sources of energy and potential balancing services provided to network operators, by 'self-despatch within balancing timescales', in a manner not available to larger power stations or demand sites and licensed generators. These latter are required to provide energy and balancing on an individual generating unit/BM Unit basis and are effectively exposed to imbalance for failure to provide energy or service from a particular BM Unit, even though the connection to the total system is effectively at one location. The modification as drafted would thus further increase the 'privileges' given to small generators.

In summary, many benefits are provided to small scale generation to meet wider objectives, but this modification goes a step too far by providing obstacles to potential future developments for more efficient operation of the market, by removing capability to distinguish supply and demand for electricity.

#### Comments provided previously to Modification Group

I do not believe the Code is ambiguous in the manner suggested. It requires measurement of export and import by a Party at a Boundary Point at a gross level rather than a net level. I believe this requirement is intentional, and follows from a desire by the regulator in the past to avoid vertical integration, and later to maintain a distinction between generation and supply activities, in both cases to facilitate the monitoring and development of competition. There is a special exception for generators with unit transformers, which recognizes that a unit transformer is usually an integral part of a generating unit. Exemptable Generating Plant which has elected not to register the generation, so that no-one is responsible for it (K1.2), will either be part of the indivisible Plant and Apparatus at the premises of a Customer (K1.1.4(a)(ii)) or Plant and Apparatus connected directly to the Total System but not associated with any party. In either case, it does not fall into the requirements of K1.1.4 for the generation to be explicitly metered.

The Metering Codes of Practice refer to the requirement for meters for 'measurement and recording of electricity transfers at Defined Metering Points', but recognize that the Actual Metering Point may be somewhere else and allow for dispensations for this situation. I see no inconsistency between the Code requirements for the measurement of export and import and the CoP requirement for the transfer to be measured at a Defined Metering Point. The whole electricity market is premised on the assumption that energy can be traced from source to sink through various levels of aggregation.

Perhaps the modification is directed towards Exemptable Generating Plant which has elected to be registered pursuant to K1.2? Registration in this manner is the only way to be explicitly credited with energy pursuant to the Code, and is probably very useful for measuring or monitoring bilateral trades. However, such registration obviously requires a meter, which seems inconsistent with the stated objective of the modification to avoid the requirement for meters.

Perhaps the modification is directed at achieving 'net' status for BM Units comprising Exemptable Generating Plant and demand. But that is surely a different issue?

The main change introduced by the proposed legal drafting appears to be the capability for the combined flows to or from each licensed Generating Unit of a Party flowing at a Boundary Point to be netted (K1.1.4(e)) as a single Export or Import. If this is the real issue, the modification group should focus more attention on it. As a principle, I consider it undesirable and discriminatory for a variety of reasons including:

- It reduces transparency of generation capability and performance.
- It allows a subset of licensed generators to avoid generating unit metering costs.
- It potentially allows a subset of licensed generators to avoid the burden of individual generating unit data submission to NGT.
- It allows a subset of licensed generators an ability to choose which generating unit provides a balancing service and thus avoid non-delivery charges and potential information imbalance charges. This is a facility not allowed to most generating units, which although not connected at precisely the same boundary point for historical reasons are nevertheless connected at the same location.

There may be special circumstances where strict appliance of the current rules would be particularly unreasonable or inefficient. Such cases should be considered in a transparent manner by the BSC Panel and transparent dispensations made if the Panel feels they are justified in the circumstances. I would expect very convincing reasons for individual generating units of size greater than 50MW, and/or 'net' generating units of size greater than 50MW to qualify for such 'dispensations'.

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#### Response to Assessment Consultation

We do not support a blanket provision for 'Per party netting below the boundary point'. There may be circumstances where such netting is appropriate, but we consider these should be considered on their individual merits.

We will provide detailed comments at a later date. We believe the current definition of Imports and Exports makes particular provision to be able to identify imports and exports individually even if they are subsequently netted for the purposes of settlement. However, there are other reasons, some beyond the requirements of settlement, why it may be desirable to distinguish exports and imports in the current manner, which Ofgem may wish to consider as part of its wider scope for assessment.

No cost information provided to help assess this. This modification raises issues which go beyond the scope of the BSC.

ISG Paper 35/393 was presented to ISG for information, and was noted by ISG with little discussion.

#### Other previous comments

We make the following general observations about this modification proposal:

- The intent of the proposal appears to be to reduce the burden on prospective parties connected in Scotland to provide code compliant metering on components of equipment 'behind' a boundary point to the Total System. This may create a discrimination between parties in England and Wales with configurations compliant with the Code as it stands.
- The Code currently places fairly demanding requirements for the measurement of export on individual items of generating equipment. There are many reasons why this may be considered desirable. We are concerned that reduction in the requirements for metering would represents a retrograde step in the development of the industry. We would prefer to see individual dispensations, as is the case currently.

Please send 17:00 25 your responses by on Tuesday May 2004 to modification.consultations@elexon.co.uk and please entitle your email 'P162 Report Phase Consultation'. Please note that any responses received after the deadline may not receive due consideration by the Panel.