

Responses from P138 Draft Report Consultation

Consultation issued 17 December 2003

Representations were received from the following parties:

No	Company	File Number	No. BSC Parties Represented	No. Non-Parties Represented
1.	National Grid Transco	P138_MR_001	1	0
2.	Innogy	P138_MR_002	9	0
3.	British Gas Trading	P138_MR_003	1	0
4.	EDF Energy Networks	P138_MR_004	9	0
5.	Aquila Networks Plc	P138_MR_005	1	0
6.	Barking Power Limited	P138_MR_006	1	0
7.	Scottish and Southern Energy	P138_MR_007	1	0
8.	Powergen	P138_MR_008	14	0
9.				
10.				

P138_MR_001 – National Grid Transco

1.1	Question	Response	Rationale
A.	Do you agree with the Panel's views on P138 and the provisional recommendation to the Authority contained in the draft Modification Report that P138 should not be made? Please give rationale.	Yes	As has been clearly articulated in previous consultation responses in relation to P138, National Grid believes that P138 has a detrimental effect to Applicable BSC Objectives (b), (c) and (d). The modification would make no difference to the Transmission Company's behaviour and would thus fail in its stated objective to make Demand Control a less likely occurrence. National Grid fully supports the recommendation of the Panel that P138 should not be made. For a full and detailed explanation of all of the shortcomings of P138, please refer to National Grid's Assessment Consultation response.
B.	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	The legal text provided in the draft modification report would address the defect purported to exist by modification P138.
C.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P138? Please give rationale.	Yes	If P138 were to be approved, National Grid believes that the implementation dates recommended by the Panel are realistic and achievable.
D.	Are there any further comments on P138 that you wish to make?	No	

P138_MR_002 – Innogy

1.1	Question	Response ¹	Rationale
1.	Do you agree with the Panel's views on P138 and the provisional recommendation to the Authority contained in the draft Modification Report that P138 should not be made? Please give rationale.	No	We do not support the Panel's recommendation. We continue to believe that the proposed modification represents an economically efficient solution to the impact of demand control on BSC parties and therefore better facilitates both BSC Objectives (b) and (c). Furthermore, we believe that the proposal will provide the correct market signals with regard to the risk of demand control, including signals to the SO to avoid demand control occurring. We continue to believe that, in the absence of P138, a demand control event may provide windfall gains to the SO.
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 P138? Please give rationale.	Yes	
4.	Are there any further comments on P138 that you wish to make?	No	



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Our Ref.
Your Ref.
02 January 2004

Dear Sirs,

Re: Modification Proposal P138 – Contingency Arrangements in relation to the implementation of Demand Control (DC) measures pursuant to Grid Code OC6

Thank you for the opportunity of responding to this draft modification report considering Modification Proposal P138. British Gas Trading (BGT) does not agree with the Panel's provisional recommendation that the Modification Proposal should not be made.

BGT believe there is a fundamental defect within the current baseline that allows the System Operator (SO) to call DC and not to pay for the action. BGT notes and agrees with the concerns of the Panel, in respect of setting the payment for the DC action at a marginal price. BGT believe it would have been more appropriate for the payment for the action to be based on a market-related price. However BGT agree with the proposer that the action should be priced and should in turn be factored into the derivation of Energy Imbalance Prices (EIPs). BGT believes this two step process of compensating Parties for the reduction in their volume and utilising that data in calculating EIPs will promote effective competition in the generation and supply of electricity. Including the DC measures in the derivation of EIPs will more accurately represent the actions taken by the SO making EIPs more cost reflective and additionally Parties will also be paid for energy purchased in advance to satisfy their demand requirements.

BGT agree with the view that pricing the action will not affect the behaviour of the SO and therefore there will be no impact on Applicable Objective (b). Also the introduction of a time intensive manual process to re-calculate Settlements based on the new data available will be to the detriment of Applicable BSC Objective (d). However BGT believe the benefits achieved under Applicable BSC Objective (c) outweigh the negative impact on Objective (d) and therefore overall this proposal does better facilitate the Applicable BSC Objectives.

BGT concur with the proposed implementation agreed by the Modification Group and presented to the Panel.

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

Yours faithfully

Mark Manley
Contract Manager

P138_MR_004 – EDF Energy Networks

1.2	Question	Response ¹	Rationale
1.	Do you agree with the Panel's views on P138 and the provisional recommendation to the Authority contained in the draft Modification Report that P138 should not be made? Please give rationale.	No	EDF Energy does not agree with the Panel, "that it is perverse to expect the SO to pay for the market's inability to deliver sufficient generation to meet demand". EDF Energy believes that Demand Control is a balancing action, which the SO takes to resolve an energy shortage and as such we believe that Suppliers should be paid for demand shed under OC6. We also recognise that Demand Control is a rare event and often a last resort decision. We believe that introducing a price for Demand Control similar to other Balancing Mechanism actions will lead to the efficient and economic running of the Transmission System by the Transmission Company, thereby better facilitating Applicable BSC Objective (c). 1.3 EDF Energy believes that P138 better facilitates achievement of the Applicable BSC Objectives and should be made.
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 P138? Please give rationale.	Yes	
4.	Are there any further comments on P138 that you wish to make?	No	

P138_MR_005 – Aquila Networks Plc

Good Morning,

Aquila Networks PLC would like to return a response of 'No Comment' to P138 Consultation on Draft Modification Report.

Regards,

Deborah Hayward
Distribution Support Office &
Deregulation Control Group
Aquila Networks plc

P138_MR_006 – Barking Power Limited

Respondent:	Name Alistair Trower
No. of BSC Parties Represented	1
BSC Parties Represented	Please list all BSC Parties responding on behalf of (including the respondent company if relevant). Barking Power Limited
No. of Non BSC Parties Represented	0
Non BSC Parties represented	Please list all non BSC Parties responding on behalf of (including the respondent company if relevant). Not Applicable
Role of Respondent	(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state ¹) Generator

1.4	Question	Response ¹	Rationale
1.	Do you agree with the Panel's views on P138 and the provisional recommendation to the Authority contained in the draft Modification Report that P138 should not be made? Please give rationale.	Yes / No	Full agreement with the Panel that P138 should not be recommended to the Authority. P138 does not provide usable signals to the market to incentivize Parties to balance and makes it more likely that Demand Control is initiated.
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 / No	
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P138? Please give rationale.	Yes / No	
4.	Are there any further comments on P138 that you wish to make?	Yes / No	

¹ Delete as appropriate – please do not use strikethrough, this is to make it easier to analyse the responses

P138_MR_007 – Scottish and Southern Energy

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

In relation to the four questions contained within your note of 18th December 2003, and the associated Modification Report for P138, we have the following comments to make:-

Q1 Do you agree with the Panel's views on P138 and the provisional recommendation to the Authority contained in the draft Modification Report that P138 should not be made? Please give rationale.

Yes, we agree with the proposed BSC Panel recommendation to the Authority that Modification Proposal P138 should not be made for the reasons we outlined in our response to the Assessment Consultation associated with this P138 Modification Proposal.

Briefly, we believe that Demand Control is (and should remain) a purely operationally driven decision taken by the SO to ensure the overall system stability and implemented via Emergency Instructions. It is not a 'commercial' decision taken by the SO (such 'commercial' decisions being taken by the SO via the other means such as the BM, PGBTs etc.).

In this respect we fundamentally oppose any suggestion (which is at the heart of P138) that "the SO should be financially incentivised not to use it" as this implies (if the incentive is not 'sufficient') that the SO might consider (from a financial / commercial perspective) to invoke Demand Control. In the very rare event that Demand Control is used it should only be utilised to ensure the overall stability of the system. In this respect the SO should only consider the technical aspect of maintaining the integrity of the system and should not take account of any financial consideration.

In addition we have two associated concerns (that were brought out in our previous response).

Firstly, why should Suppliers be "rewarded" for doing nothing? The choice of which GSP to be subject to Demand Control is chosen by the SO, without any involvement of Suppliers who thus take no action (to be 'rewarded'). It is appropriate that Suppliers are held neutral; i.e. do not incur costs (where Demand Control is invoked) for something they are not responsible for (being out of balance in a Demand Control area due to the action taken by the SO); but Suppliers should not receive a windfall profit; i.e. be rewarded; for these events. This issue (of rewarding a Supplier for doing nothing) is compounded when it is noted (in respect of "Volume") "that the volume estimation would not reflect reality and....would not necessarily allocate demand reductions accurately", which in turn is exacerbated by the

proposition that the volume allocation rules should be based on an "equivalent day" methodology. The worked example, where August 28th would be considered 'equivalent' to October 2nd, shows how inappropriate and inefficient this methodology would be.

Secondly, it is not clear that the market has failed (and, if it has, why are we not relying on the Section G Contingency arrangements) as the Demand Control could, for example, be invoked due to system problems. This is not a failure of the market, as there is no market for the system itself - we have only one System Operator.

Furthermore, we believe it would not be promoting efficiency in the implementation and administration of the balancing and settlement arrangements if the costs associated with this Modification Proposal were to be incurred as these costs do not outweigh the reputed benefits.

In conclusion we do not believe that P138 will better facilitates the achievement of any of the Applicable BSC Objectives and it should therefore be rejected.

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 would appear to do so.

Q3 Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P138? Please give rationale.

If the Modification Proposal P138 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 P138 that you wish to make?

Nothing further at this time.

Regards

Garth Graham
Scottish and Southern plc

P138_MR_008 – Powergen

Respondent:	Powergen
No. of BSC Parties Represented	14
BSC Parties Represented	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 Limited
No. of Non BSC Parties Represented	-
Non BSC Parties represented	-
Role of Respondent	Supplier, Generator, Trader & Exemptable Generator

1.5	1.6 Question	1.7 Response	1.8 Rationale
1.	Do you agree with the Panel's views on P138 and the provisional recommendation to the Authority contained in the draft Modification Report that P138 should not be made? Please give rationale.	Yes	We agree with the decision of the Panel that the modification should not be made, but not necessarily all of the views it has made in relation to the modification. We do not believe that small increase in intellectual purity of the price setting arrangements justifies the additional complexity that the modification will introduce. We also don't believe that it will produce improved signals to the market or increase competition in supply. However, we do feel that the modification appears to be correct intellectually. Please see our further comments below.
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	The legal text does appear to be consistent with the solution devised for P138.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P138? Please give rationale.	Yes	