

P286 Impact Assessment Responses

Impact Assessment issued on 6 July 2012.

We received responses from:

Company	Role of Parties/non-Parties represented
National Grid Electricity Transmission Ltd	Transmission Company
SmartestEnergy	Supplier / Consolidator
IBM UK Ltd for and on behalf of the ScottishPower Group	Supplier / Generator / Trader / Consolidator / Exemptable Generator / Distributor
Eggborough Power Limited	Generator
RWE Supply & Trading GmbH	Supplier / Generator/ Trader / Consolidator / Exemptable Generator / Party Agent
Centrica	Generator / Trader / Supplier / BSC Party
EDF Energy	Generator / Supplier / Party Agent / Consolidator / Exemptable Generator / Trader
E.ON	Supplier / Generator / Trader / Consolidator / Exemptable Generator

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

Impact Assessment by BSC Parties

What stage is this document in the process?

01 Initial Written Assessment

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04 Report Phase

Question 1: Will P286 impact your organisation?

Responses

Respondent	Response
National Grid Electricity Transmission Ltd	No
SmartestEnergy	Yes SmartestEnergy is a supplier and consolidator of embedded generation. As such we are a payer/recipient of RCRC depending on whether the balancing pot is in surplus or deficit. We would anticipate payments (in either direction) to increase as a result of the pot being shared amongst a smaller community of BSC Parties.
IBM UK Ltd for and on behalf of the ScottishPower Group	Yes There will be system impacts on our settlement and trading systems as well as business processes and business impact.
Eggborough Power Limited	Yes As a generator the modification impacts our charges.
RWE Supply & Trading GmbH	Yes P286 will impact on the cashflow allocated to Suppliers as a result of its removal from interconnector BMUs
Centrica	Yes We will need to ensure that our systems can process the revised input of RCRC values. We assume that the RCRC values associated with the applicable BMUs will be null or zero.
EDF Energy	Yes We would revise our methodology for forecasting RCRC allocations, for the purpose of pricing wholesale and customer contracts.
E.ON	Yes If CMP202 and/or CMP201 are approved then P285 and/or P286 should follow; as for P285, rcrc forecasting will be affected by P286; but this is not a major issue and little time and cost is anticipated to adjust our forecasting. The significant impact compared to CMP202

P286
Impact Assessment
Responses

30 July 2012

Version 1.0

Page 2 of 7

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Respondent	Response
	and P285 would be in the larger amounts involved in the financial redistribution of rrcr by P286, consequential to the greater impact that changing the charging of BSUoS via CMP201 would have.

Question 2: Will your organisation incur any costs in implementing P286?

Responses

Respondent	Response
National Grid Electricity Transmission Ltd	No
SmartestEnergy	No We do not believe this should be implemented in such a way as to create the need for system changes. Obviously, forecasts of RCRC will change but these would be reviewed anyway.
IBM UK Ltd for and on behalf of the ScottishPower Group	Yes There will be costs in the region of £5k for updating our systems and processes and a saving of ~£1k if P285 and P286 are approved at the same time. There will be no difference whether the modification is implemented outside or as part of normal Release.
Eggborough Power Limited	No
RWE Supply & Trading GmbH	No We do not have any systems costs associated with implementation of P286.
Centrica	Yes We envisage these costs to be minimal, subject to the system changes Elexon makes in order to implement this change.
EDF Energy	Yes Provided no changes to automated dataflows with central systems are required, implementation costs should be minimal, probably less than £10k for a one-off change to cost forecasting processes. Assuming no change to automated dataflows with central systems, implementation as part of a normal BSC Systems Release would not affect the costs. Changes in RCRC values for generators and suppliers, and any consequential effect on wholesale prices, would have an effect on the profit-loss margin on existing contracts, and the pricing of future contracts.
E.ON	Yes We would not expect to incur significant costs to make the changes required to implement P286. However within a normal BSC Systems Release is preferable, this always minimises costs compared to needing to seek separate resourcing to implement outside a normal Release.

Question 3: How long (from the point of Ofgem approval) would you need to implement P286?

Responses

Respondent	Response
National Grid Electricity Transmission Ltd	No lead-time required
SmartestEnergy	No comment
IBM UK Ltd for and on behalf of the ScottishPower Group	<p>3 Months for system change; 2 Years for contract transition</p> <p>Timescale required for system changes.</p> <p>We support the implementation approach contained in CMP201 original proposal namely 2 years. This period will allow both suppliers and generators to reach the end of the majority of their contract positions thus minimising windfall gains and losses.</p>
Eggborough Power Limited	<p>None</p> <p>Eggborough Power appreciates that for parties on the supply side there is a need to know what charges they are facing in order to correctly price contracts. However, to a degree the impact on their businesses should be limited by the reduction in energy costs that should occur as charges (BSUoS and RCRC) move from generators to suppliers. We think there is a tendency to over play the scale of the impact due to nervousness by suppliers with longer contracts.</p> <p>Ofgem, in RMR, have raised concerns over longer or evergreen contract terms. We therefore suggest is unlikely that there are many contracts that will be signed between now and 2013 that would run until 2015. If suppliers are looking to sign such contracts now they should put in clauses that allow for the pass through of additional costs incurred. The existence of contract "reopener" clauses is even more likely given the background of EMR, etc.</p> <p>While it is sensible to implement P286 and CMP201 together, Eggborough Power would like to see both implemented earlier than 2015. We believe the modifications could help achieve a greater degree of competition in the market generation, as well as allowing cross border trading. Improvements in the operation of the wholesale market are ultimately in the interests of consumers.</p>
RWE Supply & Trading GmbH	<p>2 Years</p> <p>The proposed modification would lead to a straightforward change in the allocation of RCRC. It will however have a marginal effect on power prices and changes in tariffs will need to reflect this.</p>
Centrica	<p>Minimal</p> <p>We do not expect to need any more than a minimal lead time but this is dependent on the system change adopted.</p>
EDF Energy	3 Months / 18 Months

Respondent	Response
	<p>3 months should be sufficient to make the necessary changes to internal systems and processes.</p> <p>The impact of RCRC changes for generation and supply activities would be significant (and considerably more than that of P285), and would have an effect on the profit-loss margin of existing contracts. Although system and process changes could be implemented relatively quickly, the impact of implementation at short notice on existing contracts could represent a significant cost or benefit. Many of these issues could be avoided with a longer implementation timescale.</p>
E.ON	<p>-</p> <p>The lead time for CMP201 would be more than enough to implement P286.</p>

Question 4: Would you like to make any further comments on P286?

Responses

Respondent	Response
National Grid Electricity Transmission Ltd	No
SmartestEnergy	Yes Regardless of the flow of payments which result from RCRC we believe there is a fundamental misconception underlying this proposal. Whilst there is a correlation between BSUoS and RCRC, the real relationship is between cash-out and RCRC. If a participant is subject to cash-out, they should also be subject to RCRC.
IBM UK Ltd for and on behalf of the ScottishPower Group	Yes We assume that P286 will have the same determination and be implemented at the same time as CMP201 otherwise the potentially anomalous situation, which this modification tries to alleviate, would exist.
Eggborough Power Limited	No
RWE Supply & Trading GmbH	No
Centrica	No
EDF Energy	Yes It is not clear at this stage how the proposal would better meet BSC objectives. However, it would be consistent with CUSC proposal CMP201 if that were to be approved. The proposal should clearly be implemented at the same time as CMP201, if that separate proposal were to be approved.
E.ON	No