

4.5. MP Form

Modification Proposal – BSCP40/03	MP No: P286 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by originator)</i>	
Revised treatment of RCRC for generation BM Units	
Submission Date <i>(mandatory by originator)</i>	
25 th May 2012	
Description of Proposed Modification <i>(mandatory by originator)</i>	
<p>The current BSC arrangements calculate the Total System Residual Cashflow (TRC) as being the sum of all energy imbalance charges across all parties and accounts. This represents the surplus or deficit of monies after the settlement of Energy Imbalances, the Balancing Mechanism and the System Operator (SO) BM Charge. Any residual monies are redistributed across all BSC Parties via the Residual Cashflow Reallocation Cashflow (RCRC).</p> <p>BSC Parties are also liable for the costs incurred by the System Operator in balancing the transmission system. These costs are distributed across BSC Parties via the Balancing Services Use of System (BSUoS) charge. Currently, all BSC Parties are equally exposed to RCRC and BSUoS.</p> <p>CUSC Modification Proposal (CMP) 201 has been raised which seeks to remove BSUoS charges from ‘generator’ BM Units. Under CMP201, a ‘generator’ BM Unit would be one that is in a delivering Trading Unit in a particular Settlement Period. If approved, generation BM Units would no longer contribute to the SO costs of balancing the transmission system through BSUoS, yet would still receive (or pay) RCRC for those Credited Energy Volumes.</p> <p>This Modification proposes to also exclude generator BM Units from RCRC. To achieve this, the Credited Energy Volumes from BM Units that are in delivering Trading Units would be excluded from the calculation of each Party’s Residual Cashflow Reallocation Proportion (RCRP) in the relevant Settlement Periods. This will mean that generator volumes would not be included in a Party’s RCRP, and the share of the RCRC that would have been allocated to these generation volumes will instead be reallocated across BSC Parties in proportion with their non-generation Credited Energy Volumes.</p>	
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by originator)</i>	
<p>Parties that do not contractually cover their generation or demand requirements within the BSC are subject to the imbalance charging arrangements.</p> <p>The net cost of the balancing actions taken by the System Operator (SO) to remedy imbalances is recovered from all participants via BSUoS along with other non energy related costs. The net cost of these balancing actions is passed (or charged) to the Balancing Mechanism.</p>	

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<p>The net costs arising from imbalance charges are refunded to or recovered from all BSC Parties for each of their Energy Accounts via RCRC. Parties are therefore equally exposed to BSUoS and RCRC, both being determined from BM Unit Credited Energy Volumes.</p>	
<p>CMP201 seeks to remove BSUoS charges from generating BM Units. This was raised as a consequence of CMP202, which seeks to do the same for Interconnector BM Units, to allow GB generation to compete on an equitable basis with Interconnector imports and thus other generation in a single European electricity market.</p>	
<p>If CMP201 is approved, this would result in a potentially anomalous situation whereby generation BM Units would be liable to monies distributed (or collected) via RCRC resulting from imbalance charges, but would not contribute to the BSUoS charges resulting from the SO resolving these imbalances.</p>	
<p>Impact on Code <i>(optional by originator)</i></p> <p>The calculation of RCRP and RCRC in Section T4.10 (Determination of Residual Cashflow Allocations) would be amended by this change.</p> <p>Other sections may also be impacted.</p>	
<p>Impact on Core Industry Documents or System Operator-Transmission Owner Code <i>(optional by originator)</i></p> <p>None anticipated.</p>	
<p>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by originator)</i></p> <p>Changes will be required to BSC systems in order to apply RCRC account payments to only those accounts which are liable for BSUoS charges.</p>	
<p>Impact on other Configurable Items <i>(optional by originator)</i></p> <p>None anticipated.</p>	

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Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by originator)</i>	
<p>(a) the efficient discharge by the licensee of the obligations imposed upon it by this licence This proposal takes into consideration National Grid's obligations to take into account developments in its transmission business arising from European legislation and ensure that appropriate financial balancing and settlement (BSC) arrangements are in place.</p> <p>(c) promoting effective competition in the generation of supply of electricity Aligning the RCRC beneficiaries with those that pay to resolve imbalance through BSUoS permits GB generation prices offered to the market to be based on a generator's cost, undistorted by any payments to, or charges resulting from RCRC that arise from imbalance caused by other BM Units.</p>	
Is there a likely material environmental impact? <i>(mandatory by originator)</i>	
None identified.	
Urgency Recommended: Yes / No <i>(delete as appropriate) (optional by originator)</i>	
Justification for Urgency Recommendation <i>(mandatory by originator if recommending progression as an Urgent Modification Proposal)</i>	
N/A	
Self-Governance Recommended: Yes / No <i>(delete as appropriate) (mandatory by originator)</i>	
Justification for Self-Governance Recommendation <i>(mandatory by originator if recommending progression as Self-Governance Modification Proposal)</i>	
N/A	
Should this Modification Proposal be considered exempt from any ongoing Significant Code Reviews? <i>(mandatory by originator in order to assist the Panel decide whether a Modification Proposal should undergo a SCR Suitability Assessment)</i>	
<p>Yes: As per Ofgem's letter 7th July, BSC changes are not within the scope of the TransmiT SCR. Whilst RCRC is linked with Imbalance and cash-out pricing, RCRC is primarily a mechanism for redistributing funds resulting from the cash-out process and thus likely to remain irrespective of the outcome of any Significant Code Review.</p>	

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<p>Details of Proposer's Representative:</p> <p><i>Name:</i> Iain Pielage</p> <p><i>Organisation:</i> National Grid</p> <p><i>Telephone Number:</i> 01926 656 360</p> <p><i>Email Address:</i> iain.pielage@uk.ngrid.com</p>	
<p>Details of Representative's Alternate:</p> <p><i>Name:</i> Patrick Hynes</p> <p><i>Organisation:</i> National Grid</p> <p><i>Telephone Number:</i> 01926 656 319</p> <p><i>Email Address:</i> patrick.hynes@uk.ngrid.com</p>	
<p>Attachments: Yes / No <i>(delete as appropriate) (mandatory by originator)</i></p> <p>If Yes, Title and No. of Pages of Each Attachment:</p> <p>N/A</p>	