Report Phase Consultation Responses

P396 'Revised treatment of BSC Charges for Lead Parties of Interconnector BM Units'

This Report Phase Consultation was issued on 17 December 2019, with responses invited by 10 January 2020.

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Phase

- Initial Written Assessment
- Definition Procedure
- Assessment Procedure
- Report Phase
- Implementation

Consultation Respondents

Respondent	Role(s) Represented
Drax Group Plc	Supplier, Generator
SmartestEnergy Limited	Supplier
ElecLink Limited	Int. Administrator, Int. Error Admin.
National Grid Interconnectors Limited	Interconnectors The National Grid Interconnectors Limited response was separate to the response form and therefore the written response is only included in the 'other comments' section of this collated response sheet.

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Question 1: Do you agree with the Panel's initial majority view that P396 does not better facilitate Applicable BSC Objective (c)?

Summary

Yes	No	Neutral/No Comment	Other
2	1	0	0

Responses

Respondent	Response	Rationale
Drax Group Plc	Yes	We agree with the panel's majority view that the P396 Proposed Modification does not better facilitate Applicable BSC Objective (c) compared to the baseline. **Applicable BSC Objective (c) – Negative** Re-distributing BSC charges in this manner will have a negative impact on Applicable BSC Objective (c). Levying these costs only on Non-interconnector BM Units will distort allocation of BSC costs and would not ensure that there is a level playing field for between GB generation and interconnectors. We are concerned that the removal of these charges from interconnector users further disadvantages GB generation relative to interconnected generation – this distortion will result in a greater cost for GB consumers and is expected to become exacerbated in the future as more interconnectors begin operation. We do not consider that BSC charges are a barrier to entry into the UK market and have no reason to believe that they distort cross-border trading. We would welcome analysis on how equivalent charges are levied across the EU and by whom they are paid. Currently, there is insufficient analysis illustrating any distortion caused by these BSC charges and we do not believe that P361 is justified without this evidence.
SmartestEnergy Limited	Yes	
ElecLink Limited	No	Removing Interconnector BM Units from the BSC Charging methodologies will have a positive impact on the objective (c), promoting competition by lowering the barrier to Interconnector Users to enter the UK market and facilitating cross border trade as no unforeseen and volatile BSC Costs for

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Respondent	Response	Rationale
		shipping flows is needed to be managed and accounted for.

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Question 2: Do you agree with the Panel's initial majority view that P396 does better facilitate Applicable BSC Objective (e)?

Summary

Yes	No	Neutral/No Comment	Other
2	0	1	0

Responses

Respondent	Response	Rationale
Drax Group Plc	Neutral	**Applicable BSC Objective (e) – Neutral** We note that a minority of panel members abstained as they did not feel the legal advice provided as part of P361 was sufficiently robust to provide the level of certainty required to make an assessment against Applicable Objective (e). We note that there are several different possible legal interpretations of "BSC Charges" in the context of EU regulations - we are unable to accurately assess P396 against Applicable Objective (e).
SmartestEnergy Limited	Yes	
ElecLink Limited	Yes	The Modification Proposal has a positive impact on the objective (e) as the Interconnector flows would neither be classed as production nor consumption but as part of the overall transmission infrastructure facilitating the wider market and hence better aligns to the goals of the EU Third Package regulations. The Third Package Electricity Regulation defines interconnectors as transmission lines and therefore additional charges arising BSC charges should not apply. BSC charges constitute an additional charge for imports and export of electricity and should therefore not be charged on cross-border flows. Furthermore, applying BSC charges to interconnector BM Units constitutes a potential barrier to cross-border trade, which is not in line with the wider European objective to promote the development of a single European market in electricity.

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Question 3: Do you agree with the Panel's initial majority recommendation that P396 should be rejected?

Summary

Yes	No	Neutral/No Comment	Other
2	1	0	0

Responses

Respondent	Response	Rationale
Drax Group Plc	Yes	As per the rational in response to question 1 and 2.
SmartestEnergy Limited	Yes	
ElecLink Limited	No	We are of the view that interconnector users BSC charges constitutes an additional charge for importers and exporters of electricity and thus does not complement the intent of the applicable European legislation. Therefore we consider that removing BSC charges from interconnector users would facilitate compliance with European legislation in line with objective (e). Furthermore, we consider that removing BSC charges for interconnector users would reduce the cost faced by market parties to trade across borders and therefore it removes a potential obstacle to cross-border trade. As a result we believe that P396 would promote cross-border trade and competition in generation and supply of electricity, in line with objective (c)

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Question 4: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P396?

Summary

Yes	No	Neutral/No Comment	Other
2	0	1	0

Responses

Respondent	Response	Rationale
Drax Group Plc	Yes	The Legal text delivers the solution of P396.
SmartestEnergy Limited	No comment	
ElecLink Limited	Yes	The redlined changes deliver the intention to remove the BSC charges from interconnector BM units.

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Question 5: Will P396 impact your organisation?

Summary

Yes	No	Neutral/No Comment	Other
3	0	0	0

Responses

Respondent	Response	Rationale
Drax Group Plc	Yes	If implemented, our organisation will face an increase in BSC Charges which we are required to pay in order to participate in BSC arrangements. We expect that the cost of administering the BSC will continue to increase as more interconnectors are commissioned - Non-Interconnector BM Units will be disadvantaged further by having to subsidise this additional cost.
SmartestEnergy Limited	Yes	Our share of the costs will increase
ElecLink Limited	Yes	ElecLink is the interconnector administrator and interconnector error administrator for the ElecLink interconnector.

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Question 6: Will your organisation incur any costs in implementing P396?

Summary

Yes	No	Neutral/No Comment	Other
0	3	0	0

Responses

Respondent	Response	Rationale
Drax Group Plc	No	We will not incur any upfront implementation costs.
SmartestEnergy Limited	No	
ElecLink Limited	No	N/A

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Question 7: Do you agree with the Panel's recommended Implementation Date?

Summary

Yes	No	Neutral/No Comment	Other
2	0	1	0

Responses

Respondent	Response	Rationale
Drax Group Plc	Yes	The implementation date seems sensible.
SmartestEnergy Limited	No comment	At least there's no suggestion of a retrospective implementation this time.
ElecLink Limited	Yes	ElecLink supports the proposed implementation date for P396. ElecLink notes the dependency on the Authority decision to achieve the earlier 5 November 2020 implementation date. ElecLink highlights that early implementation is needed to deliver the full consumer benefits of P396. As the original P361 solution was due to be effective in the 2018/19 financial year, and given the Authority noted as part of its P361 assessment that it was minded to approve the P361 Alternative Modification, ElecLink believes that this earlier implementation date is achievable.

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Question 8: Do you agree with the Panel's initial view that P396 should not be treated as a Self-Governance Modification?

Summary

Yes	No	Neutral/No Comment	Other
2	0	1	0

Responses

Respondent	Response	Rationale
Drax Group Plc	Yes	This modification does not meet Self-Governance Criteria (a)i, (a)ii, (a)v and (b).
SmartestEnergy Limited	No comment	
ElecLink Limited	Yes	ElecLink agrees that P396 does not meet the self-governance criteria.

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Question 9: Do you have any further comments on P396?

Summary

Yes	No
0	3

Responses

Respondent	Response	Rationale
Drax Group Plc		
SmartestEnergy Limited	No	
ElecLink Limited	No	No further comments.

Other Comments

National Grid Interconnectors Limited Response

In response to the P396 '*Revised treatment of BSC Charges for Lead Parties of Interconnector BM Units*' modification, the view of National Grid Interconnectors Limited is that of supporting the modification on the basis that it facilitates the objectives of the BSC (in particular objective c and objective e), and also on the understanding that it replaces P361 Alternative Modification, which Ofgem were minded to approve prior to the modification timing out with regard to the proposed implementation dates.

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