# ANNEX A: RESPONSES FROM P80 DEFINITION CONSULTATION

Consultation issued 13 June 2002

Representations were received from the following parties:

| No | Company | File Number | No. Parties Represented |
|---|---|---|---|
| 1. | Williams Energy | P80_DEF_001 | 1 |
| 2. | IMServ | P80_DEF_002 | 1 |
| 3. | Edison Mission Energy | P80_DEF_003 | 3 |
| 4. | TXU | P80_DEF_004 | 21 |
| 5. | British Energy | P80_DEF_005 | 3 |
| 6. | Derwent Cogeneration Ltd | P80_DEF_006 | 1 |
| 7. | SEEBOARD Energy | P80_DEF_007 | 1 |
| 8. | NGC | P80_DEF_008 | 1 |
| 9. | Aquila Networks | P80_DEF_009 | 1 |
| 10. | British Gas Trading | P80_DEF_010 | 1 |
| 11. | Immingham CHP LLP | P80_DEF_011 | 1 |
| 12. | Scottish Power | P80_DEF_012 | 6 |
| 13. | Scottish and Southern Energy | P80_DEF_013 | 4 |
| 14. | Innogy | P80_DEF_014 | 7 |
| 15. | London Electricity | P80_DEF_015 | 3 |
| 16. | Powergen | P80_DEF_016 | 3 |

**P80_DEF_001 – Williams Energy**

## P80 DEFINITION CONSULTATION :

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| **Respondent:** | **Williams Energy** |
| **Representing (please list all parties):** | **Williams Energy** |
| **Questions** | |
| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br><br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |
| **Response: Yes, apart possibly it should include Acts of God such as freak weather events.** | |
| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to “the wall” (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches, which constitute the possible periods of time for compensation? |
| **Response: Yes** | |
| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br><br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br><br>(ii) If not, against what datum could the deviation due to a system fault be measured? |
| **Response: Yes** | |
| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br><br>What are your views on this, and do you have any examples? |
| **Response: Agree with the Mod Group.**<br><br>**Thus need to consider a max offer and min bid price to apply in such cases.** | |

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| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br><br>i. Connected directly to the Transmission System; and/or<br><br>ii. Paying TNUoS Charges; and<br><br>iii. participating in the Balancing Mechanism when the system fault occurs. |
| **Response: The fulfilment of "(i) &/or (ii) & (iii)" appears to be a pragmatic minimum criterion.**<br><br>**A wider alternative might be "(i) or (ii) or (iii)" i.e. meeting any of the 3 conditions.** | |
| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |
| **Response: This seems sensible (note Q7 & Q8 answers though).** | |
| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |
| **Response: No.**<br><br>**A "transmission trip" should be treated akin to a generator or demand site trip i.e. the redeeming action should feed into Energy Imbalance Prices but not the event itself. For example if a 500MW unit trips, it is <u>only</u> the cost of subsequent offer taken to redeem energy balance which feeds into Energy Imbalance Prices.** | |
| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |
| **Response: If deemed acceptances due to transmission faults were tagged out as proposed above, this would not be an issue.** | |
| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |
| **Response: No.**<br><br>**NGC should bear full commercial risk as any other party would for operational faults, not smear it amongst all users. Given the deemed acceptances will be clearly identified and given a sensible compensation mechanism this is surely not unreasonable.** | |

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| **Do you have any further comments on Modification Proposal P80?** |
| **The principle that NGC should bear full responsibility for its faults as other do for theirs is paramount. It is recognised defining a fault and setting compensation level for a fault can be difficult so it should be done in a way in which NGC can reasonably bear such risk rather than in a way which due to the scope and sums involved requires industry to bear the cost as a whole.** |
| **Compensation beyond the wall is the crucial aspect of this Mod e.g. (i) how do you determine the MW volume for compensation (e.g. prove the party intended do a certain FPN n days out), (ii) at what point should a party be expected to trade out of the affected position...** |
| **Perhaps there needs to a maximum continuous time duration of liability beyond which the transmission fault is deemed to be exceptional and/or exclusion of force majeure events e.g. storm damage.** |
| **Alternatively given the above two questions in Paragraph 2, liability should be restricted to the period defined by the natural dynamics of the BMU (i.e. RDR + MZT + RUR to FPN levels preceding transmission fault, assuming this exceeds 1hr which should be minimum duration of compensation). This at least is a move towards responsible compensation for transmission faults and at the very least removes imbalance and spot trading costs from the affected party.** |

**P80_DEF_002 – IMServ**

## ANNEX A – P80 CONSULTATION QUESTIONS

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| **Respondent:** | **Steve Gristwood** |
| **Representing (please list all parties):** | **IMServ** |
| **The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment which the Panel may direct.** | |
| **Questions** | |
| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br><br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |

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| **Response: We will adhere to the Logica view on this question.** | |
| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to "the wall" (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches which constitute the possible periods of time for compensation? |
| **Response: We will adhere to the Logica view on this question.** | |
| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br><br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br><br>(ii) If not, against what datum could the deviation due to a system fault be measured? |
| **Response: We will adhere to the Logica view on this question.** | |
| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br><br>What are your views on this, and do you have any examples? |
| **Response: We will adhere to the Logica view on this question.** | |
| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br><br>iv. Connected directly to the Transmission System; and/or<br><br>v. Paying TNUoS Charges; and<br><br>vi. participating in the Balancing Mechanism when the system fault occurs. |
| **Response: We will adhere to the Logica view on this question.** | |
| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |

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| **Response: We will adhere to the Logica view on this question.** | |
| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |
| **Response: We will adhere to the Logica view on this question.** | |
| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |
| **Response: We will adhere to the Logica view on this question.** | |
| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |
| **Response: We will adhere to the Logica view on this question.** | |
| **Do you have any further comments on Modification Proposal P80?**<br>**No** | |

**P80_DEF_003 – Eddison Mission Energy**

## ANNEX A – P80 CONSULTATION QUESTIONS

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| **Respondent:** | **Libby Glazebrook** |
| **Representing (please list all parties):** | **First Hydro Company, Edison First Power, Lakeland Power Ltd** |
| **The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment which the Panel may direct.** | |

| Questions | |
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| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br><br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |
| **Response:**<br><br>The definition should be expanded firstly to include system faults caused by the system frequency being outside limits. It should also include faults that occur as a result of the non availability of the distribution system that bring about the forced deviation from FPN for embedded generators that pay TNUoS charges - see answer to Q5. | |
| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to “the wall” (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches which constitute the possible periods of time for compensation? |
| **Response:**<br><br>A BMU should be compensated until it can be restored to the system via its dynamics. This requires both of these approaches. | |
| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br><br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br><br>(ii) If not, against what datum could the deviation due to a system fault be measured? |
| **Response:**<br><br>i) FPN - the use of IPN will discriminate against people who alter their position close to gate closure. Contracts are not mandatory and so shouldn’t be used<br><br>It should be recognised that if they have choice, participants will submit PNs to take full advantage of a fault. Since this also happens with constraints, and a fault is just an extreme constraint it should be dealt with in the same way. | |
| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br><br>What are your views on this, and do you have any examples? |

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| **Response:** | |
| A brief look at Bid-Offer Data reveals that -£99,999 per MWh is used by gas plant when ramping, presumably to indicate they don't want their output to be changed under these circumstances. It seems unreasonable to pay this amount if fault occurs when ramping - when they are at full load the bid price is under £10.<br><br>Where prices are extreme, a disconnection price or balancing services contract could be used which is taken as deemed acceptance. Disconnection prices could be submitted along with Bid-Offer prices. Regulatory oversight will be needed to prevent abuse but this is no different to the management of constraints. Deemed acceptances will have to be used where a fault occurs on the supply side, so application to the generation side must also be possible. | |
| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br><br>vii. Connected directly to the Transmission System; and/or<br><br>viii. Paying TNUoS Charges; and<br><br>ix. participating in the Balancing Mechanism when the system fault occurs. |
| **Response:** | |
| Compensation should be paid to anyone paying TNUoS even if not directly connected to the transmission system. If a BMU is paid embedded benefits then they are deemed not to be using the system and so should not be affected by a fault and not entitled to receive compensation.<br><br>A BM Unit should have a either submitted a Bid price or a disconnection price, when the fault occurs. | |
| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |
| **Response:** | |
| This seems sensible. | |
| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |
| **Response:** | |
| Yes - offers to offset energy lost as a result of a transmission fault are included so the deemed bids should also be included. This is why -£99,999 per MWh is a problem | |
| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |

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| **Response:** Yes although it is not clear what deemed price would be applied as suppliers in a GSP group would all have different bid/disconnection prices. Some would therefore benefit more from a disconnection than others until all bid prices were equally low leading to issues of abuse. | |
| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |
| **Response:** Yes | |
| **Do you have any further comments on Modification Proposal P80?** | |

**P80_DEF_004 – TXU**

## ANNEX A – P80 CONSULTATION QUESTIONS

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| **Respondent:** | Philip Russell |
| **Representing (please list all parties):** | 21 TXU BSC Parties |
| **The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment which the Panel may direct.** | |
| **Questions** | |
| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |
| **Response:** Yes | |

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| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to "the wall" (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches which constitute the possible periods of time for compensation? |
| **Response:** Yes (in terms of the principle of having two distinct periods) | |
| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br><br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br><br>(ii) If not, against what datum could the deviation due to a system fault be measured? |
| **Response:** Yes | |
| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br><br>**1.7** What are your views on this, and do you have any examples? |
| **Response:** Not sure we understand the point of this question – we had assumed that it was the fact that the Participant definitely did not want to deviate from its FPN that in circumstances of being forced to do so because of a Transmission System "failure" it should be compensated. The question comes as to what the level of compensation should be (£99,999/MWh seems a bit extreme). We believe that the answer to this is always going to be somewhat arbitrary. Our suggestion is that we use whatever the value of LOLP was in the Pool world (£2,550/MWh ?) and then carry in indexing it by RPI. In the first "period" the compensation would be the lower of Bid Price or VLL and in the second "period" it would be compensated at VLL. | |
| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br><br>x. Connected directly to the Transmission System; and/or<br><br>xi. Paying TNUoS Charges; and<br><br>xii. participating in the Balancing Mechanism when the system fault occurs. |
| **Response:** All 3 are applicable, although in practice you only need the first two as in case iii) the Participant would pay TNUoS under the current charging rules. | |
| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |

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| **Response:** The inference is that all Customers in a GSP group would be affected. Even if the "failure" only affected a specific GSP, then to a first approximation it is not unreasonable to guess that the affect on Suppliers would be in the same proportion as to the GSP Group as a whole. It might not be an ideal "solution" but it is the only workable one we have. | |
| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |
| **Response:** We did not really understand the last part of the question, we thought the whole point of tagging them (which we agree with) was to remove their affects from the Imbalance Price Calculation ? | |
| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |
| **Response:** If the price of "failures" is fixed in advance and removed from the Imbalance calculation then it does not really have any affect on Settlement ? | |
| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |
| **Response:** It would appear in BSUoS via the CSOBM term, but this in itself is part of the Incentive Scheme, so it is not obvious that this process would need to be changed per se as a result of this Modification Proposal. | |
| **Do you have any further comments on Modification Proposal P80?**<br>Not at present. | |

**P80_DEF_005 – British Energy**

## ANNEX A – P80 CONSULTATION QUESTIONS

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| **Respondent:** | **Rachel Ace** |
| **Representing (please list all parties):** | **British Energy Generation, British Energy Power and Energy Trading; Eggborough Power Ltd** |
| **The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment which the Panel may direct.** | |
| **Questions** | |

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| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br><br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |
| **Response: Yes** | |
| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to “the wall” (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches which constitute the possible periods of time for compensation? |
| **Response: Yes, BE believe that compensation should cover the period of the fault and the subsequent return to FPN consistent with dynamics.** | |
| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br><br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br><br>(ii) If not, against what datum could the deviation due to a system fault be measured? |
| **Response: FPN is a suitable datum against which to measure deviation due to a system fault.** | |
| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br><br>What are your views on this, and do you have any examples? |
| **Response: BE notes that extreme bids are allowed under the BSC and that Parties may wish to use them to show quite strongly that they do not wish to deviate from their submitted FPNs and are not necessarily representative of the cost of deviating from FPN. BE believes that the compensation to be paid to BM Units in the event of a transmission fault should reflect the actual costs of deviating from FPN. We note that one way of achieving this is via a Balancing Services Agreement.** | |

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| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br><br>xiii. Connected directly to the Transmission System; and/or<br><br>xiv. Paying TNUoS Charges; and<br><br>xv. participating in the Balancing Mechanism when the system fault occurs. |
| **Response: BE believe that all 3 criteria should be fulfilled. The first two are a given and if a BMU has not submitted any bids and offers then the compensation method proposed cannot work.** | |
| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |
| **Response: BE agrees with the Modification Group. It is difficult to allocate demand to specific BM Units in SVA because of NHH metering which is aggregated at GSP Group.** | |
| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |
| **Response: Transmission faults are a system balancing issue and as such associated deemed acceptances should not be included in energy balancing prices. In addition tagging has not been effective given the predominately long nature of the market since go live so reliance on tagging could result in imbalance prices being affected. Matching offers taken to balance the system post fault should similarly be excluded from imbalance prices.** | |
| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |
| **Response: Yes** | |
| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |
| **Response: Yes, for reasons given above, transmission faults are a system balancing issue.** | |

| **Do you have any further comments on Modification Proposal P80?** |
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**P80_DEF_006 – Derwent Cogeneration Limited**

## ANNEX A – P80 CONSULTATION QUESTIONS

| **Respondent:** | **Perry J Power** |
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| **Representing (please list all parties):** | **Derwent Cogeneration Limited** |
| **The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment which the Panel may direct.** | |
| **Questions** | |
| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br><br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |
| **Response:**<br><br>The definition should be expanded firstly to include system faults caused by system frequency being outside limits. It should also include faults that occur as a result of the non-availability of the distribution system that bring about the forced deviation from FPN for embedded generators that pay TNUoS charges - see answer to Q5. | |
| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to “the wall” (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches which constitute the possible periods of time for compensation? |

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| **Response:** A BMU should be compensated until it can be restored to the system via its dynamics. This requires both of these approaches. | |
| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br>(ii) If not, against what datum could the deviation due to a system fault be measured? |
| **Response:**<br>i) FPN - the use of IPN will discriminate against people who alter their position close to gate closure. Contracts are not mandatory and so shouldn't be used<br>It should be recognised that if they have choice, participants will submit PNs to take full advantage of a fault. Since this also happens with constraints, and a fault is just an extreme constraint it should be dealt with in the same way. | |
| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br>What are your views on this, and do you have any examples? |
| **Response:** A brief look at Bid-Offer Data reveals that -£99,999 per MWh is used by gas plant when ramping, presumably to indicate they don't want their output to be changed under these circumstances. It seems unreasonable to pay this amount if fault occurs when ramping - when they are at full load the bid price is under £10.<br>Where prices are extreme, a disconnection price or balancing services contract could be used which is taken as deemed acceptance. Disconnection prices could be submitted along with Bid-Offer prices. Regulatory oversight will be needed to prevent abuse but this is no different to the management of constraints. Deemed acceptances will have to be used where a fault occurs on the supply side, so application to the generation side must also be possible. | |
| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br>xvi. Connected directly to the Transmission System; and/or<br>xvii. Paying TNUoS Charges; and<br>xviii. participating in the Balancing Mechanism when the system fault occurs. |
| **Response:**<br>Compensation should be paid to anyone paying TNUoS even if not directly connected to the transmission system. If a BMU is paid embedded benefits then they are deemed not to be using the system and so should not be affected by a fault and not entitled to receive compensation.<br>A BM Unit should have a either submitted a Bid price or a disconnection price, when the fault occurs. | |

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| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |
| **Response:** Agreed. | |
| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |
| **Response:** Yes - offers to offset energy lost as a result of a transmission fault are included so the deemed bids should also be included. This is why -£99,999 per MWh is a problem | |
| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |
| **Response:**<br>Yes although it is not clear what deemed price would be applied as suppliers in a GSP group would all have different bid/disconnection prices. Some would therefore benefit more from a disconnection than others until all bid prices were equally low leading to issues of abuse. | |
| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |
| **Response:** Yes | |
| **Do you have any further comments on Modification Proposal P80?** | |

**P80_DEF_007 – SEEBOARD Energy**

## ANNEX A – P80 CONSULTATION QUESTIONS

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|---|---|
| **Respondent:** | **Dave Morton** |
| **Representing (please list all parties):** | **SEEBOARD Energy Limited** |
| **The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment which the Panel may direct.** | |

| Questions | |
|---|---|
| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br><br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |
| **Response:**<br><br>Yes. | |
| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to “the wall” (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches which constitute the possible periods of time for compensation? |
| **Response:**<br><br>Yes. | |
| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br><br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br><br>(ii) If not, against what datum could the deviation due to a system fault be measured? |
| **Response:**<br><br>We agree that this is a suitable measure. | |
| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br><br>What are your views on this, and do you have any examples? |
| **Response:**<br><br>We do not have any examples. However, it is clearly inappropriate that a generating plant could have the potential to earn a massive windfall profit from a transmission fault by submitting high default bids which under normal circumstances is meant to show an unwillingness to deviate from FPN.<br><br>We believe that Bid/Offer prices could be a fixed price or linked to a reference price e.g. UKPX. | |

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| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br><br>xix. Connected directly to the Transmission System; and/or<br><br>xx. Paying TNUoS Charges; and<br><br>xxi. participating in the Balancing Mechanism when the system fault occurs. |
| **Response:**<br><br>(i) and (ii)<br><br>Consideration needs to be given to compensating parties that do not participate in the BM and would not find it cost effective to do so. | |
| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |
| **Response:**<br><br>This seems to be a reasonable pragmatic approach but if other options are put forward these should be examined. | |
| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |
| **Response:**<br><br>No we disagree. Deemed acceptances are a result of system balancing. They are identifiable and therefore it is not necessary to leave them to the vagaries of tagging. They should not go into the imbalance price calculation. | |
| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |
| **Response:**<br><br>Yes. | |
| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |
| **Response:**<br><br>NGC needs to be incentivised to keep costs related to transmission failure to a minimum. BSUoS is likely to be most appropriate means of recovery. | |

| **Do you have any further comments on Modification Proposal P80?** |
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**P80_DEF_008 – NGC**

## ANNEX A – P80 CONSULTATION QUESTIONS

| **Respondent:** | **Richard Lavender** |
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| **Representing (please list all parties):** | **National Grid** |
| **The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment which the Panel may direct.** | |
| **Questions** | |
| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br><br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |
| **Response:** We believe that any definition of a system fault should be easily measurable and apply solely to the Transmission Company's equipment. Therefore we suggest that a better definition would be "The de-energisation of National Grid owned equipment so as to sever all connections to a directly connected BM Unit" | |
| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to “the wall” (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches which constitute the possible periods of time for compensation? |

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| **Response:** . We do not support the approach of using bid-offer acceptances to set the level of compensation. Given that there can be no competition in the event of a disconnection, we believe that the use of commercial bids/offers is inappropriate, but would support compensation based on the actual costs incurred. It follows that the only distinction between time periods (i) and (ii) is the need to deal with imbalance exposure. We would also suggest that an alternative methodology be employed to remove the imbalance exposure from affecting imbalance price setting. | |
| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br>(ii) If not, against what datum could the deviation due to a system fault be measured? |
| **Response:** Yes, up to the end of the BM window. | |
| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br>What are your views on this, and do you have any examples? |
| **Response:** This is one of the issues that lead us to propose cost based compensation under Q2. The potential risk can be demonstrated by considering the realistic example of the disconnection of a 500MW genset for a 1.5 hrs BM window at the maximum bid price of £-99,999. This would lead to :<br>a) a £75M windfall payment to one party, and potentially<br>b) a SSP = £-99,999.<br>Assuming a spill volume of 1000MWhr per period this would generate a cash flow of £125M per half hour to be re-distributed in an arbitrary and unpredictable manner. | |
| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br>xxii. Connected directly to the Transmission System; and/or<br>xxiii. Paying TNUoS Charges; and<br>xxiv. participating in the Balancing Mechanism when the system fault occurs. |
| **Response:** We believe that the eligibility should be restricted to (i) Connected directly to the Transmission System, and (ii) paying TNUoS charges. | |
| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |

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| Response: The proposal for Supplier BM Units is a local (GSP based) risk sharing scheme, however, in effect the GSP groups are currently operating a local risk sharing scheme due to the assumptions in allocating SVA metering to specific suppliers. The low potential risk for suppliers can be shown by the following calculation; the average MWhr lost in the last two financial years is approx. 500MWhr, even if this is compensated at £100/MWhr (figure chosen as worst case estimate of domestic per unit price) this only equates to £50,000. This is shared out on a volume weighted basis ie. a Supplier supplying 30TWhr annually (Annual Total = 300TWhr) would receive only £5,000. So we propose excluding SVA BM Units as described in Q1 and Q5, and let them rely upon the existing local risk sharing scheme rather than incurring costs for the very limited benefit of a national scheme. | |
| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |
| **Response:** We believe that deemed acceptances are not an appropriate method to base the calculation of compensation on, see answer to Q2. Furthermore disconnections are clearly a system rather than an energy issue. We would support an alternative methodology to remove the energy account imbalances completely. | |
| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |
| **Response:** . We believe that it is not appropriate to compensate SVA BM Units, see earlier answers. | |
| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |
| **Response:** We propose the payment of compensation outside of the BM. However, such costs could be recovered via BSUoS and we believe that this is appropriate. | |
| **Do you have any further comments on Modification Proposal P80?**<br><br>We support in principle the compensation of losses incurred by directly connected BM Units that are disconnected. However, the modification as drafted could lead to money flows vastly greater than the costs involved. | |

**P80_DEF_009 – Aquila Networks**

Dear Kathryn,

Please find that the response from Aquila Networks plc to P80: Deemed Bid/Offer Acceptance for Transmission System Faults

is 'No comment'.

Regards,
Jennifer Kelly

On behalf of Rachael Gardener
Deregulation Control Group &
Distribution Support Office
AQUILA NETWORKS

**P80_DEF_010 – British Gas Trading**

## ANNEX A – P80 CONSULTATION QUESTIONS

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|---|---|
| **Respondent:** | **Danielle Lane** |
| **Representing (please list all parties):** | **British Gas Trading Ltd** |
| **The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment which the Panel may direct.** | |
| **Questions** | |
| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br><br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |
| **Response:**<br><br>Yes the definition does represent a high-level description of what constitutes a 'system fault' as referred to by P80. | |
| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to "the wall" (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches which constitute the possible periods of time for compensation? |

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| **Response:**<br><br>Yes. | |
| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br><br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br><br>(ii) If not, against what datum could the deviation due to a system fault be measured? |
| **Response:**<br><br>Yes. | |
| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br><br>What are your views on this, and do you have any examples? |
| **Response:**<br><br>We agree that some Bid or Offer prices will not represent a market cost of deviation from FPN and do not think it appropriate that this is used as a basis for compensation for a transmission fault. | |
| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br><br>xxv. Connected directly to the Transmission System; and/or<br><br>xxvi. Paying TNUoS Charges; and<br><br>xxvii. participating in the Balancing Mechanism when the system fault occurs. |
| **Response:**<br><br>We believe compensation should be paid to parties that are directly connected to the Transmission System and are paying TNUoS Charges. We do not think that participation in the Balancing Mechanism should be a prerequisite for eligibility for compensation. | |
| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |
| **Response:**<br><br>Agree | |
| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |

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| **Response:** | |
| Any actions taken as a result of a transmission system failure are not energy balancing but a transmission constraint issue. As a consequence these should not be included in the calculation of imbalance prices, even if eligible for tagging, if there is any potential for there to be an influence on imbalance cashout prices. | |
| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |
| **Response:** | |
| Yes | |
| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |
| **Response:** | |
| We do not believe that it is appropriate that the industry bears all the cost for a transmission system fault. Some, if not all, of the cost should fall on the Transmission System Operator and this can only be achieved through appropriate incentives under the Price Control. Under this modification proposal it is difficult to see what other mechanism could be used and therefore we would suggest that this is not the most appropriate solution to the issue of compensation of transmission system faults. | |
| **Do you have any further comments on Modification Proposal P80?** | |
| We do not believe that a BMUs bid/offer price should be used to compensate that BMU for deviation from FPN due to a transmission fault. If a solution is to be found under the BSC it would be more appropriate to use actual SBP or SSP or maybe, in the longer term, a market (PX) price. | |

**P80_DEF_011 - Immingham CHP LLP**

## ANNEX A – P80 CONSULTATION QUESTIONS

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| **Respondent:** | **Immingham CHP LLP** |
| **Representing (please list all parties):** | |
| **The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment which the Panel may direct.** | |
| **Questions** | |

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|---|---|
| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br><br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |
| **Response:**<br><br>Yes. | |
| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to “the wall” (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches which constitute the possible periods of time for compensation? |
| **Response:**<br><br>Yes. | |
| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br><br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br><br>(ii) If not, against what datum could the deviation due to a system fault be measured? |
| **Response:**<br><br>The FPN is the correct benchmark. | |
| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br><br>What are your views on this, and do you have any examples? |
| **Response:**<br><br>As a guiding principle most participants are likely to submit market based prices. If there is a concern in specific circumstances that these are excessive, they could be subject to review after the event. | |

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| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br><br>xxviii. Connected directly to the Transmission System; and/or<br><br>xxix. Paying TNUoS Charges; and<br><br>xxx. Participating in the Balancing Mechanism when the system fault occurs. |

**Response:**

All system users pay TNUoS charges and should be eligible for compensation. There should be no BM participation requirement.

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| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |

**Response:**

This approach would seem sensible.

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| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |

**Response:**

Such acceptances arise as a consequence of system imbalance. It would seem logical to recover these through BSUoS but only after incentive arrangements are varied to reflect the ability of NGC as system operator to manage these costs.

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| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |

**Response:**

Yes.

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| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |

**Response:**

Yes. As we have noted in our response to Q7 above, these costs should not automatically be passed through in their entirety.

**Do you have any further comments on Modification Proposal P80?**

Individual participants have no protection against system failures. NGC is best placed to manage the risks associated with these. We fully support the placing of an obligation on the company to deem offer/bid acceptances in such circumstances until such times as firm transmission access rights are available.

**P80_DEF_012 – Scottish Power**

## ANNEX A – P80 CONSULTATION QUESTIONS

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|---|---|
| **Respondent:** | Man Kwong Liu |
| **Representing (please list all parties):** | *ScottishPower UK Plc.; SP Manweb Plc.; Scottish Power Energy Trading Ltd.; Scottish Power Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.* |

**The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment which the Panel may direct.**

**Questions**

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| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br><br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |

**Response:** Yes.

This is a reasonable attempt, at a general level, to define what constitutes a “system fault”. It excludes instances of non-availability of the Transmission network, which are the subject of compensation elsewhere. It would be appropriate, during the Assessment phase, for the Mod Group to attempt a more specific technical definition of “system fault”.

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| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to “the wall” (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches which constitute the possible periods of time for compensation? |

**Response:** Yes.

It is appropriate that the dynamics of the BM Unit affected by a “system fault” are considered when determining the period(s) over which compensation should be made. For BOAs which extend beyond the wall in respect of those dynamics, a process for determining the duration for compensation needs to be assessed further. The approaches suggested by the Mod Group are a good starting point for that assessment.

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| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br><br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br><br>(ii) If not, against what datum could the deviation due to a system fault be measured? |

**Response:**

FPN constitutes the most suitable datum because it is unreasonable to expect that a BM Unit's bid/offer data will 'second guess' the occurrence of a "system fault" when its is submitted. It is only sensible to measure the deviation as the result of a "fault" against the data which is most reflective of the expectations of that BM Unit's generation or demand when that data was submitted, viz. its FPN as adjusted by bids/offers.

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| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br><br>What are your views on this, and do you have any examples? |

**Response:**

Extreme bid/offer prices may, in part, reflect some uncertainty felt by a Party regarding the potential for "system faults" to occur affecting its BM Units and the risk of inappropriate compensation as a result. By providing a degree of certainty to Parties that reasonable compensation may be due in those circumstances, some of these extremes may be ameliorated.

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| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br><br>xxxi. Connected directly to the Transmission System; and/or<br><br>xxxii. Paying TNUoS Charges; and<br><br>xxxiii. participating in the Balancing Mechanism when the system fault occurs. |

**Response:**

It is appropriate that all these criteria are met in order for the BM Unit to be eligible for compensation. It is likely that there will be at least some bid/offer data submitted on behalf of a BM Unit in addition to its FPN to cover its position in the event of unforeseen circumstances such as "system faults".

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| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |

**Response:**

This is an appropriate basis on which to proceed. A pro-rata spread of the loss based on each Supplier BM Unit's share of overall demand may be considered as most likely in the circumstances. There is the possibility that overall energy flows over the network may have reduced the impact of a "system fault" affecting a particular GSP Group but it would be extremely difficult to calculate an exact level for that loss.

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| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |

**Response:**

While there is a risk that deemed Acceptances, with possible associated extreme bid/offer prices, may be included in the calculation of energy imbalance prices, there is a similar risk that their exclusion may also have a tendency to skew imbalance prices. There would be a strong likelihood that extreme prices would be removed from imbalance price calculation through tagging and so the risk of inclusion appears to be a manageable one.

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| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |

**Response:**

While it would be preferable to obtain data on the impact of a “system fault” on imbalance volumes and prices as early as possible, this must be balanced against the recognition that it may be some time before some accurate data is available in this respect. The relatively infrequent occurrence of “system faults” should mean that the risk of a delay has a minimal impact on Parties using the imbalance volume and price data. An early indication of the likely impact from the System Operator may help to further reduce this risk.

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| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |

**Response:**

It is recognised that a “system fault” will have an impact, even indirectly, on all system users. It is also difficult to envisage how the targeting of the costs of compensation on particular Parties could be operated in an even-handed way. It should, therefore, be accepted that the recovery of such costs from all Parties is appropriate.

**Do you have any further comments on Modification Proposal P80?**

None**.**

**P80_DEF_013 – Scottish and Southern Energy**

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

In relation to the nine questions listed in Appendix A of your note of 13th June 2002 concerning Modification P80, our comments are as follows:-

1 Yes, we do believe that the definition does represent a high level description; however, it will be necessary to define both "System Constraint" and "System Fault" clearly in the BSC.

2 Yes, we do agree with the two approaches, but the Modification Group needs to give consideration to the role, and use, of PGBTs by NGC

3 For within Gate Closure we believe that FPN is an appropriate datum; whilst out with Gate Closure we believe that Generation Registered Capacity should be the datum used.

4 We agree that 'dubious' Bid / Offer Prices may arise, as noted in the Report, and therefore there should be a reference to a Market Price as the determinant of the compensation amount.

5 We believe that eligibility should only be based on the paying of TNUoS Charges.

6 We are unsure why Supplier BMUs need compensating, through this Modification, when their customers are not being supplied.

7 As this would be a system operational matter it should be paid for via the existing arrangements and should NOT be reflected in the energy balancing charging arrangements.

8 We believe that this is not applicable, as outlined in our response to (7) above. However, we do agree that the frequency of this occurring will be small and therefore acceptable.

9 Yes.

Further comments on this Modification Proposal P80. We have the following comments to make on this Modification:-

At first glance this appears to be a 'reasonable' Modification. However, it raises many serious concerns, based primarily on the question of "Is there going to be any flooring of bid prices or market testing of price against avoided cost"?

It seems at the moment that this Modification could result in large industry smeared costs. It would allow for significant 'gaming' opportunities with an operator who becomes aware of a potential 'local' Transmission problem seeking to exploit the opportunity. What, for example, would prevent an operator, aware that a lightning storm is approaching, from putting large negative Bid prices on in anticipation that a fault may arise, and receiving vastly disproportionate and unreasonable profits?

The old Pool mechanism is fundamentally different as compensation at a day ahead energy "market" price is quite different from compensation at the Bid price of one player. One can argue that the Pool price was not market reflective, but it is not as potentially flawed as a Bid price set in a captive market.

In the light of these concerns, we are not be supportive of this Modification

Proposal as currently drafted.

Regards

Garth Graham
Scottish & Southern Energy plc

**P80_DEF_014 – Innogy**

## ANNEX A – P80 CONSULTATION QUESTIONS

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| **Respondent:** | Bill Reed |
| **Representing (please list all parties):** | Innogy plc, npower Limited, Innogy Cogen Trading Limited, Innogy Cogen Limited, npower Direct Limited, npower Northern Limited, npower Yorkshire Limited |
| **The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment that the Panel may direct.** | |
| **Questions** | |
| **Q1** | **Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?**<br><br>**"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start".** |

**Response:**

We assume that reference to the "Transmission System" means the system as defined in the Transmission Company Grid Code, the associated control systems and the supporting IT infrastructure. We also assume that the term "non-availability" is intended to capture both planned and unplanned outages, the effect of which is likely to be identical as far as the BMU is concerned.

If this were the case, the above definition would appear reasonable subject to it incorporating all the relevant components of the Transmission System that might bring about the forced deviation. In particular, this would include:-

(a) the non-availability of the transmission system at voltages other than the voltage at which BMU is connected, e.g. 132kV station supplies at a Power Station exporting at 275kV.

(b) the non-availability of synchronising voltage signals as normally provided to a Large Power Station under the provisions of Grid Code CC6.5.10 .

(c) the non-availability of a supergrid transformer

(d) the non-availability of a transmission connection as defined in an agreement between the party(ies) and the transmission company

(e) the non-availability of transmission company systems that would enable parties to notify changes to FPN to reflect contractual changes notified under ECVNs

As highlighted in the last point, we are of the view that "system faults" should include transmission company systems failures and outages that prevent the submission of Physical Notification data to transmission company. The availability of such systems is, as for other systems considered, entirely within the control of transmission company and the risk of non-availability is borne by BMUs in the form of potential imbalance. An inability to resubmit an FPN to reflect changes notified in ECVNs is in effect a "forced deviation".

**Q2 The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:**

**(i) A BM Unit could be compensated by bid-offer acceptance during the period up to "the wall" (end of the Balancing Mechanism Window Period), a process contained within the BSC; and**

**(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.**

**Do you agree with these two approaches which constitute the possible periods of time for compensation?**

**Response:**

The process for compensation set out under P80 will require the issuing of BOAs that may extend "beyond the wall". As a result, it would be appropriate that for the process for compensation up to the "wall" should be set out in the BSC.

We continue to believe that the governance of BOAs "beyond the wall" should be retained within the BSC. P80 illustrates the governance problems associated with the current industry rules. We recognise, however, that with the rejection of Modification P59 it would be necessary to accommodate the compensation process within the BPS. We assume, however, that this will require a separate consultation and amendment process that is outside the vires of the BSC.

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| **Q3** | **The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.**<br><br>**(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?**<br><br>**(ii) If not, against what datum could the deviation due to a system fault be measured?** |

**Response:**

The BMU's metered input or output, subject to variations in accordance with BC2.5.1 of the Grid Code, when compared to its PN could provide a useful measure of the effect of a "system fault" during the Gate Closure period. The prevailing PN for the relevant settlement period could be utilised as a default process for periods "beyond the wall" unless the party has notified a change in PN. This will enable contractual positions to be adjusted to reflect the "system fault" and avoid exposure to potentially penal imbalance costs.

In the event that parties are unable to resubmit PNs as a result of a "systems fault" then parties are potentially in breach of the Grid Code since their metered volume will not reflect their PN. This would also result in contractual imbalance exposure since the prevailing ECVNs will not reflect the actual metered output. If a party were to attempt to reduce contractual exposure by entering into a trade, any counterparty will likewise be unable to increase output to compensate for lost energy since this could also result in a Grid Code breach. In addition, since the transmission company will address the system imbalance arising as metered output differs from PN at the affected plant, the industry as a whole will also be exposed to significant costs in the form of BSUoS charges for the relevant period. This is inefficient.

In specific circumstances, therefore, it may be appropriate to issue a deemed BOA to reflect underlying contractual positions. For example, the loss of 100MW at one unit (through a system fault or plant trip) would be subject to a deemed bid while another unit which increased output by 100MW to reflect a contractual position entered into by the party to compensate for the lost unit during the "system fault" would be subject to a deemed offer. This could remove the contractual exposure of the parties and reduce system balancing costs (and be more efficient than the current arrangements).

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| **Q4** | **The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?**<br><br>**What are your views on this, and do you have any examples?** |

**Response:**

Whilst the bid price of -£99,999 in the example provided under paragraph 4.5 may not represent a "market cost" to deviate from FPN, it may indeed represent the cost incurred by the Generating BMU during a critical loading period should a transmission failure result in full load rejection and plant damage.

It may be appropriate to consider some from of default rules in relation to the issuing of BOAs to ensure that spurious costs are not incurred. The approach under consideration with regard to P79 may be useful, where a default price is calculated when there is a "feasible" bid or offer available. Feasibility could be defined as a volume available under the bid or offer which is less than MEL or MIL. For the purpose of P80, a test of feasibility could be applied to the deemed BOA (this could also help to prevent parties posting spurious BOAs to benefit from a "systems fault").

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| **Q5** | **The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:**<br><br>xxxiv. **Connected directly to the Transmission System; and/or**<br><br>xxxv. **Paying TNUoS Charges; and**<br><br>xxxvi. **Participating in the Balancing Mechanism when the system fault occurs**. |

**Response:**

Establishing the criteria for eligibility for compensation due to system faults raises two issues. First, the rights held by the relevant party for access to the system and secondly whether those rights provide for compensation in the event of system faults.

With regard to the nature of the rights held by the party, we note that this issue is currently being discussed by the Transmission Access Standing Group (TASG) under the vires of the CUSC.

With regard to compensation, the process set out under P80 involves issuing deemed bid or offer acceptances. Since balancing mechanism activities are governed by the BSC it is appropriate to define eligibility for compensation in a manner that is internally consistent within the BSC. We would suggest, therefore, that the following definition of eligibility for compensation is appropriate:

***"A BMU that is directly affected (i.e. participating in the balancing mechanism and forced to deviate from FPN) by the System Fault and that has submitted feasible bids or offers".***

This definition would include BMUs that are connected directly to the Transmission System, Additional BMUs and CVA registered BMUs embedded in a distribution network. As noted the test for the direct affects of the "system fault" is that the BMU has been forced to deviate from FPN or, in the event that it is unable to submit PNs, it is forced to deviate from its "intended PN".

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| **Q6** | **The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this?** |

**Response:**

A "system fault" that impacts on a supplier base BM Units would, by definition, affect all other BM units within the same Grid Supply Point (for example a supergrid transformer failure). This would imply that deemed BOAs for "system faults" are appropriate for all BMUs with feasible bids or offers that are directly affected within the GSP Group.

Additional BMUs could be separately and differently subject to "system faults" in the event that a transmission system fault directly results in a constraint on the relevant distribution system and as a consequence an Additional BMU is forced to deviate from its PN. Therefore deemed BOAs for "system faults" where Additional BMUs are directly impacted should be issued.

CVA BMUs that are embedded within a distribution network could also be separately and differently subject to "system faults" in the event that a transmission system fault directly results in a constraint on the relevant distribution system and as a consequence a CVA BMU is forced to deviate from its PN. Therefore deemed BOAs for "system faults" where CVA BMUs are directly impacted should be issued.

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| **Q7** | **Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices?** |

**Response:**

Acceptances taken due to a transmission failure should, by definition, be associated with system balancing actions. Consequently it is inappropriate to include such acceptances in the energy imbalance pricing methodology and all such BOAs should be tagged to remove any impact on prices.

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| **Q8** | **Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable?** |

**Response:**

Energy "lost" during a transmission failure should by definition be associated with system balancing actions. Therefore, all deemed BOAs related to "system faults" will be tagged. Consequently, the potential fluctuations in volume due to SVA processes will not have any impact on imbalance prices.

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| **Q9** | **By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation?** |

**Response:**

"System faults" should be treated in a similar manner to the way in which transmission network constraints are currently treated; i.e. costs appear in BSUoS. However, the cash-flows arising from deemed BOAs that impact on the SVA arrangements will not be finalised until the Final Reconciliation run. This may require ex post adjustment to BSUoS charges.

| **Do you have any further comments on Modification Proposal P80?** |
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| Intertrip<br><br>We do not believe that the intertrip scheme creates the potential for "windfall gains" to be made to the BM Unit concerned and we do not accept either the arguments made by transmission company in support of P87 nor the rationale why, if P87 is progressed and agreed in advance of P80, it would have an impact against the baseline on which P80 is being considered. In the first instance, intertrip would only be armed following a request by transmission company and acceptance by the lead party for the BM Unit and therefore the decision whether or not to arm the intertrip is entirely within the control of transmission company . Secondly, the payment may not be sufficient to cover the plant damage that is almost certainly likely to occur as a result of an emergency trip and full load rejection following intertrip. This can in no way be regarded as being a "windfall" payment. We note that the provisions set out in the BSC/Grid Code make no reference to any form of a risk premium payment by transmission company for the provision of such service. As a final point, it should be recognised that intertrip provides an alternative to infrastructure reinforcement by transmission company and, as such, the decision to arm an intertrip would be an economic decision based on the cost and likelihood of intertrip operation.<br><br>Whilst the Grid Code and BSC provides for compensation in the event of an intertrip, we regard these as being default arrangements in the absence of a Commercial Ancillary Service Agreement covering the provision of intertrip. If transmission company is concerned about perceived "windfall" benefits arising from deeming bids and offers following a trip, then the correct place to address that concern is through a bilateral agreement and not the BSC**.** |

**P80_DEF_015 – London Electricity**

## ANNEX A – P80 CONSULTATION QUESTIONS

| **Respondent:** | **Rupert Judson (LE Group Plc)** |
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| **Representing (please list all parties):** | LEG plc (representing London Electricity plc, Sweb Ltd, Jade Power Generation Ltd, Sutton Bridge Power Ltd |
| **The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment which the Panel may direct.** | |
| **Questions** | |
| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br><br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |

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| **Response:** | |
| Yes. | |
| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to "the wall" (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches which constitute the possible periods of time for compensation? |
| **Response:** | |
| (i) Yes, subject to the resolution of bid-offer price issues as discussed in Q4.<br><br>(ii) Yes. However, we have concerns about the transparency of activities taking place beyond "the wall" and under the governance of external documents such as the Balancing Principles Statement which are not subject to the same change management processes as the BSC. | |
| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br><br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br><br>(ii) If not, against what datum could the deviation due to a system fault be measured? |
| **Response:** | |
| (i) Yes, within the Balancing Mechanism window Bid-Offer Acceptance Adjusted FPN is a suitable datum for measurement of deviation due to a system fault. This approach is not however applicable to the continued compensation of BM Units beyond the wall where FPNs do not exist. It will be more difficult to identify a suitable datum for measurement of the volume of energy beyond the wall and this may raise consistency and transparency issues if it is to be resolved through balancing services contracts.<br><br>(ii) N/A. | |
| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br><br>What are your views on this, and do you have any examples? |

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| **Response:** | |
| Bid-offer prices are used in a variety of different ways by different participants reflecting market conditions and willingness to participate in the BM. They are not necessarily an indication of the cost of deviation from FPN and are therefore unsuitable as the basis for compensation payments to BM Units affected by transmission failures. It would not be appropriate for example for a BM Unit to be paid £99,999 per MWh as compensation for a transmission failure. It would also be inappropriate for example for a pumped storage generator to be paid higher rate of compensation than a coal generator just because they had different dynamic capabilities and bidding strategies in the balancing mechanism. | |
| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br><br>xxxvii. Connected directly to the Transmission System; and/or<br><br>xxxviii. Paying TNUoS Charges; and<br><br>xxxix. participating in the Balancing Mechanism when the system fault occurs. |
| **Response:** | |
| The criteria should aim to include any market participant who is directly affected by a transmission failure. As a starting point this would have to include balancing mechanism participants who would be exposed to imbalance charges as a result of transmission failure. Any other transmission connected participants (who are not BM participants) but are affected by the failure should also be compensated. | |
| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |
| **Response:** | |
| Yes. Supplier BM Units should also be compensated where transmission failures result in a forced deviation from FPN as defined in Q1 and this would be best achieved by spreading the loss of demand proportionally over all suppliers in the GSP group. | |
| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |
| **Response:** | |
| No, energy imbalance prices should not include deemed acceptances due to transmission failures. Such acceptances would in effect be taken to resolve a transmission constraint and should therefore be treated as system balancing actions and not energy balancing actions. | |
| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |

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| **Response:** | |
| Yes. The difficulties associated with identifying the volumes of energy to be compensated for suppliers mean that such delays are inevitable. If such transmission failures continue to be relatively rare occurrences then the overall impact of this delay on participants will be small. | |
| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |
| **Response:** | |
| No. The costs of compensation for transmission failures should be borne by the Transmission company and not recovered from market participants. | |
| **Do you have any further comments on Modification Proposal P80?** | |
| The group should consider whether a sunset clause (such as has been proposed for P87) would also be required for P80 in the event of any overlap by future Transmission Access arrangements. | |

**P80_DEF_016 – Powergen**

## ANNEX A – P80 CONSULTATION QUESTIONS

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| **Respondent:** | **Paul Jones** |
| **Representing (please list all parties):** | **Powergen UK plc, Powergen Retail Ltd, Cottam Development Centre Ltd** |
| **The P80 Modification Group has identified a number of issues associated with Modification Proposal P80. This consultation paper describes these issues and seeks industry views on them and any other relevant issues which respondents wish to raise. The questions below relate to specific issues identified by the group. Responses will be considered by the P80MG in its preparation of a definition report to the BSC Panel in July, and in any subsequent assessment which the Panel may direct.** | |
| **Questions** | |
| **Q1** | Do you believe that the following definition represents a high-level description of what constitutes a "system fault" as referred to by Modification Proposal P80?<br><br>"Non-availability of the Transmission System which brings about a forced deviation from FPN, as amended by previous Bid-Offer Acceptances, not due to System Constraints, intertrips or Black Start". |
| **Response:** | |
| Yes. It appears be a workable definition, but see issue from Q2 below. | |

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| **Q2** | The Modification Group recognise that there are at least two different periods of time covering forced deviation that could be compensated:<br><br>(i) A BM Unit could be compensated by bid-offer acceptance during the period up to "the wall" (end of the Balancing Mechanism Window Period), a process contained within the BSC; and<br><br>(ii) Compensation beyond the wall could follow the constraints management process described in the Balancing Principles Statement.<br><br>Do you agree with these two approaches which constitute the possible periods of time for compensation? |

**Response:**

We would consider that the general principle should be that, if a BMU is unable to follow its desired level of import or export due to a failure of the transmission system, then it should be recompensed for the period that this is so. The approach above would appear to be sensible if it would produce a deemed Bid Offer Acceptance for the period up to the wall and thereafter treat the failure as a constraint and compensate accordingly. This may have some implications for the formal definition in Q1 above which explicitly excludes system constraints.

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| **Q3** | The Modification Group recognised that Final Physical Notification (as amended by previous Bid-Offer Acceptances) was the only data in the BSC that a deviation due a system fault could be measured against.<br><br>(i) Do you believe that FPN is a suitable datum to measure the deviation due to a system fault against?<br><br>(ii) If not, against what datum could the deviation due to a system fault be measured? |

**Response:**

The FPN should be the datum to measure against.

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| **Q4** | The Modification Group recognised that some Bid or Offer Prices might not represent a market cost to deviate from FPN. For example, it was suggested that a Bid Price of -£99,999 per MWh shows that the Generating Plant is not able / willing to deviate from FPN?<br><br>What are your views on this, and do you have any examples? |

**Response:**

Should the solution be seeking the market cost to deviate or the cost to the BMU concerned? We would argue the latter. If a BMU is unwilling or unable to deviate from FPN then the cost to the relevant Party of being forced to do so will be high. It is therefore reasonable to see this reflected in the bids and offers for the relevant BMU and the subsequent compensation it receives.

However, there is an issue whereby windfall profits could be achieved under these circumstances and there would appear to be some justification for capping the amount of compensation which could be achieved. This could take the form of a cap on the price which would be used for these specific circumstances. There may be situations whereby a failure causes the Party concerned to incur costs at a level above that which would be compensated by a capped price. Therefore, there should be a mechanism to allow parties to make a case for higher compensation than achieved if their price is capped out.

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| **Q5** | The Modification Group recognised the difficulty in establishing the criteria to determine who is eligible for compensation due to system faults. Which of the following criteria do you believe a BM Unit should fulfil:<br><br>xl. Connected directly to the Transmission System; and/or<br><br>xli. Paying TNUoS Charges; and<br><br>xlii. Participating in the Balancing Mechanism when the system fault occurs. |

**Response:**

Rights to use the Transmission Network come from paying TNUoS. Therefore, there appears to be no logic to compensate non TNUoS payers as they have not acquired a right to use the system.

It is not clear why it is necessary to specify that compensation should be paid to those directly connected to the transmission network. We would argue that paying TNUoS is the real consideration.

As the compensation takes the form of a BOA, then participation in the balancing mechanism is an essential prerequisite.

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| **Q6** | The Modification Group identified that the loss in demand for Supplier BM Units (i.e. as calculated by SVA) should be spread across all SVA BM Units within same Grid Supply Point (GSP) Group. What are your views on this? |

**Response:**

There are likely to be different effects depending on whether the affected demand is HH or NHH. If the demand is mainly NHH then this will have an effect on the GSP Group Correction Factor for all NHH demand in the GSP Group, so the above treatment would be appropriate. If a cluster of HH customers is affected only, then this will be reflected in the takes for the specific BMUs in which those customers are contained and other BMUs would be unaffected. However, the reality is likely to be a fair reasonable mix of both NHH and HH customers. It's hard to see, however, how a reasonable estimate can be made of which particular BMUs are most affected. Therefore, the above treatment would appear to be the best practical solution.

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| **Q7** | Do you agree that any deemed Acceptances due to transmission failure should be included in energy imbalance price calculations, making them eligible for tagging as stated in Annex T-1 but possibly influencing imbalance cash-out prices? |

**Response:**

This is probably the simplest approach. Trade tagging a deemed BOA for this purpose will be straight forward so there should be no issue with the deemed BOA affecting prices. Additionally, if a generator's output is reduced due to a system failure, it is likely that another's output is increased to compensate. As the BOA associated with this increased output is included in the stack, it would appear correct to include the deemed BOA too and seek to tag them both out.

An issue arises if you cap a bid/offer price as to whether you include the capped or non capped price in the stack. The capped price appears more sensible.

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| **Q8** | Section 4.4 describes how any compensation due to deemed Acceptances for SVA BM Units could occur. In such circumstances the level of imbalance and imbalance prices may not approach final values until after the Initial Settlement (SF) run. Taking into consideration the expected low frequency of occurrence, do you consider this delay acceptable? |

**Response:**

The delay is unfortunate, but probably acceptable given that the alternative is no compensation. There are wider concerns that we have regarding how demand BMUs could be dealt with (see further comments below).

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| **Q9** | By using Acceptances to compensate for system faults these costs will appear in BSUoS. Do you believe that in principle this is an acceptable manner in which to recover costs of compensation? |

**Response:**

If you believe that the industry as a whole should compensate affected parties for faults, as P80 implies, then BSUoS would appear to be the appropriate route through which to recover costs. However, it should be recognised that the BSUoS approach means that players who are active at the time of the fault pay compensation. An approach more consistent with this insurance concept of compensation would be for the costs to be spread over a longer period perhaps as long as a year.

**Do you have any further comments on Modification Proposal P80?**

The treatment of demand is likely to be problematic. Demand FPNs are not generally regarded as very accurate and are therefore largely ignored by NGC. Therefore, it may not be seen as appropriate to pay compensation against them.

Participation in the balancing mechanism is not high for these BMUs so it is unlikely that bid/offer prices will be competitive. It is likely that they will be priced at the extremes to recover large amounts in the rare times that a deemed BOA is issued for transmission fault reasons.

The degree of compensation which demand requires is likely to be lower than that for generation BMUs. There may therefore be a case to cap demand prices at a lower level than for generation.