

## Responses from P80 Draft Report Consultation

Consultation issued 22 November 2002

Representations were received from the following parties:

No	Company	File Number	No. BSC Parties Represented	No. Non-Parties represented
1.	EdF Trading and EdF Generation	P80_DR_001	2	
2.	Scottish and Southern	P80_DR_002	4	
3.	BOC Gasses	P80_DR_003		1
4.	British Gas Trading	P80_DR_004	1	
5.	Corus Group	P80_DR_005		1
6.	Aquila Networks	P80_DR_006	1	
7.	Utility Consumers Consortium	P80_DR_007		1
8.	British Energy	P80_DR_008	3	
9.	Immingham CHP LLP	P80_DR_009	1	
10.	SEEBOARD Energy	P80_DR_010	1	
11.	Scottish Power	P80_DR_011	6	
12.	Powergen	P80_DR_012	15	
13.	Innogy	P80_DR_013	9	
14.	NGC	P80_DR_014	1	
15.	LE Group	P80_DR_015	4	

## P80\_DR\_001 – EdF Trading and EdF Generation

On behalf of EdF Trading Ltd and EdF (Generation) please note that we believe the Alternative Modification meets the relevant BSC Objectives better than the current arrangements, for the reasons laid out in the report. Furthermore, in giving our support for the Alternative P80, we believe that P80 should be rejected.

However we are concerned that there are categories of User who will still not benefit from this Modification and that, as such, there is now an issue of undue discrimination which needs addressing before the modification should be approved.

We acknowledge that this issue was recognised by the Panel. As the report states

'The Panel noted that there were other categories of BM Unit, such as: Exempt Export BM Units, or Interconnectors, which were not covered by P80. However, the Panel did not believe P80 was setting a precedent and that a Party could raise a future Modification Proposal to cover these circumstances.'

However, we find such a statement as unacceptable and that it should not be up to these disaffected Parties to find one or more other solutions to this common problem, especially as a solution may well not be possible through the BSC directly.

The report though highlights that compensation under P80 is limited to "Eligible BM Units", i.e. BM Units that:

- are Production BM Units
- are registered with CVA Metering System
- submit FPNs in accordance with Section Q3 of the Code;
- do not have alternative arrangements for providing compensation in the case of a "System Fault".

We believe that the latter bullet point illustrates a potential solution. Those Users not covered by P80 should have such alternative (presumably contractual) arrangements offered to them by National Grid in timescales commensurate with the introduction of P80, should P80 be approved for implementation. Furthermore the terms should be compatible with compensation that might otherwise have been reasonably expected had it been possible to cover them with P80. This would in our view avoid claims of undue discrimination and we suggest that any recommendation for approval should include such a provision.

Regards

Steve Drummond  
UK Market Adviser to EdFT

**P80\_DR\_002 – Scottish and Southern**

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

Further to your note of 22nd November 2002, and the associated Draft Modification Report for P80, we agree with the proposed BSC Panel recommendation to the Authority that the Original Modification Proposal P80 should not be made.

We do agree with the proposed BSC Panel recommendation that the Alternative Modification Proposal P80 should be made.

Regards

Garth Graham  
Scottish & Southern Energy plc

P80\_DR\_003 – BOC Gasses

BOC welcomes the opportunity to response to the above report.

BOC does not support the report as drafted.

BOC believes that the report is not even handed and favours CVA generators at the expenses of other generators and the demand customers.

BOC has a directly connected site at it is just a important for us (as for CVA Generators to be able to transmit power) to continue to receive supplies of power to support our air separation process and for BOC to support our customers many of whom operate continuos processes for which a reliable and economic source of industrial gases is vital.

Of course outages effecting BOC sites connected to the distribution system caused by transmission faults are no more acceptable to us.

The idea that unreliability on the supplier (demand side) is more acceptable than because it is more frequent is unfair and unprogressive.

Costs involved in imbalances for suppliers will be passed on to customers.

I feel that the Mod. group should really try to be a bit more customer focused!

I hope you find these comments helpful.

With best wishes

Hugh Mortimer  
Commercial Manager  
BOC Gases

**Modification Proposal P80: Deemed Bid Offer Acceptance for Transmission System faults**

Thank you for the opportunity of responding to this draft modification report considering Modification Proposal P80 (P80). British Gas Trading (BGT) do not support the original or alternative Modification Proposal. Whilst recognising this is a very complex area BGT are disappointed that the Modification Proposal only provides a solution for generation. The proposed solution delivered by P80 is moving the issue forward and we realise the difficulties associated with the demand side but we would welcome further analysis of this issue. We would recommend that, at least, one of the standing modification groups could take forward this issue.

BGT still do not believe that the BSC is the correct place to be addressing issues related to compensation for the lack of access to the transmission system. Whilst realising the need for an appropriate compensation methodology we believe mechanisms outside the BSC should deliver the redress. When P80 was being considered by the Modification Group Modification Proposal P71 was not within the BSC baseline. However in view of the Authority's recent decision to direct this Modification to the BSC the intent of which is to transfer imbalance exposure from a BSC Party to the System Operator, in our view this route maybe a more appropriate solution. This would then allow the BSC Party to pursue any compensation claims it may have via a more appropriate arena, CUSC.

Yours faithfully

Mark Manley  
Contracts Manager

## P80\_DR\_005 – Corus Group

Corus has read the draft report with considerable dismay. What started out as a perfectly reasonable proposal, P80, has been replaced by an alternative which discriminates blatantly between generation and demand. The proposed alternative would not better facilitate competition in supply for the same reasons that are advanced for making the modification for generation, namely, that a fault on the transmission system represents an unmanageable risk for those participants dependent on a connection to the system. As the mod group seems to recognise, suppliers are also exposed to the same generic risk of imbalance. Exposure to this constitutes a barrier to entry and increases costs to end-users as it is they who ultimately pay for risk. Also the group says "there is naturally less certainty for suppliers [and] that they typically face risks of greater magnitude...." Bearing in mind the incidence of lost supply in the past 5 years has been much greater than disconnection of generation, what the group seems to be saying in essence is that supply is so inherently risky that it not worth bothering worrying about this particular risk and it is all too difficult anyway. If the issue were not so serious, it would be laughable. The group tries to console demand by saying they will continue to receive SSP for any spill. Given that SSP can be very small or indeed negative, it is almost certain that the energy rates in the suppliers' bi-lateral contracts with generators will be higher and they will suffer a loss as a result. Having dismissed SVA BM units, the group proceeds to recommend restricting compensation to CVA registered Production BM units who they say are "those most dependent on a connection to the transmission system." What is the basis for independent group of experts making such an assertion? Along with a few other large users, we have a number of sites which are directly connected to the transmission system (and in CVA) that are just as dependent on a connection. It is particularly galling for us not to receive electricity and as a result our suppliers suffer imbalance charges, which are ultimately reflected in the cost of doing business with us. It is also surprising that the group proceeded with consideration of the alternative as exclusion of half the market seems a considerable deviation from the original proposal. We therefore do not agree with the Panel's recommendations. We believe in principle that Modification P80 should be made, although in practice OFGEM may have no choice but to reject it because the group did not develop the Modification. Indeed OFGEM may have fettered its discretion in considering P80 by indicating that legal drafting was not required. We also firmly believe that the Alternative Modification P80 should be rejected.

**P80\_DR\_006 – Aquila Networks**

Please find that Aquila Networks Plc response to P80 Consultation on draft Modification Report is 'No Comment'.

regards

Rachael Gardener

Deregulation Control Group &  
Distribution Support Office  
AQUILA NETWORKS

## P80\_DR\_007 – UCC

The Utility Consumers Consortium is grateful for the opportunity to comment on the above Consultation Paper and Recommendations on behalf of its members and offers the following comments.

Compensation for Consumption BM Units is variously described as arbitrary, unable to facilitate competition in supply and potentially discriminatory.

Taking the last first, the UCC recognises the difficulties between a failure at one GSP Point and the coverage of a GSP Group. However, half-hourly customers if not others (whether classified in CVA or SVA) can be identified as suffering interruption: compensation can be hypothecated to them and their suppliers fairly readily. To exclude them from compensation on the grounds of potential discrimination seems extraordinary when the proposed compensation is excluding half the market, namely the demand side.

It is noted that a good proportion of respondents to the first consultation appeared to be advocating equal treatment for both sides of the market. What is being proposed is even less equal than first appears: to suggest that for suppliers the continued receipt of SSP following an NGC 'interruption' is some form of 'benefit' is misleading: SSP is most unlikely to match the contract prices that virtually all suppliers will have to pay. Under these circumstances the supplier loses and the customer suffers the economic consequences of disruption, generally far more than the total value of the electricity they would have otherwise received.

It is also misleading to suggest that compensation for suppliers would not enhance competition: under the rules which seemed likely from the original Modification, suppliers could compete on the types of scheme they could offer customers for the disruption suffered. At one end of the spectrum, some suppliers might pass through the full benefit received to each HH customer, say; at the other end, some form of blanket allowance akin to payments currently made for interruption by distribution businesses might be made.

Bearing in mind some of the historical analogies which spring to mind when considering these proposals, I could say more but will refrain from doing so.

Yours sincerely,

Bob Spears

Chairman,  
UCC

**P80\_DR\_008 – British Energy**

To : Modifications Secretary  
Elexon

From: Rachel Ace

Date: 29th November 2002

British Energy strongly supports the recommendations set out in the report as regards the implementation of P80 alternative which will result in Production BMU's being held harmless to imbalance charges in the event of a transmission system failure for the 'system fault affected period'. Such a change will better facilitate BSC objectives (b) and (c). However, we continue to believe that the scheme should be introduced on the same timescale as P87 alternative given that the practices and processes involved are almost identical.

Regards

Rachel Ace

On behalf of

British Energy Generation  
British Energy Power and Energy Trading  
Eggborough Power Ltd

P80\_DR\_009 – Immingham CHP LLP

**P80 - Draft Modification Report**

Thank you for the opportunity of commenting.

Immingham CHP LLP strongly support the proposed modification P80 Alternative to deem offer/bid acceptances in the event of transmission failure, which in our view better meets the applicable objectives than either the status quo or P80 Original. Individual market participants have no protection against system failures, and NGC is best placed to manage the risk associated with these.

We note that the proposed solution is limited to Production CVA registered BM Units, but would hope to see a solution developed before too long that provides equivalent safeguards for demand.

Please contact me on 020 7408 6075 or Rekha Patel on 020 7408 6233 should you wish for clarification or further comment on our views.

**Andrew Murray"**

## P80\_DR\_010 – SEEBOARD Energy

With reference to draft modification report, dated 22nd November 2002, regarding proposal P080 (Deemed Bid/Offer Acceptance For Transmission System Faults). We agree with recommendations within section 1.1 of that report and implementation dates detailed.

Our only concern is that this recommendation to accept alternative is linked to proposed alternative modification to P087 (Removal of Market Risk Associated with Operation of a Generator Inter-Trip Scheme). This modification is still being assessed by Ofgem and no decision on this has been made prior to our comments being sought on modification P080. If alternative solution to modification P087 is rejected will recommendations in draft modification report for P080 need to be re-examined as from details within this report it is suggested that P087 alternative is a requirements for P080 alternative to be effective.

Dave Morton  
SEEBOARD Energy Limited

P80\_DR\_011 – Scottish Power

**P80 Draft Modification Report Comments**

With reference to the above, we wish to reiterate the view which we have previously expressed in support of P80 Alternative. We believe that this option provides BM Units with some form of compensation for incidents over which they have no control and which would pose an unmanageable risk, and ensure that NGC's requirement to manage the Transmission system efficiently and economically is brought into sharp focus. It also ensures that the affected BMU is compensated for the duration of the system fault and not just for the BMWP.

We agree that P80 Alternative would better facilitate the achievement of the Applicable BSC Objectives (b) and (c), and therefore confirm our support of the Panel's recommendation to approve P80 Alternative and to reject P80 Original.

We have also considered the legal drafting (including the slight amendment to one of the sub-paras in Q5.6A highlighted in the Mod Report), and found them to be appropriate.

I trust that you will find these comments helpful. Nonetheless, should you require further clarification of any of the above, please do not hesitate to contact me.

Yours sincerely,

Man Kwong Liu  
Calanais Ltd.

For and on behalf of: - *Scottish Power plc; ScottishPower Energy Trading Ltd.; Scottish Power Generation plc; ScottishPower Energy Retail Ltd.; SP Transmission plc; SP Manweb plc*

## **P80\_DR\_012 – Powergen**

### **P80 – Report Comments**

I am writing in response to the consultation on the above draft modification report. This response is made on behalf of 15 BSC Parties\* in the Powergen group.

Powergen supports the recommendation of the Panel that the alternative modification proposal for P80 should be implemented. This we believe provides a pragmatic solution to a somewhat complex issue. We believe that a solution involving the original principle of accepting a bid or offer would have been the most pure approach. However, due to the existence of similar issues to those which arose during the assessment of P87, we believe that the removal of the imbalance for generation BMUs with the ability to make a claim for compensation was an acceptable alternative solution. It also has the benefit of being entirely consistent with the solution devised for P87.

Yours sincerely,

Paul Jones  
Trading Arrangements

\* Powergen UK plc, Powergen Retail Limited, Diamond Power Generation Limited, Cottam Development Centre Limited, TXU Europe Drakelow Limited, TXU Europe Ironbridge Limited, TXU Europe High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy Limited

## **P80\_DR\_013 – Innogy**

### ***Draft Modification Report***

### ***Modification Proposal P80 – Deemed Bid/Offer Acceptance for Transmission***

### ***System Faults***

### ***Innogy Comments***

The following comments are made on behalf of Innogy plc, Npower Limited, Innogy Cogen Trading Limited, Innogy Cogen Limited, Npower Direct Limited, Npower Northern Limited, Npower Yorkshire Limited Npower Northern Supply Limited, Npower Yorkshire Supply Limited.

We note that the BSC Panel is recommending that Modification Proposal P80 is rejected by the Authority and that Alternative Modification P80A (P80A) is approved by the Authority.

We have previously supported P80 since we believe this Modification Proposal correctly values the costs imposed on a Party as the result of transmission failures. It would appear that the Panel is recommending rejection of P80 because of fears concerning the prospect of large negative bids being lodged by Parties. Our view is that this fear is unfounded since NGC could enter into commercial arrangements to preclude it, or if the Party's bid followed a transmission event Competition Law would apply. An alternative approach may be to collar bids under defined circumstances. However, if the Authority is minded to reject P80, then we would see P80A as a "second best" option since it provides for a route to compensation where currently there is none.

## P80\_DR\_014 – NGC

### Comments from National Grid on the P80 Draft Modification Report

Whilst we have no specific comments on the draft report we would like to reiterate the views that we have raised earlier on the following issues:

1. As we have stated in the past we do not believe that it is appropriate for the BSC to be considering the periods outside the Balancing Mechanism as we consider this to be Ultra Vires.
2. We believe that the only clear way to define a System fault is as the de-energisation of National Grid owned equipment so as to sever all connections to a directly connected BM Unit.
3. It is unclear how the legal drafting captures instances of over sensitive protection systems that result in an Eligible BM Unit being disconnected (or to have forced deviation from FPN) due to a loss of a connection which would not normally cause a disconnection.
4. In addition the legal drafting does not address Force Majeure. It would be usual in cases of Force Majeure to ensure that a parties position was made neutral however in terms of this modification it is our belief that in the case of Force Majeure the 'Extra Cashflow' should not apply.

If you require any further clarification of these points please do not hesitate to contact us.

## P80\_DR\_015 – LE Group

Please note the following comments in response to the P80 Modification Report on behalf of LE Group (representing London Electricity Plc, Jade Power Generation Ltd, Sutton Bridge Power, West Burton Ltd).

We agree with the recommendation of the Modification Report that P80 Alternative better meets the applicable BSC objectives (b) and (c) and should therefore be approved. We believe that the solution offered by P80 Alternative effectively removes the risk associated with faults on the transmission network from those participants that face the greatest level of unmanageable risk.

We do not believe that P80 Original adequately addresses this issue as it does not take into account the full duration of the effects of transmission faults on participants and we therefore agree with the recommendation that P80 Original be rejected.

We recognise that the proposed modification does not extend to all classes of participant. However, we agree with the assessment of the modification group that the proposed solution was not appropriate for all classes of participant due to the difficulty in establishing a causal link between a Transmission system fault and certain types of BM Unit. Nevertheless, we believe there is scope for further developments, not necessarily within the BSC, to address the risk of transmission network failure to those participants not covered by this modification.

Best regards

Rupert Judson on behalf of Liz Anderson  
LE Group Plc