

## Modification Proposal

**MP No: P80**  
(mandatory by BSCCo)

**Title of Modification Proposal** (mandatory by proposer):

Deemed Bid/Offer Acceptance For Transmission System Faults

**Submission Date** (mandatory by proposer): 01 May 2002

**Description of Proposed Modification** (mandatory by proposer):

Where a BM Unit is forced to deviate from Physical Notification due to faults on the transmission system outside its control, the transmission company should be obligated to issue a deemed bid-offer acceptance reflecting the forced deviation, for as long as the the situation continues. BSC Section Q5.1.5 already contains obligations in relation to the operation of intertrips, and section Q5 should be extended to include all other system faults outside the control of the BM Unit lead party. Corresponding changes to the Grid Code would need to be made. Concerns over lack of competition in bid/offer prices in the circumstances of system failure would be met through regulation or bilateral contracts with the Transmission Company.

**Description of Issue or Defect that Modification Proposal Seeks to Address** (mandatory by proposer):

Under current NETA arrangements, transmission system faults represent an unmanageable risk for Trading Parties. A fault can isolate a BM Unit and prevent it exporting or importing contracted energy, and in these circumstances the current arrangements expose it to imbalance charges in the short term, and current market prices (which may be affected by the system fault) in the longer term. For those parties whose costs contain a significant proportion of fixed costs, the requirement to purchase at imbalance or market price represents a significant competitive disadvantage, which does not meet the BSC Objectives of promoting competition and efficiency in market operation. The current situation discriminates against participants with large capital costs. Such uncertainty can also undermine contracting and risk management strategies undertaken by participants.

The Transmission Company is in a position to manage the risks associated with transmission system failures. By obligating deemed bid/offer acceptances for changes in energy flows forced on individual participants, failures are treated in the same way as other transmission constraints. The costs are ultimately borne by all participants in BSUoS charges, which the Transmission Company is incentivised to reduce through the incentive scheme existing under its licence. While the current arrangements incentivise maintenance of the current low level of total constraint costs, individual participants have no protection against individual system failures which affect them and over which they have no control. The need for resolution of this problem has been recognized by the NETA Programme and Authority, eg. (1) October 1999 NETA Conclusions Document, p41, (2) August 2000 Initial Proposals for NGC's SO Incentive Scheme under NETA, Section 3.61, p48, (3) May 2001 Transmission Access & Losses under NETA, section 2.37 p126.

Prior to NETA, participants were protected from the consequences of transmission faults. Connected generators could obtain compensation through the Pool for lost opportunity, and suppliers were not exposed to charges for demand not taken. The issue was acknowledged by the NETA Programme during preparations for NETA, but a decision was taken by the Policy Board not to provide protection for participants. A review of transmission access arrangements was expected to consider and resolve the issue. However, the current review appears no closer to resolving the matter.

**Impact on Code** (optional by proposer):

Section Q5.

**Impact on Core Industry Documents** (optional by proposer):

Impact on the Grid Code is likely, but other core industry documents are unlikely to be affected.

**Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties** (optional by proposer):

Would not expect any impact on BSC central systems.

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### Impact on other Configurable Items (optional by proposer):

### Justification for Proposed Modification with Reference to Applicable BSC Objectives (mandatory by proposer):

The Applicable BSC Objectives are set out in paragraph 3 of Condition 7A of the Transmission Licence, as follows:

(a) The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;

Standard Transmission Licence Condition 7 specifies that the Transmission Company shall, through the Grid Code, act "to promote the security and efficiency of the electricity generation, transmission and distribution systems in England and Wales or Scotland each taken as a whole". Exposure to the full costs of transmission failures should assist in meeting this objective.

(b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;

This objective cannot be met without exposing the Transmission Company to the economic consequences of Transmission System Failures.

(c) Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity;

Withdrawal of "route to market" represents an unmanageable risk for participants. Those affected face significance consequences which, unless compensation is provided, will not promote fair competition.

(d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

[The Proposer should include, in reasonable detail, an explanation of how the proposal would better facilitate the achievement of these objectives as compared with the current version of the Code.

NOTE: The above text is for guidance only and may be overwritten when completing the form.]

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### Details of Representative's Alternate:

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**Attachments:** NO

**If Yes, Title and No. of Pages of Each Attachment:**