Modification Proposal

MP No: 25
(mandatory by BSCCo)

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

Commissioning Status In NETA

Submission Date *(mandatory by proposer)*: 25 June 2001

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

In order for the Panel to fulfil its' objective under the BSC of "promoting effective competition in the generation and supply of electricity" (Section B 1.2.1 b iii) the Code should seek to actively encourage new generation capacity.

Section A 1.3.1 of the code should include a new category of participation - commissioning power stations. The balance of the differences between accepted balancing mechanism bids and offers (Residual Cashflow Reallocation Cashflow) should be used to offset the imbalance costs incurred by commissioning plants.

New plants would be granted "commissioning status." Once the plant starts commissioning the asset will actively seek to mitigate its' risk in the contracts market, however should the plant find itself out of balance through the failure of the plant to produce its' intended volume it will be held harmless to any cashout exposure. Any imbalance costs incurred would be funded through the Residual Cashflow Reallocation Cashflow (RCRC). Once the plant completes commissioning the asset will become a "Trading Party" and the normal rules of the Code will then apply. The detailed rules of how this would work in practice must not allow for any party to abuse them.

"Commissioning Status" plants must provide NGC with their intended commisioning plan. This must be updated on a daily basis. Any changes between these plants' commissioning plans (which would equate to their PNs) and their metered output, which result in imbalance payments or charges, would be funded through the RCRC.

Once the plant can perform at less than 5% deviation from its' commisioning plans for seven consecutive days (excluding plant outages) the plant will lose its' commissioning status and become a fully fledged BSC party.

If a "commissioning status" plant deviates from its' commisioning plan for seven consecutive days by more than 50%, suggesting that the plant is abusing its' status, it will lose its' commissioning status.

"Commissioning status" will be limited to a maximum of three months, although this does not have to be consecutive.

The information submitted by the commissioning plant (or its' parent trading organisation, or equivalent) to NGC and Logica should enable Elexon to determine if a plant is abusing its' commissioning status. Elexon should be granted further powers to investigate any perceived abuses.

Given the severity of this problem for the industry it is recommended that this modification be back dated to the 27^{th} March 2001.

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

Under the Pool commissioning was essentially subsidised by the rest of the industry. At present the Code does not recognise the concept nor unpredictability of commissioning plants and as such commissioning plants are much more vunerable to the balancing mechanism than any other generator. Without the knowledge of how the plant will perform, these stations are not in a position to accurately determine or control what their balancing mechanism exposure actually is. Based on the balancing mechanism prices since the start of NETA and the unreliability of brand new power stations, the substantial risks of the commissioning phase will be a major disincentive to building new plant.

Under the Pool new plant received PPP for their commissioning output and could thus guarantee an income. Based on the system prices of NETA thus far, it will be virtualy impossible for commissioning plants to gain positive revenues for their generation, let alone cover production costs. Such is the extreme nature of balancing mechanism prices medium sized new plants are likely to make a colossal loss of several million pounds during commissioning.

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By centrally funding the cost of commissioning investment decsions on power stations can be made with the confidence that the Balancing Mechanism imbalance exposure can be greatly mitigated. This will encourage new power station investment, thus "promoting effective competiton", driving down prices and fulfilling the objectives of NETA and the BSC.

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

Section A will need to include "commissioning status", Sections D and T will also require some amendment to allow for the funding through the Residual Cashflow Reallocation Cashflow.

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

NGC's license may need to be amended.

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

The SAA and possibly NGC's systems will need to be adjusted.

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

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

The current arrangements under the BSC and the system prices evident in the first weeks of NETA do not lend themselves to commissioning plants. A major player in the England and Wales power market was approached to discuss managing the risk faced by a commissioning plant and responded "it is not in our business to enter into suicidal risk management packages such as this."

The Panel have a very active interest in bringing new plant on to the system through their objective of "promoting effective competition." By centrally funding the imblance exposure of commissioning plants through the RCRC The Panel will be fulfilling the primary objective of NETA.

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Attachments: NO

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