P259 Consultation Responses

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

Consultation issued on 18 August 2010

We received responses from the following Parties

Company	No BSC Parties / Non-Parties Represented	Role of Parties/non-Parties represented
Accenture Services Limited (for and on behalf of ScottishPower)	7/0	Supplier / Generator / Trader / Consolidator / Exemptible Generator / Distributor
National Grid	1/0	Transmission Company
RWE Supply & Trading GmbH	10/0	Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent
EDF Energy	3/0	Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent/Distributor
E.ON UK	6/0	Supplier / Generator / Trader / Consolidator / Exemptable Generator

Question 1: Do you agree with the Panel's view that Proposed Modification P259 should be approved?

Summary

Yes	No	Neutral/Other
4	1	0

Responses

Respondent	Response	Rationale
Accenture Services Limited (Scottish Power)	Yes	Notwithstanding the uncertainty concerning the EU 3rd package, under the current BSC baseline and Grid Code obligations, ScottishPower agree with the views that P259 Proposed is the cheapest, least impact and earliest option approach and would better facilitates the achievement of the Applicable BSC Objectives in helping the Transmission Company a) to efficiently discharge its license by removing the need for manual workaround; b) to efficiently and economically in co-ordinating operation of the national electricity transmission system by having the Interconnector providing MFR; c) it promotes effective competition by reducing costs to interconnectors in line with other frequency response service providers; and d) it promotes efficiency in the administration of the balancing and settlement arrangements by reducing the timescales and improving accuracy of settlement runs through automation.
National Grid	Yes	We agree with the majority view of the Panel that the modification better facilitates the Code objectives when compared to the current baseline and therefore should be approved.
RWE Supply & Trading GmbH	Yes	We support the Panel recommendation that P259 should be approved. We note the concerns raised at the Panel that external events associated with the potential impact of the Third Package and the status of interconnectors may remove the need for the modification. However, at the present time the outcome remains uncertain and the modification should be evaluated against the current baseline. In this context the Panel recommendation to implement the modification represents the most cost effective approach. We also note that the ultimate decision on the modification remains with Ofgem. In this context the wider implications of the Third Package and the status of interconnectors can be taken into account in arriving at the final decision on implementation.
EDF Energy	Yes (note concerns)	Under the current industry baseline in which new interconnectors are required by the Grid Code to have mandatory frequency response capability and provide frequency response on instruction from the Transmission Company, the proposal has merit against BSC objectives.

Respondent	Response	Rationale
		It represents a pragmatic BSC solution to prevent exposure of delivered frequency response to imbalance charges, automatically without potentially error-prone manual workaround processes. Noting concerns described below (i) that there are preferable solutions and (ii) that changes in the requirements for interconnector frequency response could render the change redundant and not cost effective, we believe the proposal would better meet BSC objectives compared with the current baseline: if the delivery of mandatory frequency response via a post-2005 interconnector were to lead to uncompensated imbalance for the party held responsible under the BSC, with no other mitigation: • the cost of the service could increase, so BSC Objective (b) relating to efficient system operation would not be better met. • the relevant provider would not be protected from such imbalance, while other providers currently are, so BSC objective (c) relating to competition would not be better met. In the long term, avoidance of these disbenefits would outweigh the implementation costs. (i) In general, our preference would be not to use the BSC Interconnector Error BM Units for anything other than errors between intended traded flows and the actual flow that arises. Our response to question 4 below expands on this. It would be preferable if BritNed and the Transmission Company developed a solution more consistent with that used by existing interconnectors, in which similar balancing services are classed as system to system volumes and allocated to the Transmission Company as an Interconnector User that is not subject to imbalance charges. Disappointingly, this appears to be significantly more expensive than the BSC solution proposed. The advantage of allocating all expected or intended volumes to an Interconnector User, as at present, is that all users of the interconnector, including its owner, are treated equitably and, as far as is practical, consistently with other users of the GB transmission system. Although there would currently be no material difference in BSC Trading Charges, treating volumes traded by the interconnector owner differently from volumes traded by other users could have implications outside the BSC. (ii) If in future the requirement or responsibility for frequency response delivery were to shift to the interconnected system operators, or other users of the interconnector, the merits of the current proposal are less clear. If the relevant volume were to be allocated to the Transmission Company, no BSC system changes would be required. If the relevant volume were to be allocated to other user(s), the changes required to the BSC would be different, and possibly less expensive. Given other market developments (European 3rd Package potential impact on interconnectors) there appears to be

Respondent	Response	Rationale
		uncertainty in this respect, which the Authority may be in a better position to determine by the time the final decision is made. We have some concerns that in pursuing the proposed solution, BSC parties could incur costs (£75k) which exceed those of the interconnector operator and National Grid in operating a workaround (£14k-50k/year), particularly if further developments in interconnector arrangements render the proposed change redundant.
E.ON UK	No (agree in part only)	We support the Reporting solution; for consistency 'Interconnector equivalent' data should be provided on the BMRS, while P259 would facilitate the obligation that already exists under the Grid Code for DC convertors commissioned after 01/04/05 to be capable of providing Mandatory Frequency Response. Hence we supported P259 in our Assessment consultation response. However, subsequently DECC and Ofgem have issued their respective consultations on Implementation of the EU Third Internal Energy Package and Certification of transmission system operators under the Third Package, confirming that interconnectors are included in the definition of TSOs and will be classified as such by 2012. Thus it seems that such a solution will indeed only be required for one interconnector, for the 12 months 01/04/11-01/04/12. Consequently we share the concern expressed by several other Assessment consultation respondents that implementing the P259 solution would be potentially wasteful. While if not required the solution would not have to be 'backed out', just remain unused, it would be undesirable to cause BSC Parties to incur costs of £83k when this may not be needed, while if and when it is, a workaround could be implemented at a cost of only £14-50k for the 12 months. P259 would facilitate Commercial Frequency Response, though that is not addressing the defect the modification purported to address. We understand the costs to update BMRS were only a very small part of the implementation costs hence it would seem more economical if possible to utilise the workaround if and when required for Mandatory Frequency Response and implement the Reporting solution separately, via a new modification if need be.

Question 2: Do you agree with the Panel's suggested Implementation Date?

Summary

Yes	No	Neutral/Other
5	0	0

Responses

Respondent	Response	Rationale
Accenture Services Limited (Scottish Power)	Yes	ScottishPower agree with the views that it should be implemented as soon as possible, particularly as there are minimal additional costs. However, ScottishPower acknowledge that wider consideration should be considered both in term of derogations and EU 3rd package uncertainty.
National Grid	Yes	The implementation date was developed to line up with the commercial operation of the BrtiNed interconnector which is currently planned for April 2011. At this time, BritNed will be required to provide mandatory frequency response. If BritNed are selected to provide frequency response, the process of correctly allocating ABSVD will be required. Therefore if P259 is implemented for April 2010, there will be a benefit to National Grid and BritNed in removing the requirement to manually check that the ABSVD has been allocated correctly.
RWE Supply & Trading GmbH	Yes	A timely implementation date will help to minimise the costs to the industry by avoiding the administration costs associated with the work around solution.
EDF Energy	Yes	Noting uncertainty about the requirement for the proposal in its current form, an implementation date coinciding with expected start of operation of the BritNed interconnector is sensible.
E.ON UK	Yes	Settlement Day implementation approach seems practical and on 31/03/11 for 01/04/11 desirable.

Question 3: Do you agree that the legal text delivers the intention of P259?

Summary

Yes	No	Neutral/Other
5	0	0

Responses

Respondent	Response	Rationale
Accenture Services Limited (Scottish Power)	Yes	ScottishPower agree that the drafted legal text seems appropriate.
National Grid	Yes	-

Respondent	Response	Rationale
RWE Supply & Trading GmbH	Yes	-
EDF Energy	Yes	We note that the BSC legal text makes no reference to mandatory frequency response (the main driver for the proposal), and the BSC solution would allow any applicable balancing service deemed to be provided by an interconnector owner to be treated in the same manner under the BSC. We would have preferred the legal text change at T4.1.3 to apply to all Interconnector BM Units and not solely those of the Interconnector Error Administrator. This would provide more flexibility for potential alternative approaches for balancing services on the BritNed and other interconnectors, where such services are deemed to be provided by Interconnector Users.
E.ON UK	Yes	It appears appropriate.

Question 4: Do you have any further comments on P259?

Responses

Respondent	Response
Accenture Services Limited (Scottish Power)	ScottishPower acknowledge that the Mod Group and Panel's recommendation was set against the current BSC baseline, amidst the uncertainty relating to the EU 3rd Package, and agree with the Panel that the Authority need to give wider considerations both in term of derogations and EU 3rd package when deciding on P259.
National Grid	The aim of P259 was to treat all providers of mandatory frequency response equitably. The Grid Code obligation placed on DC Converters commissioned after April 2005 results in the new BrtiNed interconnector being obliged to provide mandatory frequency response. However, the BSC as currently drafted results in interconnectors having an additional burden over other providers of mandatory frequency response as they will need of ABSVD for mandatory frequency response volumes. With the proposed BSC solution, interconnectors will not be disadvantaged when providing mandatory frequency response when compared to generators.
RWE Supply & Trading GmbH	No.
EDF Energy	The BSC currently identifies expected flows agreed before gate closure and intended flows after gate closure (bids, offers, system to system balancing service) and requires the Interconnector Administrator to allocate them to Interconnector Users, with any residual flow resulting from "errors" in interconnector operation allocated to an Interconnector Error Administrator. The BSC and Grid Code seek to ensure the volume allocated to Users is consistent with the capacity of the interconnector.

Respondent	Response
	We think the BSC has a clear intention that expected and intended volumes should be allocated to interconnector users, with only the residual error in operation of the interconnector allocated to the Error Administrator. We think BSC references to Interconnector Scheduled Transfer and the physical capability of the Interconnector relate to all physical users including the interconnector owner as a user itself, and that scheduled transfer should include expected and intended flows of the owner itself. If intended flow of the owner is not included as a user flow, the existing BSC and Grid Code provisions matching user flows to physical capacity do not work (e.g. R7.1.3 and BC1.4.6) and would require change. We query whether trading of energy, albeit as frequency response energy, by an interconnector owner is consistent with relevant licence conditions or exemptions. Physical Notifications and other operational information for BM Units give an indication of expected flows affecting the transmission system. In using equivalent terms for an interconnector as a whole, while information also exists for the BM Units which make up the interconnector, there is potential for misinterpretation by users of the information. Relevant interface documentation and the BMRS should make clear the distinction.
E.ON UK	No.