

**P199 TRANSMISSION COMPANY ANALYSIS AND IMPACT ASSESSMENT – RESPONSE PRO-FORMA**

In accordance with paragraph F 2.8 of the Code, please respond to the following questions concerning P199 (including the rationale for each response):

Q	Question	Response
1	Please outline any impact of the Proposed Modification (and, if applicable, any Alternative Modification) on the ability of the Transmission Company to discharge its obligations efficiently under the Transmission Licence and on its ability to operate an efficient, economical and co-ordinated transmission system.	<p>This modification will introduce a positive driver on the incentive for participants to avoid short falling against their energy account positions at times when the likelihood that Demand Control will need to be initiated is at its greatest. This will, in turn, diminish the likelihood that the system will be placed in the situation where the demand supply imbalance cannot be met. As such the security of supply will be improved.</p> <p>It should be noted that this modification will have no impact on the manner, or circumstances, under which demand control will be instructed. Demand Control will continue to be instructed with out influence of cost or regard for imbalance price consequence and will be utilised purely due to operational necessity.</p>
2	Please outline the views and rationale of the Transmission Company as to whether the Proposed Modification (and, if applicable, any Alternative Modification) would better facilitate achievement of the Applicable BSC Objectives.	<p>We believe that this modification will more appropriately allocate the burden of imbalance to those who contributed to that imbalance and to more accurately reflect the level of NIV in the imbalance price calculation. This improved incentive to balance and avoidance of the need to instruct demand control would better facilitate BSC objective (b) – The efficient and coordinated operation by the Transmission Company of the Transmission System.</p> <p>The more appropriate allocation of the burden of imbalance towards those contributing to it would also improve the certainty of cause and consequence of imbalance under a demand control period. As such it would better facilitate BSC objective (c) – Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such</p>

		competition in the sale and purchase of electricity.
3	Please outline the impact of the Proposed Modification (and, if applicable, any Alternative Modification) on the computer systems and processes of the Transmission Company, including details of any changes to such systems and processes that would be required as a result of the implementation of the Proposed Modification (and, if applicable, any Alternative Modification)	The original modification proposal will require changes to the Grid Code which will in turn require changes to the operational systems that send messages to the BMRA/BMRS. This change is not a large cost but the implementation would require a lead time of approximately 2 months after the required Grid Code changes related to new system warning messages had been approved.
4	<p>Please provide comments on the proposed requirement for the System Operator to provide the following information in relation to a Demand Control event:</p> <ul style="list-style-type: none"> <li>a) Settlement Period Affected</li> <li>b) GSP Groups affected</li> <li>c) Total Volume (MWh) of Demand Control achieved in each affected GSP Group</li> <li>d) BM Units impacted by Demand control in a GSP Group (where available)</li> </ul>	<p>a) The System Operator will be able to provide information related to the start and end time of the Demand Control period through the BMRS. Due to the dynamic nature of this event it is likely that these will be posted separately as a start time and subsequently as an end time.</p> <p>b) &amp; c) National Grid instructs demand reduction on a LDSO by LDSO, or national basis. As such all demand reduction estimates will be calculated on this basis. From conversations with Elexon, we understand that Demand reduction estimates made at this resolution can be assigned to the relevant GSP groups in the settlement process. As such we propose to provide our best estimate of demand reduction, utilising information provided by the LDSO under the Grid Code together with any other information available to us, at an LDSO level.</p> <p>d) The LDSO has complete autonomy in the manner in which the demand reduction is achieved. It is highly unlikely that National Grid will have visibility to any specific BM unit impacted by this instruction. However in the unlikely event that this information is known by National Grid we will pass on this information to Elexon.</p> <p>National Grid would also like to reiterate that Demand Control may be instructed under a number of different scenario's and for a variable duration. As such the ability to deliver the requirements in</p>

		<p>section b and c will be dependent on the duration and complexity of the instructions. Under these circumstances we are concerned that stipulating a timeframe to provide the data should be tempered by a reasonable endeavours clause to recognise the uncertainty of the time that may be associated with completing this activity.</p>
5	<p>Please outline any potential issues relating to the security of supply arising from the Proposed Modification (and, if applicable, any Alternative Modification).</p>	<p>We believe all the options that more appropriately allocate the burden of imbalance against those parties that contributed to its occurrence improve the incentives to balance and have a consequential positive influence on Security of Supply.</p> <p>However any proposals that incorporate, what could be considered, a windfall gain for parties affected by demand control must introduce a degree of uncertainty regarding the incentives to balance. As such, of the options considered, we have concerns that any introduction of inappropriate compensation and any consequential diminishment of the incentive to balance must be taken seriously as a possible hindrance to the aim of this modification.</p>
6	<p>Please provide an estimate of the development, capital and operating costs (broken down in reasonable detail) which the Transmission Company anticipates that it would incur in, and as a result of, implementing the Proposed Modification (and, if applicable, any Alternative Modification).</p>	<p>The expected frequency of demand control instructions has lead the proposer to conclude that this modification would be best implemented with the least amount of system change as possible.</p> <p>National Grid concludes that the IS changes required to fulfil this criteria would be the introduction of new system warning messages utilising the existing BMRA functionality.</p> <p>The obligation on National Grid, using reasonable endeavours, to provide an approximation of Demand Control provided would be achieved through the use of current mechanisms rather than the introduction of new systems. Therefore the costs associated with this modification would be in relation to the resource required to</p>

		<p>introduce the processes to cater for a demand control eventuality and the resource costs of carrying out this obligation if such an instruction is issued.</p> <p>Therefore, based on the assumption of one Demand Control event, we estimate that the costs to the System Operator of preparing for and implementing the requirements stipulated in P199 would be in the order of £30K.</p>
7	Please provide details of any consequential changes to Core Industry Documents and/or the System Operator Transmission Owner Code that would be required as a result of the implementation of the Proposed Modification (and, if applicable, any Alternative Modification).	We believe that this modification would necessitate changes to the Grid Code in regard to the introduction of new System Warning messages.
8	Any other comments on the Proposed Modification (and Alternative Modification if applicable).	<p>Section 3.1.1 of the assessment consultation document has made the assumption that the issue time and start time of a Demand Control instruction will always occur concurrently. We would like to correct the inaccuracy of this assumption.</p> <p>Demand Control is an emergency measure utilised by the System Operator to manage an issue on the Transmission System that cannot be resolved by any other options available to the System Operator at that time.</p> <p>The manner in which a Demand Control instruction is issued will be dependent on the operational characteristics of the Transmission System at that time. As such it cannot be assumed that Demand Control instructions will only be exclusively issued prior to, or concurrent with, the Demand Control instruction start time but will be dependent on the situation at that time.</p> <p>We would also like this opportunity to reiterate the drivers that will, and will not, influence the decision to issue a Demand Control instruction. Demand Control will be instructed when the System Operator determines that this is the only physical option available</p>

		<p>that will resolve the particular transmission issue identified. The cost incurred in issuing a demand control instruction will have no part in the decision to use it.</p> <p>As such no System Operator commercial incentive will influence the incidence of its utilisation.</p>
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Please send your response by **17:00 on Tuesday 18 April 2006** to [modifications@elexon.co.uk](mailto:modifications@elexon.co.uk). Any queries regarding the analysis should be addressed to Richard Bennett on 020 7380 4105), e-mail address Richard.Bennett@elexon.co.uk.