

## MODIFICATION REPORT for Modification Proposal P177 'Removal of Intertrip Provisions from the BSC'

Prepared by: Pricing Standing Modification Group

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### RECOMMENDATIONS

Having considered and taken into due account the contents of draft P177 Modification Report, the Balancing and Settlement Code Panel recommends:

- **that Proposed P177 should not be made;**
- **the P177 Implementation Date of 25 Working Days after an Authority decision; and**
- **the proposed text for modifying the Code, as set out in the Modification Report.**

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<sup>1</sup> The current version of the Balancing and Settlement Code (the 'Code') can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>

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## SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

The following parties/documents have been identified as being impacted by Modification Proposal P177.

Parties*	Sections of the BSC	Code Subsidiary Documents
Suppliers <input checked="" type="checkbox"/>	A <input type="checkbox"/>	BSC Procedures <input type="checkbox"/>
Generators <input checked="" type="checkbox"/>	B <input type="checkbox"/>	Codes of Practice <input type="checkbox"/>
Licence Exemptable Generators <input checked="" type="checkbox"/>	C <input type="checkbox"/>	BSC Service Descriptions <input type="checkbox"/>
Transmission Company <input checked="" type="checkbox"/>	D <input type="checkbox"/>	Service Lines <input type="checkbox"/>
Interconnector <input checked="" type="checkbox"/>	E <input type="checkbox"/>	Data Catalogues <input type="checkbox"/>
Distribution System Operators <input type="checkbox"/>	F <input type="checkbox"/>	Communication Requirements Documents <input type="checkbox"/>
Non-Physical Traders <input type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input type="checkbox"/>
<b>Party Agents</b>		
	H <input type="checkbox"/>	MIDS <input type="checkbox"/>
Data Aggregators <input type="checkbox"/>	I <input type="checkbox"/>	<b>Core Industry Documents</b>
Data Collectors <input type="checkbox"/>	J <input type="checkbox"/>	Grid Code <input checked="" type="checkbox"/>
Meter Operator Agents <input type="checkbox"/>	K <input type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
ECVNA <input type="checkbox"/>	L <input type="checkbox"/>	Ancillary Services Agreements <input type="checkbox"/>
MVRNA <input type="checkbox"/>	M <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
<b>BSC Agents</b>		
SAA <input type="checkbox"/>	N <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
FAA <input type="checkbox"/>	O <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
BMRA <input type="checkbox"/>	P <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
ECVAA <input type="checkbox"/>	Q <input checked="" type="checkbox"/>	Settlement Agreement for Scotland <input type="checkbox"/>
CDCA <input type="checkbox"/>	R <input type="checkbox"/>	Distribution Codes <input type="checkbox"/>
TAA <input type="checkbox"/>	S <input type="checkbox"/>	Distribution Use of System Agreements <input type="checkbox"/>
CRA <input type="checkbox"/>	T <input type="checkbox"/>	Distribution Connection Agreements <input type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	U <input type="checkbox"/>	<b>BSCCo</b>
SVAA <input type="checkbox"/>	V <input type="checkbox"/>	Internal Working Procedures <input type="checkbox"/>
BSC Auditor <input type="checkbox"/>	W <input type="checkbox"/>	<b>Other Documents</b>
Profile Administrator <input type="checkbox"/>	X <input type="checkbox"/>	Transmission Licence <input type="checkbox"/>
Certification Agent <input type="checkbox"/>		System Operator-Transmission Owner Code <input type="checkbox"/>
MIDP <input type="checkbox"/>		
<b>Other Agents</b>		
SMRA <input type="checkbox"/>		
Data Transmission Provider <input type="checkbox"/>		

X = Identified in Report for last Procedure  
 N = Newly identified in this Report

\*P177 would primarily impact those Parties with BM Units directly affected by the operation of an intertrip (i.e. generators at present but potentially Suppliers in the future). However, through its impact on Settlement, P177 would potentially impact indirectly all Parties with Energy Accounts.

# 1 DESCRIPTION OF PROPOSED MODIFICATION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

## 1.1 Modification Proposal

Modification Proposal P177 'Removal of Intertrip Provisions from the BSC' (P177, Reference 1) was submitted by National Grid Transco ('the Proposer') on 4 October 2004. P177 seeks to remove the existing Balancing and Settlement Code ('BSC') compensation arrangements (i.e. those contained in paragraph Q5.1.5 and the related references) for Parties affected by the operation of an intertrip. P177 is part of a range of changes across several industry documents being proposed by National Grid Transco (NGT) to establish a revised framework for intertrip schemes.

The compensation arrangements in the BSC cover 'Operational Intertrips'. Under the Grid Code (Reference 2), an 'Operational Intertripping Scheme' is defined as follows:

*"The automatic tripping of circuit-breakers to prevent abnormal system conditions occurring, such as over voltage, overload, **System** instability, etc. after the tripping of other circuit-breakers following power **System** fault(s) which includes **System** to **Generating Unit**, **System** to **CCGT Module** and **System** to **Demand** intertripping scheme."*

In practice, an intertrip is a device that automatically trips a generator (or demand site) off the Transmission System (the 'System') when it receives a specific signal. The signal is delivered if a specific fault on the System occurs. The requirement for an intertrip is usually identified at the time of connection, and is specified within Appendix F3 of the Bilateral Connection Agreement (BCA) between NGT and the connecting party.

Under paragraph Q5.1.5 of the BSC, the operation of an intertrip in the circumstances described by the Grid Code, is treated as a Bid-Offer Acceptance (BOA) in the Balancing Mechanism. Therefore, an intertrip would be remunerated at the prevailing Bid-Offer Price and the volume associated with its operation entered into Settlement through the BOA. P177 proposes to remove this 'compensation' arrangement i.e. a BOA would no longer be issued in relation to the operation of an intertrip.

### 1.1.1 Background to Proposed Change

The Proposer has raised P177 as part of a wider, cross-governance, set of proposals to establish an enduring framework for arrangements for intertrips. The main focus of the proposed changes is the Connection and Use of System Code (CUSC). CUSC Amendment Proposal 76 'Treatment of System to Generator Intertripping Schemes' ('CAP076', Reference 3) seeks to classify System to Generator Operational Intertripping Schemes and introduce associated compensation mechanisms into the CUSC. P177 represents a complementary change to ensure that duplicate compensation arrangements do not exist following the operation of such an intertrip – i.e. the existing BSC 'compensation' of treating the operation of an operational intertrip as a BOA would be removed such that an affected Party would not receive compensation under both the CUSC and the BSC .

A summary of the changes being proposed to the various industry codes designed to introduce an enduring framework for intertrips going forward was submitted with P177. However, it should be noted that whilst a number of changes are being sought across several governance areas, the change to the BSC proposed under P177 does not in itself require changes to other industry documents.

In raising P177, the Proposer noted two statements made by the Authority in its Modification Proposal P87 'Removal of Market Risk Associated with the Operation of a Generator Inter-trip Scheme' (P87, Reference 4) Decision Letter (Reference 4):

*"...the BSC is not the right forum for consideration of an issue that relates to the terms for transmission access."*

*"...compensation for operational intertrips should be considered under the CUSC or Charging Methodology governance arrangements rather than under the BSC. This is because it relates to terms for transmission access rather than the details of the electricity trading arrangements."*

The Proposer considers compensation for the operation of an intertrip to be an issue relating to transmission access, and notes the statement made by the Authority in the P87 Decision Letter as to the appropriate governance arrangements for the treatment of access issues.

### **1.1.2 Intertrips under NETA**

No Operational Intertripping Schemes that would be treated as a BOA under the existing BSC provisions have 'fired' (i.e. operated) since NETA Go-Live (i.e. 27 March 2001).

### **1.1.3 Process Followed**

ELEXON presented an Initial Written Assessment (IWA) of P177 (Reference 6) to the Balancing & Settlement Code Panel ('the Panel') at its meeting on 14 October 2004. The Panel agreed with the recommendation that P177 be submitted to a three-month Assessment Procedure to be carried out by the Pricing Standing Modification Group (PSMG).

During the Assessment Procedure, the PSMG met twice – once on 27 October 2004 and once on 7 December 2004. To support its assessment of P177 against the Applicable BSC Objectives, the PSMG produced and issued a consultation document to interested parties. The PSMG concluded, by a majority, that P177 should not be made.

An Assessment Report (see Annex 3) was presented to the Panel at its meeting on 9 December 2004. At that meeting, the Panel, by a majority, agreed with the PSMG's recommendation that P177 should be submitted to the Report Phase with a provisional recommendation that the Proposed Modification should not be made.

A draft Modification Report, including draft legal text, was issued for consultation on 19 January 2005. Eight responses were received. A summary of the responses is provided in Section 6 and a copy of each response attached as Annex 5.

The draft report and the responses received were presented to the Panel at its meeting on 10 February 2005. At the meeting, the Panel, by a majority, confirmed its provisional recommendation that the Proposed Modification should not be made.

See section 3 for further details regarding the Panel's recommendation and see section 6 for a summary of the consultation responses received.

## **1.2 Issues raised by the Proposed Modification**

The following issues were considered during the Assessment of Proposed Modification P177:

- Impact on Settlement
- Interaction with Modification Proposal P175; and
- Interaction with CAP076.

These issues are discussed in the Assessment Report and are not covered further here.

### **1.3 Assessment of Proposed Modification Against Applicable BSC Objectives**

The PSMG identified impacts on the achievement of Applicable BSC Objectives (a), (b) and (c). The following subsections summarise the views expressed by the PSMG against each of these objectives.

#### **1.3.1 Applicable BSC Objective (a)**

Applicable BSC Objective (a) is as follows:

*"The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence."*

The Proposer was of the opinion that P177 would have a positive impact on achievement of this objective. The Proposer noted that, under its licence, the Transmission Company has an obligation to have in force:

- (1) a BSC (setting out the balancing and settlement arrangements for electricity delivered to or taken off the System); and
- (2) a CUSC (setting out arrangements for access to and use of the System).

As a consequence, the Proposer believed that the removal of arrangements for intertripping, an action resulting in the removal of access to the System, from the BSC would better reflect the intended remits of these two industry codes as set out in the Transmission Licence.

However, the majority of the PSMG members remained unconvinced by this view. These members noted that the operation of intertrips may result in consequential balancing actions and as a result are legitimate subject matter for the BSC. Therefore, P177 would not unambiguously better facilitate achievement of Applicable BSC Objective (a).

#### **1.3.2 Applicable BSC Objective (b)**

Applicable BSC Objective (b) is as follows:

*"The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System."*

The Proposer believed that, should CAP076 be approved, P177 would have a positive impact on achievement of this objective. Providing payment through a BOA for the automatic removal of access to the System when that loss of access has already been compensated under another governance framework would be inefficient and uneconomic.

However, the majority of the PSMG members expressed the view that, as P177 had to be considered against the current BSC baseline and without making assumptions about complimentary changes to other governance arrangements, P177 would have a negative impact on the achievement of this objective. These members were of the opinion that P177's potential to distort Energy Imbalance Prices and flip the market from being 'long' to being 'short' would send erroneous signals to the market and thus undermine the System Operator's ability to manage the System in an efficient manner.

#### **1.3.3 Applicable BSC Objective (c)**

Applicable BSC Objective (c) is as follows:

*"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."*

The Proposer believed that, should CAP076 be approved, P177 would have a positive impact on achievement of this objective. The current arrangements result in Parties with intertrip agreements

factoring the cost and potential risk of an intertrip operating into their Bid prices. This has the potential to distort the prices submitted into the Balancing Mechanism and creates a risk of unpredictable and high negative Bid prices feeding into Energy Imbalance Price calculations and sending inappropriate signals to the market in relation to System length. The removal of intertrip compensation arrangements from the BSC would remove the potential for costs associated with the provision of System actions to distort Energy Imbalance Prices. By ensuring that Energy Imbalance Prices remain appropriate should an intertrip operate, effective competition within the Balancing Mechanism would be better facilitated.

The majority of the PSMG, however, believed that P177, considered in isolation from associated changes proposed to other industry documents, would have a negative impact on this objective. These members believed that P177 would undermine competition by: (1) distorting Energy Imbalance Prices and market length and (2) removing compensation for Parties affected by an intertrip and exposing them to imbalance.

One PSMG member was sceptical that P177 would result in a general reduction in Bid prices. This member believed that Parties factor in a wide range of variables when setting Bid prices and that removal of any intertrip risk premium would have minimal impact upon prices available to the System Operator. The member therefore believed that the Transmission Company assumption in relation to P177's impact upon Bid prices was questionable.

One member of the PSMG noted that the removal of compensation for the operation of an intertrip might constitute an infringement of the affected Party's rights under the European Convention on Human Rights.

#### **1.3.4 Conclusion**

The majority of the PSMG concluded that P177, viewed against the current BSC baseline alone (i.e. in isolation from the associated changes proposed to other industry codes), would be detrimental to achievement of Applicable BSC Objective (c). In addition, it was sceptical of the benefits identified by the Proposer in relation to Applicable BSC Objectives (a) and (b).

However, the Proposer remained of the opinion that P177 would better facilitate achievement of the Applicable BSC Objectives. Compared to the current BSC baseline, and considered in isolation of associated changes proposed to other industry documents, the Proposer believed that P177 would better facilitate achievement of Applicable BSC Objective (a).

### **1.4 Governance and regulatory framework assessment**

The PSMG noted that P177 was part of a package of changes proposed across a number of industry codes to establish a framework for the treatment of intertrips.

## **2 COSTS<sup>2</sup>**

### **PROGRESSING MODIFICATION PROPOSAL**

<b>Meeting Cost</b>	£1,000
<b>Legal/expert Cost</b>	£ 0

<sup>2</sup> Clarification of the meanings of the cost terms in this section can be found in annex 7 of this report

<b>Impact Assessment Cost</b>	£ 0
<b>ELEXON Resource</b>	35 Man days £ 8,985

## IMPLEMENTATION COSTS

		Stand Alone Cost	P177 Incremental Cost	Tolerance
<b>Total Demand Led Implementation Cost</b>		£0	£0	+/-0%
<b>ELEXON Implementation Resource Cost</b>		2 Man days £440	2 Man days £440	+/- 10%
<b>Total Implementation Cost</b>		£440	£440	+/- 10%

## ONGOING SUPPORT AND MAINTENANCE COSTS

	Stand Alone Cost	P177 Incremental Cost	Tolerance
Service Provider Operation Cost	£0	£0	+/- 0%
Service Provider Maintenance Cost	£0	£0	+/- 0%
ELEXON Operational Cost	£0	£0	+/- 0%

### 3 RATIONALE FOR PANEL'S RECOMMENDATIONS

The Panel, by a majority, agreed a recommendation that the Proposed Modification should not be made. However, the Panel unanimously agreed that, should the Authority determine that the Proposed Modification be made, the Implementation Date should be 25 Working Days following any such determination.

The following subsections summarise the views and discussions of the Panel.

## **3.1 Recommendation**

### **3.1.1 Majority View**

The majority of Panel members agreed with the PSMG's recommendation that P177 should not be made and the rationale for that recommendation (i.e. the PSMG's assessment against the Applicable BSC Objectives). However, several of these members emphasised that their views were made on the basis of comparing P177 to the current BSC baseline (i.e. in isolation of associated changes proposed to other industry documents).

One Panel indicated that they did not support P177 because it would result in Parties affected by an intertrip being exposed to an unmanageable imbalance risk and that such a risk ought to be addressed under the BSC. Not addressing this risk would be detrimental to achievement of Applicable BSC Objective (c).

The Transmission Company member informed the Panel that changes had been proposed to the Balancing Services Adjustment Date (BSAD) and the Applicable Balancing Services Volume Data (ABSVD) Methodology Statements. Under these proposals, which were currently being consulted on, the BSAD Methodology Statement would be amended to ensure that the total volume of the System (and therefore market length) would not be impacted by an intertrip, and the ABSVD Methodology Statement would be amended to ensure that a Party would not be exposed to imbalance as a consequence of the operation of an intertrip.

### **3.1.2 Minority View**

A minority of Panel members believed that P177 would better facilitate Applicable BSC Objectives (a) and (b), even when considered in isolation of the associated changes proposed to other industry documents.<sup>3</sup>

One of these Panel members supported P177 on the basis that the BSC was not the appropriate location for intertrip arrangements, noting statements made by the Authority in its determination on P87 (i.e. would better facilitate achievement of Applicable BSC Objective (a)). Two Panel members supported P177 on the basis that the Panel had a duty, under the BSC, to facilitate cross-governance changes. One of whom noted that he was not persuaded that anything constructive would be achieved by rejecting P177.

See section 1.3 for the PSMG's assessment of P177 against Applicable BSC Objectives.

## **3.2 Implementation Date**

The Panel unanimously supported the Implementation Date proposed by the PSMG, noting that it was identical to the proposed Implementation Date for CAP076 and as such would provide the Authority with the opportunity to implement P177 and CAP076 simultaneously were it so minded.

See section 8 for further details regarding the proposed implementation approach.

## **3.3 Legal Text**

The Panel unanimously agreed that the legal text correctly addresses the issue identified in the Modification Proposal.

Legal text for P177 is attached as Annex 1.

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<sup>3</sup> At the January 2005 meeting of the BSC Panel, at which the P177 Assessment Report was considered, a Panel member not present at the February 2005 meeting expressed their support for P177. This Panel member supported P177 on the basis that it would reduce distortion of Energy Imbalance Prices by System actions (i.e. would better facilitate achievement of Applicable BSC Objective (b)).

### 3.4 Further Comments

The Transmission Company representative confirmed that no intertrips had been 'fired' since NETA Go-Live.

## 4 IMPACT ON BSC SYSTEMS AND PARTIES

An assessment has been undertaken in respect of BSC Systems and Parties and the following areas have been identified as being impacted by the Proposed Modification.

### 4.1 BSCCo

P177 would represent a minor change to the BSC that would need to be implemented by BSCCo.

### 4.2 BSC Systems

Implementation of P177 would not impact any of the BSC Systems.

### 4.3 Parties and Party Agents

Under P177, a compensatory BOA would no longer be issued post-event by the Transmission Company to a BM Unit to offset the discrepancy introduced by the operation of an intertrip between the relevant Lead Party's credited energy volume and its contracted volume. Therefore, when considered against the current baseline (without complementary changes to ABSVD<sup>4</sup> or BSAD<sup>5</sup>), a Lead Party affected by the operation of an intertrip would be exposed to consequential imbalance as a result.

See section 1.2 of the Assessment Report for analysis of the impact of P177 on a Party affected by the operation of an intertrip.

## 5 IMPACT ON CODE AND DOCUMENTATION

The PSMG identified impacts on the BSC and a Core Industry Document (i.e. the Grid Code). These impacts are summarised in the following subsections.

### 5.1 Balancing and Settlement Code

Implementation of P177 would require the following changes to the BSC:

Section	Proposed Modification
Q	Remove provisions that result in treatment of intertrips as BOAs in Settlement

Legal text is attached as Annex 1.

### 5.2 Impact on Core Industry Documents and supporting arrangements

The PSMG identified that, were P177 implemented, a consequential change to the Grid Code would be required. The nature of the change is summarised in the table below.

Document	Potential Impact of Proposed/Alternative Modification
Grid Code	To provide consistency between the BSC and the Grid Code in the event that P177 was approved; all references within the Grid Code to the treatment of intertrips as BOAs would need to be

<sup>4</sup> 'ABSVD' = Applicable Balancing Services Volume Data

<sup>5</sup> 'BSAD' = Balancing Services Adjustment Data

Document	Potential Impact of Proposed/Alternative Modification
	removed.

## 6 SUMMARY OF CONSULTATIONS

The P177 draft Modification Report consultation was issued on 19 January 2005 with responses due on 28 January 2005. Eight responses, representing 55 Parties, were received.

Consultation question	Respondent agrees	Respondent disagrees	Other
Do you agree with the Panel's views on P177 and the provisional recommendation to the Authority contained in the draft Modification Report that P177 should not be made?	7 (54)	1 (1)	0
Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?	6 (42)	0	2 N/C (13)
Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P177?	7 (50)	0	1 Y/N (5)

### 6.1 Panel's Provisional Recommendation

The majority of respondents supported the Panel's provisional recommendation that P177 should not be made. The following reasons were given:

- Assessed in isolation of the associated changes being progressed under other governance structures, P177 would undermine competition by placing Parties affected by an intertrip at a disadvantage. Affected Parties would be exposed to additional costs (i.e. through removal of existing compensation arrangements) and risks (i.e. imbalance);
- Current intertrip provisions in the BSC place appropriate incentives on Parties;
- P177 would either discourage provision of intertrip services by generators or result in providers of intertrip services subsidising other Parties; and
- Potential distortion of Energy Imbalance Prices.

Three of the respondents who supported the Panel's recommendation noted that implementation of P177 could be justified if the associated changes to other governance structures were approved.

One respondent, the Proposer, did not support the Panel's provisional recommendation and believed that P177 would better facilitate the Applicable BSC Objectives. This respondent agreed with the minority Panel view that the BSC is not the appropriate location for intertrip arrangements.

### 6.2 Draft Legal Text

All respondents who commented agreed that the proposed legal text correctly addresses the issue identified in the Modification Proposal.

### **6.3 Recommended Implementation Date**

The majority of respondents supported the proposed Implementation Date – i.e. 25 Working Days following an Authority decision. Several noted that such a formulation would allow P177 to be implemented in conjunction with CAP076 were the Authority minded to approve both proposals.

However, one respondent expressed concern that the proposed lead-time may be too short to accommodate coordinated implementation of all the associated changes were each approved by the Authority.

### **6.4 Further Comments**

One respondent, the Proposer, noted that since January, National Grid had issued consultations on associated changes to the Grid Code, the Procurement Guidelines, the Balancing Services Adjustment Data Methodology Statement and the Applicable Balancing Services Volume Data Methodology Statement.

One respondent disputed the view put forward by the Authority in relation to P87 that "... the BSC is not the right forum for consideration of an issue that relates to the terms for transmission access ..." and that "... compensation for operational intertrips should be considered under the CUSC or Charging Methodology governance arrangements rather than under the BSC. This is because it relates to terms for transmission access rather than the details of the electricity trading arrangements." This respondent noted that a significant part of the costs associated with an intertrip arise from the trading arrangements (i.e. imbalance exposure) and that operation of an intertrip constitutes a 'balancing' action. In addition, this respondent also disputed the Transmission Company's view that P177 would not undermine security of supply - noting that P177, by removing compensation and introducing risk, could result in a withdrawal of providers of intertrip services.

### **6.5 Comments and views of the Panel**

One Panel member noted that several respondents who supported the Panel's recommendation indicated that implementation of P177 could be justified if the associated changes to other governance structures were approved.

In addition, the Panel noted the concern expressed by one respondent in relation to the proposed Implementation Date – i.e. concern that it might not provide sufficient lead-time to coordinate implementation of the package of changes proposed by the Transmission Company. However, the Panel also noted that the Transmission Company supported the proposed Implementation Date.

## **7 SUMMARY OF TRANSMISSION COMPANY ANALYSIS**

A copy of the Transmission Company Analysis is attached as Annex 4 of the Assessment Report. The following subsections provide a summary of the analysis provided and the PSMG's views on that analysis.

### **7.1 Analysis**

The Transmission Company analysis comprised three main elements: the place of P177 within the cross-governance intertrip arrangements sought by the Transmission Company, the categories of intertrip affected by P177 and an impact assessment of P177.

#### Cross Governance Package of Changes

The Transmission Company emphasised that P177 was one element of a cross-governance package of changes designed to provide an efficient framework (including remuneration) for intertrips in the appropriate industry codes.

In particular, the Transmission Company noted that were CAP076 approved then the existing arrangements for intertrip remuneration should be removed from the BSC (i.e. the changes proposed under P177 should be implemented). However, to ensure that market length would not be distorted as a result of an intertrip and that the affected Party would not be exposed to imbalance, the Transmission Company indicated that complementary changes to the BSAD and ABSVD Methodology Statements respectively would be required. Finally, approval of P177 would create an inconsistency between the BSC and the Grid Code – i.e. that the Grid Code would still provide for intertrips to be treated as BOAs within Settlement. Therefore, a consequential Grid Code change would be required to remove the reference within the Grid Code to the treatment of an intertrip as a BOA.

#### Categories of Intertrips affected by P177

The Transmission Company indicated that implementation of P177 would end the treatment of 'Operational Intertrips' as BOAs within Settlement.

CAP076, if implemented, would cover all System to Generator intertripping schemes – i.e. a subset of Operational Intertripping schemes. The Transmission Company noted that, as a consequence, concern had been expressed by members of the PSMG that P177 would remove the only mechanism for remuneration for System to Demand intertrips. However, the Transmission Company indicated that for the provider of a System to Demand intertripping service to have that intertrip volume treated as a BOA, it would have to be a large directly connected BSC Party that participated in the Balancing Mechanism. There are currently no providers of System to Demand intertripping services and the Transmission Company noted that it could not envisage a situation where it would require such a Party to provide an intertripping service. However, were such a situation to arise at some point in the future following the approval of P177, the Party concerned would be within their rights to agree remuneration arrangements with NGC for inclusion within its Bilateral Connection Agreement. Moreover, failure to agree such arrangements would leave the Party with the option of referring the connection offer to Ofgem.

#### Impacts

The Transmission Company indicated that implementation of P177 would have no impact on any of its computer systems or processes or on security of supply.

## **7.2 Comments and views of the Panel**

The Panel noted the Transmission Company Analysis.

## **8 IMPLEMENTATION APPROACH**

The PSMG noted that, given that P177 had been expressly raised as a consequential change to complement CAP076, it would be desirable for P177 to have an identical Implementation Date to CAP076.

The proposed Implementation Date for CAP076 is 25 Working Days following an Authority decision. The PSMG proposed that P177 should have an identical Implementation Date such that the Authority would have the scope to implement P177 and CAP076 simultaneously were it so minded.

The PSMG recommended to the Panel that, were it approved, P177 should be implemented on Settlement Day basis such that it would only apply to intertrips operated on Settlement Days on or

after the Implementation Date. This approach was favoured by the PSMG because it would avoid making the change retrospective.

The Panel unanimously supported the implementation approach proposed by the PSMG.

## 9 DOCUMENT CONTROL

### 9.1 Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	18.01.05	Change Delivery	Change Delivery	Internal Review
0.2	19.01.05	Change Delivery	Interested Parties	Consultation Draft
0.3	31.01.05	Change Delivery	Change Delivery	Internal Review
0.4	04.02.05	Change Delivery	BSC Panel	Final Draft
0.5	14.02.05	Change Delivery	Change Delivery	Final Internal Review
1.0	15.02.05	Change Delivery	Authority	Final Report

### 9.2 References

Ref	Document	Owner	Issue date	Version	Hyperlink
1	Modification Proposal P177	-	04.10.2004	-	<a href="http://www.elexon.co.uk/documents/modifications/177/P177.pdf">http://www.elexon.co.uk/documents/modifications/177/P177.pdf</a>
2	Grid Code	NGC	29.10.2004	3/3	<a href="http://www.nationalgrid.com/uk/indinfo/grid_code/mn_current.html">http://www.nationalgrid.com/uk/indinfo/grid_code/mn_current.html</a>
3	CUSC Amendment Proposal 76	-	12.08.2004	-	<a href="http://www.nationalgrid.com/uk/indinfo/cusc/admin/scripts/uploads/CAP076 - Treatment of System to Generator Intertripping Schemes.pdf">http://www.nationalgrid.com/uk/indinfo/cusc/admin/scripts/uploads/CAP076 - Treatment of System to Generator Intertripping Schemes.pdf</a>
4	Modification Proposal P87	-	31.05.2002	-	<a href="http://www.elexon.co.uk/documents/modifications/87/P87.pdf">http://www.elexon.co.uk/documents/modifications/87/P87.pdf</a>
5	Modification Proposal P87 Decision Letter	Authority	02.09.2003	-	<a href="http://www.elexon.co.uk/documents/modifications/87/P087_Ofgem_Decision.pdf">http://www.elexon.co.uk/documents/modifications/87/P087_Ofgem_Decision.pdf</a>
6	Modification Proposal P177 IWA	BSCCo	08.10.2004	1.0	<a href="http://www.elexon.co.uk/documents/BSC Panel and Panel Committees/BSC Panel Meetings 2004 - 084 - Papers/84_012a.pdf">http://www.elexon.co.uk/documents/BSC Panel and Panel Committees/BSC Panel Meetings 2004 - 084 - Papers/84_012a.pdf</a>

## ANNEX 1 LEGAL TEXT

See Attachment A

## ANNEX 2 MODIFICATION GROUP DETAILS & TERMS OF REFERENCE

### Membership

The membership of the PSMG for the purposes of P177 is indicated in the table below. The columns to the right provide an attendance record.

Member	Organisation	E-mail	27/10/04	07/12/04
Sarah Parsons	ELEXON (Chair)	sarah.parsons@elexon.co.uk	Y	Y
Roger Salomone	ELEXON (Lead Analyst)	roger.salomone@elexon.co.uk	Y	Y
Kevin Rendell	NGT (Proposer)	kevin.rendell@ngtuk.com	Y	Y
Bill Reed	RWE Innogy	bill.reed@rwe.com	Y	Y
Garth Graham	SSE	garth.graham@scottish-southern.co.uk	N	Y
Martin Mate	British Energy	martin.mate@british-energy.com	Y	Y
Mark Manley	BGT	mark.Manley@centrica.co.uk	Y	Y
Stephen Moore	EDF Energy	stephen.Moore@edfenergy.com	Y	Y

In addition to the members of Modification Group, the following persons attended one or more meetings:

Attendee	Organisation	E-mail	27/10/04	07/12/04
Lisa Deverick	ELEXON (Lawyer)	lisa.deverick@elexon.co.uk	Y	N
Simon Bradbury	Ofgem	simon.bradbury@ofgem.gov.uk	Y	Y
David Hunt	Ofgem	david.hunt@ofgem.gov.uk	N	Y
Rekha Patel	Conoco Phillips	rekha.patel@conocophillips.com	Y	N
Sanjukta Round	Cornwall Consulting	-	Y	N

### Terms of Reference

The Assessment Procedure Terms of Reference provided by the Panel required the PSMG to consider in relation to P177:

- **Impact on Settlement** – consideration of the impact on Settlement of removing the existing arrangements for intertrips from the Balancing and Settlement Code. Potential impacts which should be considered include the impact on (1) the Energy Imbalance of Parties affected by the operation of an intertrip, (2) Energy Imbalance Prices, and (3) the deemed market length.

- **Potential Interaction with P175:** Modification Proposal P175 'Development of Provisions related to certain Bid-Offer Acceptances issued pursuant to the Grid Code (e.g. BC2.9 and BC2.10)' seeks to amend the provisions for treatment of Acceptances entered into Settlement pursuant to the Grid Code (BC2.10 includes the operation of intertrips). Therefore, any potential interaction between P175 and P177 needs to be considered
- **Interaction with CAP076:** P177 has been submitted as a consequential change required to the BSC in the event of CAP076 'Treatment of System to Generator Intertripping Schemes' being approved by the Authority. Therefore, consideration of the proposed implementation timetable for CAP076 will need to be considered when determining the proposed Implementation Date for P177. In addition, were CAP076 approved and P177 rejected, the operation of an intertrip would be subject to two compensation mechanisms – one in the BSC and one in the CUSC. The implications of this eventuality need to be considered and noted in the Assessment Report

### ANNEX 3 ASSESSMENT REPORT

See Attachment B

### ANNEX 4 CLARIFICATION OF COSTS

There are several different types of costs relating to the implementation of Modification Proposals. ELEXON implements the majority of Approved Modifications under its CVA or SVA Release Programmes. These Programmes incur a base overhead which is broadly stable whatever the content of the Release. On top of this each Approved Modification incurs an incremental implementation cost. The table of estimated costs of implementing the Proposed/Alternative Modification given in section 2 of this report has three columns:

- **Stand Alone Cost** – the cost of delivering the Modification as a stand alone project outside of a CVA or SVA Release, or the cost of a CVA or SVA Release with no other changes included in the Release scope. This is the estimated maximum cost that could be attributed to any one Modification implementation.
- **Incremental Cost** - the cost of adding that Modification Proposal to the scope of an existing release. This cost would also represent the potential saving if the Modification Proposal was to be removed from the scope of a release before development had started.
- **Tolerance** – the predicted limits of how certain the cost estimates included in the template are. The tolerance will be dependent on the complexity and certainty of the solution and the time allowed for the provision of an impact assessment by the Service Provider(s).

The cost breakdowns are shown below:

PROGRESSING MODIFICATION PROPOSAL	
<b>Meeting Cost</b>	This is the cost associated with holding Modification Group meetings and is based on an estimate of the travel expenses claimed by Modification Group members.
<b>Legal/expert Cost</b>	This is the cost associated with obtaining external expert advice, usually legal advice.

<b>Impact Assessment Cost</b>	Service Provider Impact Assessments are covered by a pre-determined monthly contractual charge. Therefore the cost included in this report is an estimate based on the level of impact assessment that the modification is expected to require and may not reflect the actual cost attributed to the modification, which will be based on a percentage of the contractual impact assessment costs for each month that it is assessed.
<b>ELEXON Resource</b>	This is the ELEXON Resource requirement to progress the Modification Proposal through the Modification Procedures. This is estimated using a standard formula based on the length of the Modification Procedure.

### TOTAL DEMAND LED IMPLEMENTATION COSTS

This is calculated as the sum of the total Service Provider(s) Cost and the total Implementation Cost. The tolerance associated with the Total Demand Led Implementation Cost is calculated as the weighted average of the individual Service Provider(s) Costs and Implementation Costs tolerances. This tolerance will be rounded to the nearest 5%.

### ELEXON IMPLEMENTATION RESOURCE COSTS

Cost quoted in man days multiplied by project average daily rate, which represents the resources utilised by ELEXON in supporting the implementation of the release. This cost is typically funded from the "ELEXON Operational" budget using existing staff, but there may be instances where the total resources required to deliver a release exceeds the level of available ELEXON resources, in which case additional Demand Led Resources will be required.

The ELEXON Implementation Resource Cost will typically have a tolerance of +/- 5% associated with it.

### ONGOING SUPPORT AND MAINTENANCE COSTS

<b>ELEXON Operational Cost</b>	Cost, in man days per annum multiplied by project average daily rate, of operating the revised systems and processes post implementation.
<b>Service Provider Operation Cost</b>	Cost in £ per annum payable to the Service Provider(s) to cover staffing requirements, software or hardware licensing fees, communications charges or any hardware storage fees associated with the ongoing operation of the revised systems and processes.
<b>Service Provider Maintenance Cost</b>	Cost quoted in £ per annum payable to the Service Provider(s) to cover the maintenance of the amended BSC Systems.

## ANNEX 5 CONSULTATION REPONSES

See Attachment C