

Responses from P177 Draft Report Consultation

Consultation Issued 19 January 2005

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	EDF Energy	P177_DR_001	9	0
2.	National Grid Transco	P177_DR_002	1	0
3.	E.ON UK	P177_DR_003	15	0
4.	Scottish Power Plc	P177_DR_004	6	0
5.	British Gas Trading	P177_DR_005	7	0
6.	EDF Trading	P177_DR_006	2	0
7.	RWE Trading GmbH	P177_DR_007	10	0
8.	British Energy	P177_DR_008	5	0

P177 REPORT PHASE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	Stephen Moore (EDF Energy)
No. of Parties Represented	9
Parties Represented	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power) EDF Energy (Cottam Power) Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; London Energy plc; Seeboard Energy Limited
No. of Non Parties Represented	0
Non Parties represented	N/A
Role of Respondent	Supplier/Generator/ Trader

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	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? Please give rationale.	Yes	Taken in isolation, P177 does not better facilitate the BSC objectives and would leave any generator subject to an intertrip bereft of compensation. However, were CAP076 to be passed then P177 should be made.
2.	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? Please give rationale.	Yes	Were P177 to be implemented, then the legal text would effectively remove the compensation for intertrip use from the BSC
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P177? Please give rationale.	Yes	Were P177 implemented, it would need to be in conjunction with CAP076 to ensure that there was no gap or overlap in compensation
4.	Are there any further comments on P177 that you wish to make?	No	

Please send your responses by **12:00 on Friday 28 January 2005** to modification.consultations@elexon.co.uk and please entitle your email '**P177 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

Any queries on the content of the consultation pro-forma should be addressed to Roger Salomone on 7380 4369, email address roger.salomone@elexon.co.uk.

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Respondent:	<i>Name: NGT</i>
No. of Parties Represented	1
Parties Represented	<i>Please list all Parties responding on behalf of (including the respondent company if relevant). NGT</i>
No. of Non Parties Represented	0
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state¹) Transmission Company</i>

Q	Question	Response¹	Rationale
1.	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? Please give rationale.	No	<p>National Grid continues to believe that P177 should be approved. It agrees with the minority Panel view that the BSC is not the appropriate location for intertrip arrangements to sit. This is inline with the Authority decision letter in relation to P87.</p> <p>National Grid was pleased to note that the majority of Panel Members who recommended rejection of the Modification, did so whilst specifically noting that their views were made on the basis of comparing P177 to the current baseline (i.e. in isolation of associated changes proposed to other industry documents).</p>
2.	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? Please give rationale.	Yes	The legal text adequately addresses the defect identified by the Modification Proposal.

¹ Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

Q	Question	Response ¹	Rationale
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P177? Please give rationale.	Yes	The Panel recommendation in relation to implementation Date for P177 aligns with the proposed implementation date associated with CAP076. Along with the timing of Grid Code and C16 Licence Document consultations, this allows the Authority to make a decision on all Intertrip modifications at the same time.
4.	Are there any further comments on P177 that you wish to make?	Yes	Since the January Panel meeting National Grid has issued associated consultations in relation to the Grid Code, Procurement Guidelines, Balancing Services Adjustment Data Methodology Statement and Applicable Balancing Services Volume Data Methodology Statement.

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Respondent:	E.ON UK
No. of Parties Represented	15
Parties Represented	E.ON UK plc, Powergen Retail Limited, Cottam Development Centre Limited, Enizade Ltd, E.ON UK Drakelow Limited, E.ON UK Ironbridge Limited, E.ON UK High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy.
No. of Non Parties Represented	-
Non Parties represented	-
Role of Respondent	Supplier, Generator, Trader, Consolidator & Exemptable Generator

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	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? Please give rationale.	Yes	We agree with the BSC Panel's provisional recommendation that modification P177 should not be made. We note the ongoing work on CAP076 and believe that the outcome of this work needs to recognise the true economic value of intertrips, including the potential for serious damage and consequential losses which may occur as the result of a trip. Assuming an alternative of the CAP076 proposal can achieve these critical aspects, we are supportive of the associated changes designed to place system actions under the correct governance. However, bearing in mind the applicable BSC objectives in the context of the scope permitted by the BSC, we are unable to see how the removal of intertrip compensation (as a stand alone change) can better meet any of the objectives. When considered in isolation, P177 clearly introduces a significant risk to parties who may be affected by an intertrip, both in terms of removing compensation and exposing that Party to imbalance

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2.	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? Please give rationale.	Yes	
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P177? Please give rationale.	Yes	
4.	Are there any further comments on P177 that you wish to make?	No	

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Respondent:	Man Kwong Liu (SAIC Ltd)
No. of Parties Represented	6
Parties Represented	<i>Please list all Parties responding on behalf of (including the respondent company if relevant).</i> Scottish Power UK plc; ScottishPower Energy Management Ltd.; ScottishPower Generation Ltd; ScottishPower Energy Retail Ltd.; SP Transmission Ltd; SP Manweb plc.
No. of Non Parties Represented	0
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state¹)</i> Supplier / Generator / Trader / Consolidator / Exemptable Generator

Q	Question	Response ¹	Rationale
1.	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? Please give rationale.	Yes	We agree with the Panel's provisional recommendation that the Modification should not be made. We do not support the removal of the Intertrip provisions from the BSC as to do so risks leaving affected parties unrewarded for (and disadvantaged by) the provision of this service. This will not facilitate the achievement of objective (c) 'promoting effective competition...'
2.	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? Please give rationale.	Yes / No	No comment.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P177? Please give rationale.	Yes	In the event that the Authority decide that the Modification should be made then implementation should coincide with implementation of the complementary changes to the CUSC.
4.	Are there any further comments on P177 that you wish to make?	No	

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Our Ref.
Your Ref.
28 January 2005

Dear Sirs,

Re: Modification Proposal P177 – Removal of Intertrip provisions from the BSC

Thank you for the opportunity of responding to this draft modification report considering Modification Proposal P177. British Gas Trading (BGT) agrees with the Panel's provisional recommendation that the Modification should not be made.

BGT acknowledge that P177 is not an isolated change and that there are currently a number of changes being considered across the electricity codes in respect of the treatment of and the payment for the operation of an Intertrip. However the governance arrangements require that P177 be considered as a stand-alone change to the BSC baseline. P177 proposes to remove the remuneration the registrant of the BM Unit would receive whilst also exposing the registrant to Imbalance Charges. When considering P177 as a stand-alone change it is difficult to see how the proposal can better facilitate the Applicable BSC Objectives.

BGT agrees with the proposed implementation date.

If you have any questions regarding this response please contact me 01753 431137.

Yours faithfully

Mark Manley
Contract Manager

A *centrica* business

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P177 REPORT PHASE CONSULTATION QUESTIONS

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Respondent:	<i>Steve Drummond</i>
No. of Parties Represented	2
Parties Represented	<i>EDF Trading Limited EDF (Generation)</i>
No. of Non Parties Represented	None
Non Parties represented	<i>N/A</i>
Role of Respondent	<i>Trader / Generator</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	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? Please give rationale.	Yes	We are not convinced of the case for the removal of the I/T provisions from the BSC has been made, not only against the current baseline (even recognising the possible approval of CAP076) but also in principle. The reason and result of an intertrip can be very similar to manual instructions to meet transmission constraints, albeit there are differences of timescale and impact on plant.
2.	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? Please give rationale.	Yes	
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P177? Please give rationale.	Yes	
4.	Are there any further comments on P177 that you wish to make?	No	

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Respondent:	<i>Bill Reed</i>
No. of Parties Represented	10
Parties Represented	<i>Please list all Parties responding on behalf of (including the respondent company if relevant). RWE Trading GmbH; RWE Npower Ltd; Npower cogen Ltd; Npower cogen trading Ltd; Npower Direct Ltd; Npower Ltd; Npower northern Ltd; Npower nothern supply Ltd; npower yorkshire Ltd; npower yorkshire supply Ltd.</i>
No. of Non Parties Represented	None
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant). None</i>
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state ¹) Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	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? Please give rationale.	Yes	The current basis for remuneration of intertrips based on a deemed Bid/Offer acceptance provides appropriate incentives on parties. Removal of the relevant provisions from the BSC would expose parties to additional costs (in the absence of change to remuneration in other industry documents).
2.	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? Please give rationale.	Yes	
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P177? Please give rationale.	Yes	
4.	Are there any further comments on P177 that you wish to make?	No	

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Respondent:	<i>Martin Mate</i>
No. of Parties Represented	5
Parties Represented	<i>British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd, British Energy Direct Ltd</i>
No. of Non Parties Represented	-
Non Parties represented	-
Role of Respondent	<i>Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent</i>

Q	Question	Response	Rationale
1.	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? Please give rationale.	Yes	The BSC provides a means for generators to offer deviations from intended operation in return for payment to recover costs, risks and profit, and allows the volumes and prices to be reflected transparently in the balancing mechanism. Simply removing these provisions in respect of intertrips from the BSC cannot better meet the BSC objectives, because if generators have no other reasonable means of receiving compensation and return for services provided, those services will either cease to be provided in the long term (counter to BSC objectives (a) and (b)) or represent a cross-subsidy from providers of the service to others (counter to BSC objective (c)). Also, removing such actions affecting system imbalance from consideration in the BSC could distort imbalance prices (counter to objectives (b) and (c)). Such a change could only be justified in association with changes outside the BSC to secure these services efficiently and without distorting BSC imbalance and market prices.
2.	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? Please give rationale.	Yes	Without prejudice to whether the issue is a defect or not, the legal text has the effect proposed by the proposer.

Q	Question	Response	Rationale
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P177? Please give rationale.	Yes / No	The relatively low cost and operational impact of implementation mean that short implementation timescales, such as 25 working days from an Authority decision, can be accommodated operationally. The main issue for implementation, if P177 were to be implemented, is co-ordination with the associated changes to the CUSC; bilateral agreements; Grid Code and Transmission Licence conditions, changes which must surely occur if the BSC modification is made. Any required changes to bilateral agreements within this timescale may be challenging.
4.	Are there any further comments on P177 that you wish to make?	Yes	See below.

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Further Comnts

- The opening section of the report says that the BSC refers to 'Operational Intertrips'. In fact, the BSC (Q5.1.5) only makes reference to 'the operation of an Intertrip' in accordance with the Grid Code. It is the Grid Code which makes the distinction between Operational intertrips and other types of intertrip:

BC2.5.2.3 refers to Bid-Offer Acceptance '...For a **Unit** in relation to which the intertrip has been instructed to be switched into service under BC2.10 in order to protect the **Transmission System**,...';

BC2.10 refers to 'OTHER OPERATIONAL INSTRUCTIONS AND NOTIFICATIONS' and gives examples including 'BC2.10.2 ...Intertrips (a) an instruction to switch into or out of service an **Operational Intertripping** scheme;';

'BC2.10.3 Where an instruction or notification under BC2.10.2 (a), (c) or (d) results in a change to the input or output level of the **Unit** then **NG** shall issue a **Bid Offer Aceptane** or **Eargny Instruction** as appropriate.'

Operational Intertripping is not defined under the Grid Code, but an Operational Intertripping Scheme is reported by NGC to be something specified by that name in individual Bilateral Connection Agreements.

- The report states that Ofgem has previously expressed a view 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 view ignores the facts that:

A significant part of the costs incurred by a participant experiencing operation of an intertrip arise from the imbalance costs imposed upon it by the trading arrangements. Compensation of costs at source, under the trading arrangements, is probably more effective and efficient.

The operation of an intertrip constitutes a balancing action, in that it affects the balance of generation and demand on the system; perturbs a BM Unit from its intended operation and probably requires associated balancing actions from other BM Units. From users' perspective this is no different from other kinds of balancing action undertaken by NGC.

3. Transmission company analysis suggested that implementation of P177 would have no impact on security of supply. Any proposal that reduces the income available to generators or increases the unmanageable risk they face could potentially lead to withdrawal of service and reduced security of supply in the long term. A more likely outcome is increased costs from alternative services required to maintain existing security levels.