

Responses from P171 Assessment Consultation

Consultation Issued 28 October 2004

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	RWE Trading	P171_AR_001	10	0
2.	First Hydro Company	P171_AR_002	1	0
3.	Economy Power	P171_AR_003	1	0
4.	Gaz De France	P171_AR_004	1	0
5.	E.ON UK	P171_AR_005	15	0
6.	National Grid Transco	P171_AR_006	1	0
7.	British Gas Trading	P171_AR_007	1	0
8.	British Energy	P171_AR_008	4	0
9.	BizzEnergy	P171_AR_009	1	0
10.	Energywatch	P171_AR_010	0	1
11.	Central Networks	P171_AR_011	1	0
12.	Scottish Power	P171_AR_012	6	0
13.	EDF Energy	P171_AR_013	9	0
14.	Teesside Power	P171_AR_014	1	0

P171 ASSESSMENT PROCEDURE 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:	<i>Bill Reed</i>
No. of Parties Represented	<i>10</i>
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 northern supply Ltd; npower yorkshire Ltd; npower yorkshire supply Ltd.</i>
No. of Non Parties Represented	<i>None</i>
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 ¹	Rationale
1.	Do you believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	Although we support removal of system emergency actions from cash out prices, we do not support the retrospective application of this modification.
2.	Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We support the alternative modification (over the original) since this approach would enable the NIV tagging process to determine the system/energy definition of bid offer acceptances and remove the need for determination of system/energy actions from the system operator.
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	The lowest cost option should be implemented for these rare events.

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

Q	Question	Response ¹	Rationale
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P171 Alternative Modification? Please give rationale	Yes	The determination of the replacement price should be based on the existing manifest error provisions, subject to allowing the emergency BOA to be taken into account.
6.	Under the P171 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	Yes / No	Replacement prices should be calculated for all emergency BOAs with the NIV tagging process determining system/energy actions.
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	Emergency instructions are rare events and it is difficult to envisage consequential changes to Bid/Offer prices. Note that this means that if "sleeper" prices continue to be submitted, parties will be indifferent to the cash out impact (if accepted these BOAs would have material implications for BSUoS).
8.	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P171 that you wish to make?	No	
10.	Do you believe retrospective implementation is justified in this situation? Please give rationale	No	We do not believe that there is sufficient justification for the modification to be applied retrospectively and this would set a precedent that most parties have hitherto avoided

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12:00 Midday on Tuesday 9 November 2004** to modification.consultations@elexon.co.uk and please entitle your email 'P171 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Tom Bowcutt on 020 7380 4309, email address Thomas.bowcutt@elexon.co.uk.

P171 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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Respondent:	<i>Libby Glazebrook</i>
No. of Parties Represented	<i>1</i>
Parties Represented	<i>First Hydro Company</i>
No. of Non Parties Represented	<i>none</i>
Non Parties represented	
Role of Respondent	<i>Generator</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	Parties are aware that high SBP or a negative SSP can be set from time to time. Cashout prices are meant to incentivise parties to balance and instances such as this further promote these incentives. Allowing prices to be changed retrospectively does not promote competition in the generation and supply of electricity
2.	Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	See Q1
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	Yes – this has only occurred once since NETA go live
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes / No	

Q	Question	Response Error! Bookmark not defined.	Rationale
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P171 Alternative Modification? Please give rationale	Yes	Although we do not support the mod or its alternative, this approach seems sensible
6.	Under the P171 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	No	This should only apply to to EIs issued for system reasons else it will capture other types of emergency instructions which should feed into cashout prices to provide the correct signals
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	This has only happened once since NETA go live
8.	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P171 that you wish to make?	No	
10.	Do you believe retrospective implementation is justified in this situation? Please give rationale	No	Whilst we have sympathy for the affected BSC parties, we do not support retrospective changes as they undermine confidence in the market.

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P171 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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Respondent:	Robin Fuller
No. of Parties Represented	
Parties Represented	Economy Power Ltd (EP)
No. of Non Parties Represented	
Non Parties represented	
Role of Respondent	

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	<p>Yes. It better facilitates Applicable BSC Objective (c) – promotion of competition in the generation and supply of electricity.</p> <p>In the P144 decision, OFGEM made clear that the process for calculating Energy Imbalance Prices should be designed so that it clearly distinguishes between Electricity and System balancing reasons.</p> <p>P171 will ensure that the SSP for periods 27 and 28 on May 19 are based on Electricity balancing actions - not System balancing actions.</p> <p>The calculation on May 19 has failed to distinguish between these types of actions, and as a consequence of this, many parties are facing a significant imbalance liability that is unrepresentative of the costs incurred by the System Operator.</p> <p>OFGEM have previously stated the circumstances in which they would</p>

Q	Question	Response Error! Bookmark not defined.	Rationale
			<p>consider retrospective action. A number of these appear to be met, including <i>'combinations of circumstances that could not have been reasonably foreseen'</i> and <i>'a situation where the fault or error occasioning the loss was directly attributable to central arrangements'</i>.</p> <p>However, within P37, OFGEM also stated that <i>'for a retrospective change to be justified, the loss sustained would need to be material'</i>, which in this instance, for EP, it certainly is. If P171 is not approved, EP will bear a charge equivalent to over 20% of its budgeted imbalance costs for the whole year, and in doing so, will substitute a loss for a profit in the month that the charge would be applied. Considering the impact of this event across all the smaller supply companies, a loss of this magnitude will hinder growth, and in some cases, may even affect viability. It will certainly affect the confidence of investors and other funding parties in these companies, but also in those who may be considering entering the market. It will be seen as a random event that cannot be predicted either in its timing, its frequency, or its size. These facts work against the principle of promoting effective competition in the industry because, if a retrospective correction is not made, confidence will be significantly eroded to the extent that it will drive away investors and other funding parties - and with it, the growth and the maintenance of competition.</p>
2.	<p>Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)</p>	No	<p>EP believes the Alternative proposed by the modification group is an improvement on the present situation, but is not as good a solution as the original modification proposal.</p> <p>The Alternative maintains the pay as bid principle that is integral to NETA, whilst also calculating a replacement price based upon the Electricity</p>

Q	Question	Response Error! Bookmark not defined.	Rationale
			<p>balancing actions the SO may have taken in the absence of the EI. The Alternative is a significant improvement on the current baseline, as it would ensure that Energy Imbalance Prices (EIP) are not affected by EI System balancing actions in an unrepresentative way.</p> <p>The Alternative appears to introduce an additional and unnecessary process into the calculation of imbalance prices. This process would require involvement from a number of entities, and on the grounds of operational efficiency, EP does not believe the additional time and resource in calculating a replacement price achieves very much more than simply including a zero price.</p>
3.	<p>Do you support the manual implementation approach preferred by the Modification Group? Please give rationale</p>	Yes	<p>EIs appear to be relatively infrequent occurrences and look to continue as infrequent events. A manual solution therefore appears to be the most cost-effective solution, but due to the potential impact on imbalance prices it is vital that this method is capable of being applied consistently and effectively. All parties must have the confidence that the process calculates prices accurately so the 'dry-run' process that is referred to in the consultation document is essential.</p>
4.	<p>Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale</p>	No	
5.	<p>Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P171 Alternative Modification? Please give rationale</p>	No	
6.	<p>Under the P171 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes?</p>	No	<p>EP prefers the option that allows the SO to tag the instruction as system or energy as this would appear to be the simplest and most effective way of implementing the policy.</p>

Q	Question	Response Error! Bookmark not defined.	Rationale
	Please give rationale		If the SO is allowed to tag instructions then a replacement price process would not be required.
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	EP does not believe that P171 will have an impact on the Bid Offer Prices submitted to the SO in future. P171 is purely a retrospective modification proposal to correct an event that should not have taken place in the first case, and with the current modification proposals, should be avoided in the future.
8.	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P171 that you wish to make?	No	
10.	Do you believe retrospective implementation is justified in this situation? Please give rationale	Yes	<p>EP understands the inherent problems that may be caused by retrospective changes, but OFGEM have in the past approved these where unusual or unexpected circumstances have prevailed. In so doing, it gave or restored confidence to both current and potential participants.</p> <p>EP considers the events of May 19 are both unusual and unexpected. Unusual because this was the first time an EI had been issued since the inception of NETA.</p> <p>And unusual, because the instruction issued by the SO resulting in a negative SSP of -£96/MWh and -£5,850/MWh (the 2 highest negative SSPs since NETA began), was the result of a combination of unexpected circumstances.</p> <p>Although the calculation has been made in line with the BSC, the net imbalance volume failed to tag out the System instruction issued to</p>

Q	Question	Response Error! Bookmark not defined.	Rationale
			<p>Damhead Creek on May 19.</p> <p>EP understands that the EIP is intended to reflect the cost of Electricity balancing, but the EI issued on 19 May undermined this principle.</p> <p>In its P78 decision letter, OFGEM explained that imbalance cash-out is to <i>“ensure that any electricity not covered by contracts is paid for or charged at a price that relates to the costs that the SO has incurred in undertaking Electricity balancing actions”</i>. Amongst a number of other BSC Parties, EP purchased sufficient electricity to meet its customer demands but is now confronted by an imbalance charge that is not representative of the SO’s Electricity balancing actions in meeting customer requirements.</p> <p>By applying a retrospective amendment to ensure EIPs are reflective of Electricity balancing actions, both existing and potential new entrants will be provided with assurance and confidence that in certain limited circumstances events that were not foreseen in the original drafting of the regulations can be rectified.</p>

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P171 ASSESSMENT PROCEDURE 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:	<i>Barbara Vest</i>
No. of Parties Represented	<i>1</i>
Parties Represented	Gaz de France Marketing Ltd
No. of Non Parties Represented	<i>N/a</i>
Non Parties represented	<i>N/a</i>
Role of Respondent	<i>Supplier/Generator</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We agree with the proposer that there is currently a defect in the BSC as written that would allow the costs of an NGC System action to be recovered via Energy Imbalance prices. System actions are taken for the benefit of all and as currently written the fall out from the System Operator actions of 19 th May create an unacceptable and uncontrollable risk for all. In this respect we believe that the proposed modification would better facilitate BSc objective C 'promoting effective competition in generation and supply of electricity and promoting such competition in the sale and purchase of electricity'.
2.	Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)		We see that the retrospective correction of this anomaly would be the first step in a process that should ultimately result in the removal of the current effect of an Emergency Instruction from within the BSC. If the modification group were to develop an alternate that was judged more efficient than the original then as long as this leads to the eventual removal of the current practises in a speedy manner then we would be supportive.

Q	Question	Response Error! Bookmark not defined.	Rationale
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	Provided the Ofgem determination on this modification is made in a timely manner and the ultimate current effect of this System action removed from the BSC then we would see this as being a 'one off' and would therefore expect a manual approach be adopted as most cost effective
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale		
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P171 Alternative Modification? Please give rationale	Yes	As a temporary stop gap until the effects of this System action are removed from the BSC
6.	Under the P171 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale		For all Emergency Instructions
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	Not if the current approach is System action are removed from the BSC
8.	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale		

Q	Question	Response Error! Bookmark not defined.	Rationale
9.	Are there any further comments on P171 that you wish to make?	Yes	<p>It is obvious, as seen by the number of modifications submitted in relation to this particular section of the BSC, that participants are concerned about the current treatment of Emergency Instruction within the BSC. It is disappointing that the modification was not handled in a timelier manner than we are seeing at present. We will not complete the assessment through to final report of this modification prior to the actual reconciliation run in December. This adds yet more uncertainty and one has to wonder how that translates in risk terms for newer, smaller participants in this market who strive to achieve market balance but find that, due to the uncertainties around actual demand performance, outturn frequently translates into being slightly long each half hour.</p> <p>In addition it might be timely to review the current format of bids that allows a flag of £9999 to be used predominately as a signal to NGC that interruption at particular times is undesirable. Perhaps an additional set of data should be able to be submitted to indicate such circumstances and some sort of bilateral arrangements agreed between participants both sides of the wires. The consequential effect of the events of the 19th must call into question the rationale behind the use of a £9999 bid in such circumstances.</p>
10.	Do you believe retrospective implementation is justified in this situation? Please give rationale	Yes	This is the first time NGC have had to issue an Emergency Instruction and although some participants may have been aware of the potential impact not all could have foreseen that an SO System action would result in an adjustment of such magnitude. Is it justifiable that a 1MW imbalance would translate some months after the event to an adjustment from £14.95/MWh to -£5,870/MWh? It is testament to the uncertainty around this issue that so far resolution has only been achieved via referral to the TDC. One has to wonder what would the response have been if this bid had actually been £99999 as current arrangements allow?

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P171 ASSESSMENT PROCEDURE CONSULTATION

Respondent:	E.ON UK plc
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	Rationale
1.	Do you believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	<p>The problem with P171 is its retrospective nature. We continue to believe that retrospective modifications should be avoided wherever possible. Specifically in this case, we believe that it is clear that this modification does not meet any of the criteria against which Ofgem has stated that retrospective modifications may be appropriate.</p> <p>Should this modification be approved we believe it would set a precedent which would significantly widen the scope for retrospective modifications in the future. This would represent a considerable increase in regulatory risk in the market which would be detrimental to objective (c) regarding the promotion of competition.</p>
2.	Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	It is still retrospective so is detrimental to competition and objective (c).

Q	Question	Response	Rationale
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	As emergency instructions are likely to be a very infrequent event, it would not be sensible to develop an expensive automated solution to the issue. Therefore, as long as the quality of the solution is not significantly impacted, a manual solution would appear more appropriate.
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P171 Alternative Modification? Please give rationale	Yes	As long as this does not make the solution too complicated.
6.	Under the P171 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	All	
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	
8.	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P171 that you wish to make?	No	
10.	Do you believe retrospective implementation is justified in this situation? Please give rationale	No	Please see the answer to question 1 above.

P171 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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Respondent:	<i>National Grid Transco</i>
No. of Parties Represented	<i>1</i>
Parties Represented	<i>National Grid Company plc</i>
No. of Non Parties Represented	
Non Parties represented	
Role of Respondent	<i>BSC Party</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	In general, NGT does not believe that retrospective Code changes are appropriate as having certainty over the m rules, and basing operational or commercial decisions upon the rules at the time is a fundamental principle \ underpins the industry. However, we are of the view that when anomalous events occur, retrospection shoul considered on a case by case basis. Our specific views on retrospection in relation to the Emergency Instruction is on 19 th May 2004 are provided later in this response, but we do not believe there is sufficient justification to ove NGT's general view on retrospective Code changes in this case. The retrospective nature of this Proposal outweigh benefits brought by the solution and therefore, on balance, we do not believe that P171 (or any retrospe alternative) better facilitates achievement of BSC objective (c) "Promoting effective competition in the generator supply of electricity and promoting such competition in the sale and purchase of electricity". We do not believe P171 is detrimental to the other BSC Objectives.
2	Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	In general, NGT does not believe that retrospective Code changes are appropriate as having certainty over the m rules, and basing operational or commercial decisions upon the rules at the time is a fundamental principle \ underpins the industry. However, we are of the view that when anomalous events occur, retrospection shoul considered on a case by case basis. Our specific views on retrospection in relation to the Emergency Instruction is on 19 th May 2004 are provided later in this response, but we do not believe there is sufficient justification to ove NGT's general view on retrospective Code changes in this case. The retrospective nature of this Proposal outweigh benefits brought by the solution and therefore, on balance, we do not believe that P171 (or any retrospe alternative) better facilitates achievement of BSC objective (c) "Promoting effective competition in the generator supply of electricity and promoting such competition in the sale and purchase of electricity". We do not believe P171 is detrimental to the other BSC Objectives. In addition, we are concerned that the use of a replacement price as proposed by P171A may be inconsistent wit

			treatment of other balancing actions which are “tagged” by the imbalance pricing mechanism and included in calculation as unpriced volumes. We believe the consequences of setting a precedent whereby BOA prices that are ultimately paid to or by BM Participants are applied to system volumes and then used in the imbalance price calculation should be further assessed by the PSMG. This seems to be a significant departure from the principles that underpin current treatment of “system” actions, which was not part of the original Modification Proposal.
3	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	Given that these events are likely to be infrequent, NGT believes that the lowest cost implementation approach should be adopted.
4	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	-
5	Do you support the proposed methodology for determining the ‘Replacement Acceptance Price’ under P171 Alternative Modification? Please give rationale	Yes	<p>Notwithstanding our views on retrospection, and our concerns regarding further assessment of using a replacement price, NGT believes it would be appropriate to base the methodology for determining a Replacement Acceptance Price for Emergency Instructions on the existing provisions relating to Manifest Errors. There are a number of scenarios which could arise in relation to using the prices and volumes of unaccepted Bids and Offers (e.g. when there are insufficient Bids or Offers available), and we believe clear guidance as to the appropriate treatment of each scenario should be provided in a BSCP.</p> <p>We believe the possible scenarios to be:</p> <ul style="list-style-type: none"> ● Sufficient unaccepted feasible Bids-Offers available to meet entire volume ● No other unaccepted feasible Bids/Offers available ● Unaccepted feasible Bids-Offers available to meet a proportion of the volume <p>Within each scenario, consideration should be given to the treatment of the deemed BOA resulting from the Emergency Instruction.</p>
6	Under the P171 Alternative Modification,	System Only	The current imbalance price methodology specifically treats only those actions which are tagged as “system” differently from other actions. We therefore believe that any solution for P171A should be consistent with this.

	do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale		It is only possible for NGC to potentially tag Emergency Instructions as “system” actions with sufficient accuracy because: <ul style="list-style-type: none"> • there will be a single reason for issuing the Emergency Instruction • the determination of whether to tag an action as “system” is made post event • Emergency Instructions are issued infrequently This is in stark contrast to normal Balancing Mechanism Acceptances where this type of determination cannot be made as there is likely to be multiple reasons for issuing a particular acceptance (and any determination would therefore be arbitrary). Additionally the practicalities of making such a determination in real time, given the number of Acceptances issued in a settlement period are prohibitive.
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	N/a	In general we do not believe there is evidence to suggest that Bid-Offer pricing strategies are directly related to imbalance prices. However, by implementing P172 alone there is at least a possibility that parties would be more likely to post “extreme” Bid or Offer prices knowing there is a remote chance that an Emergency Instruction will be issued with the comfort that they are unlikely to influence cashout prices.
8	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P171 that you wish to make?	No	
10	Do you believe retrospective implementation is justified in this situation? Please give rationale	No	P171 explicitly seeks to be applied retrospectively in order to give NGC the ability to tag the BOA pursuant to an Emergency Instruction issued on 19 th May 2004 as a “system” action. As the Proposal must be considered against the BSC Objectives, and those objectives are forward looking, it is difficult to assess a retrospective proposal against them. In general, NGT does not believe that retrospective Code changes are appropriate as they create uncertainty over the market rules, and basing operational or commercial decisions upon the rules at the time of the fundamental principle which underpins the industry. However, we are of the view that when anomalous events occur retrospective consideration should be considered on a case by case basis. In relation to the Emergency Instruction issued on 19 th May 2004, we see the specific pros and cons as follows:

			<p><u>Pros (for retrospection)</u></p> <ul style="list-style-type: none"> ● There is little doubt that the current rules have produced imbalance prices for two periods on 19th May 2004 which are inappropriate. ● Some Parties suffered material losses (and others, windfall gains) as a result of industry cashflows generated by imbalance charges, RCRC, and BSUoS charges. ● It could be argued that the imbalance price methodology was designed to, but in this case failed to, prevent “system” related actions from influencing imbalance prices. ● It could be argued that it was not reasonably foreseeable that NGC would issue an Emergency Instruction on 19th May 2004. <p><u>Cons (against retrospection)</u></p> <ul style="list-style-type: none"> ● The provisions relating to the treatment of Emergency Instructions in the relevant Codes are clear. It is clear that Emergency Instructions are treated as Bid-Offer Acceptances, and it is clear how Bid-Offer Acceptances are treated in the calculation of imbalance prices. ● High, negative Bid prices are not uncommon ● The inappropriate imbalance prices resulting from the event is not unique to Emergency Instructions – it could have arisen from a normal Bid Acceptance, or following the operation of an Intertrip. ● There was no failure in processes or systems relating to this incident. ● We are concerned that retrospective implementation of the solution proposed by P171 may put retrospective obligations on a Transmission Company which are impossible to fulfil (e.g. notification to industry and submission of data) ● Having considered the specific pros and cons in this case, we do not believe there is sufficient justification to override our general view on retrospective Code changes, and therefore do not support retrospective implementation of P171 or an Alternative. <p>NGC is of the view that P171 is not detrimental to objectives a) b) d) e).</p>
			<p>We note that implementation of P171 (or the potential alternative) does not affect one of the industry cashflows created by the Emergency Instruction. The cost of the BOA (approx £3.5M) is included in the CSOBM cashflow, paid by and recovered from all Market Participants through NGC Balancing Services Use of System Charges. The basis for charging BSUoS to Market Participants is similar to the basis upon which RCRC is distributed in the BSC. In the case of the BOA, the cost is recovered from all Market Participants through the use of system charges.</p>

			<p>the cashflows created by the Emergency Instruction of 19th May, the RCRC payments in the BSC will be roughly and opposite to the increase in BSUoS charges created by the cost of the Emergency Instruction. If P1 implemented, the “offset” to BSUoS charges currently provided by RCRC will be removed, and this will simply ser change the overall financial winners and losers. We believe the fundamental issue that needs to be addressed i cost of the BOA, as well as the impact on imbalance prices and P171 alone does not achieve this.</p> <p>Having considered the specific pros and cons in this case, we do not believe there is sufficient justification to ove our general view on retrospective Code changes, and therefore do not support retrospective implementation of P1 an Alternative.</p>
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Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12:00 Midday on Tuesday 9 November 2004** to modification.consultations@elexon.co.uk and please entitle your email ‘P171 **Assessment Consultation**’. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Tom Bowcutt on 020 7380 4309, email address Thomas.bowcutt@elexon.co.uk.

P171 ASSESSMENT PROCEDURE 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:	Mark Manley
No. of Parties Represented	
Parties Represented	British Gas Trading (BGT)
No. of Non Parties Represented	
Non Parties represented	
Role of Respondent	

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	<p>BGT believes P171 better facilitate Applicable BSC Objective (c) as it better facilitates competition in the generation and supply of electricity.</p> <p>Approval of P171 will ensure that the System Sell Price (SSP) for settlement periods 27 and 28 on May 19 are based on the cost of Electricity balancing actions not System balancing actions. Ofgem stated in the P144 decision letter that the methodology for calculating Energy Imbalance Prices should be designed so that it best distinguishes between Electricity and System balancing reasons. The calculation on May 19 has failed to distinguish between these types of actions due to a failure of the NIV tagging methodology. This has resulted in many Parties facing a large imbalance liability that is unrepresentative of the costs incurred by the System Operator (SO) in Electricity balancing the system.</p> <p>Ofgem have noted the importance of retrospective correction in limited circumstances to provide comfort to existing and potentially new market</p>

Q	Question	Response Error! Bookmark not defined.	Rationale
			<p>participants. The scale of the liabilities created by the Emergency Instruction (EI) on May 19 could have a significant impact on a number of existing BSC signatories and may adversely impact on prospective new entrants who could be exposed to similar liabilities in future. At a recent Panel meeting Ofgem noted the importance in terms of competition of encouraging new market participants. A failure to correct the events of May 19, which were clearly unintentional may act as a deterrent to potential new market entrants, which may be to the detriment of future competition.</p>
2.	<p>Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)</p>	No	<p>BGT believes the Alternative developed by the modification group is better than the current baseline but not better than the original modification proposal. The BSC specifies what constitutes a valid Alternative, BGT therefore does not believe this is a valid Alternative. However, if the group choose to develop an Alternative, BGT would not be unduly concerned.</p> <p>The Alternative maintains the pay as bid principle that is integral to NETA, whilst also calculating a replacement price based upon the Electricity balancing actions the SO may have taken in the absence of the EI. The Alternative is a vast improvement on the current baseline, as it would ensure that Energy Imbalance Prices (EIP) are not unduly polluted by EI System balancing actions.</p> <p>BGT do not believe the Alternative is better than the original as it introduces an additional unnecessary process into the calculation of imbalance prices. This process would require involvement from a number of entities, the SO, the BSC Panel (or Panel sub-committee) and ELEXON and its Agents. The SO would be required to produce an unconstrained schedule, the BSC Panel (Panel sub-committee) to approve or reject the replacement price and ELEXON in conjunction with their Agents would need to process it. BGT understands the group's rationale in developing the</p>

Q	Question	Response Error! Bookmark not defined.	Rationale
			Alternative but, on the grounds of efficiency, do not believe the additional effort in calculating a replacement price achieves proportionally more value than including a zero price.
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	<p>BGT supports the manual implementation approach that has been developed by the modification group. EI appear to be relatively infrequent occurrences. This is borne out by the fact that the instruction issued by the SO on May 19 was the first EI since NETA go-live. BGT agrees with the views expressed by the Transmission Company in their analysis that EI will continue to be infrequent events. A manual solution therefore is a much more cost-efficient implementation approach.</p> <p>However, due to the sensitive nature of the change and the impact on the derivation of imbalance prices, it is essential that the manual solution is robust. Parties must have assurance that the process calculates the imbalance price correctly and therefore BGT believe the solution must include the 'dry-run' process that is referred to in the consultation document.</p>
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P171 Alternative Modification? Please give rationale	No	<p>BGT believes that if a replacement price is to be calculated it would be sensible to develop a similar process to that used for Manifest Errors (ME). The process used to resolve ME claims is an accepted procedure within the industry. BGT do not agree with the views of the group that in cases where there is insufficient volume available from unused Bid Offer Pairs (BOP) that the original Bid Offer Acceptance (BOA) price is used to calculate imbalance prices.</p> <p>BGT believe that any unused BOP should be used to offset the volume of</p>

Q	Question	Response Error! Bookmark not defined.	Rationale
			the EI and then the remaining volume should be calculated based upon the initial instruction. If more than one BOP is required to meet the volume of the original acceptance a weighted average price of the chosen acceptances should be used to calculate the replacement price.
6.	Under the P171 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	No	<p>BGT believe there is merit in both approaches, however, on balance BGT prefer the option that allows the SO to tag the instruction as system or energy on the grounds of efficiency.</p> <p>BGT in raising P171 intended that a simple solution was developed to correct a defect caused by a rare and exceptional circumstance. The concept of the SO tagging system and energy trades is an accepted principle for pre gate closure transactions. BGT proposed to extend this concept to BOAs within a very tightly constrained set of circumstances, EI. If the SO is allowed to tag instructions then a replacement price process would not be required.</p> <p>The option of calculating a replacement price could be argued to be the 'purer' solution, as any instruction will contain system and energy elements. However BGT believe the primary intent of the instruction should be clear to the SO and they should be able to tag the instruction appropriately.</p> <p>BGT also questions the efficiency of calculating a replacement price and what purpose it serves. Imbalance prices provide a signal to Parties on the length of the market and an incentive to balance. The process that has been proposed is post event and therefore does not provide an incentive to balance or signal market length. Therefore it satisfies none of the original aims of imbalance prices and BGT questions what value can be derived from the process of calculating a replacement price.</p>
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company?	No	BGT do not believe that P171 will have any impact on the Bid Offer Prices submitted to the SO. P171 is a retrospective modification proposal that

Q	Question	Response Error! Bookmark not defined.	Rationale
	Please give rationale		should not impact on Parties submissions.
8.	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P171 that you wish to make?	No	
10.	Do you believe retrospective implementation is justified in this situation? Please give rationale	Yes	<p>BGT understands and shares the concerns that retrospective changes to the baseline raise. However there have been a number of retrospective Modification Proposals approved by Ofgem. Ofgem have recognised the value of retrospective correction in unusual and unexpected circumstances, as they believe it provides comfort to both existing and prospective participants.</p> <p>BGT believes the events of May 19 can be classified as unusual and unexpected and therefore can be justified as a retrospective change. May 19 is unusual in that the EI issued on May 19 was the first EI instructed in over 3 years of NETA. Then a combination of unexpected circumstances whereby the instruction issued by the SO was negatively price at -£9,999/MWh fed into cash-out prices which resulted in negative System Sell Prices (SSP) of -£96/MWh and -£5,850/MWh. Whilst BGT acknowledge that the calculation has been undertaken in accordance with the rules specified in the BSC, NIV tagging has failed to tag out the System instruction issued to Damhead Creek on May 19.</p> <p>BGT also believe that the EI issued on the 19 May has undermined the intent of EIP, which are supposed to be reflective of the cost of Electricity balancing. Ofgem in its P78 decision letter explained that imbalance cash-out is to "ensure that any electricity not covered by contracts is paid for or charged at a price that relates to the costs that the SO has incurred in</p>

Q	Question	Response Error! Bookmark not defined.	Rationale
			undertaking Electricity balancing actions. BGT and a number of other BSC Parties purchased sufficient electricity to meet our customers demands but are still faced by an imbalance charge that is unreflective of the Electricity balancing actions taken by the SO to meet customer requirements. If May 19 remains uncorrected this changes the risk profile faced by BSC Parties as they are exposed to System balancing actions as well as Energy balancing actions. Amending the baseline retrospectively to ensure EIP are reflective of Electricity balancing actions will provide assurance to existing and potential new entrants that in certain limited circumstances erroneous events can be corrected.

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12:00 Midday on Tuesday 9 November 2004** to modification.consultations@elexon.co.uk and please entitle your email 'P171 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Tom Bowcutt on 020 7380 4309, email address Thomas.bowcutt@elexon.co.uk.

P171 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

P171 'Retrospective removal of Emergency Instructions taken for System reasons from Imbalance Price'

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:	<i>Martin Mate</i>
No. of Parties Represented	<i>4</i>
Parties Represented	<i>British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd</i>
No. of Non Parties Represented	<i>-</i>
Non Parties represented	<i>-</i>
Role of Respondent	<i>Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent</i>

Q	Question	Response	Rationale
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Q	Question	Response	Rationale
1.	<p>Do you believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s)</p>	No	<p>Retrospective changes to rules do not facilitate competition and, as such, Proposed Modification P171 is considered to have a negative effect on the achievement of Applicable BSC Objective (c).</p> <p>The Authority has previously laid down certain criteria, which if satisfied, might, in its view, justify a retrospective rule change.</p> <ol style="list-style-type: none"> 1. A situation where the fault or error occasioning the loss was directly attributable to central arrangements - A fault or error can only be considered directly attributable to central arrangements if central systems and or process had produced results which were not in accordance with the existing Code baseline. In the case of Damhead Creek the Emergency Instruction was processed in accordance with the Code and, as such, no fault or error is directly attributable to the central arrangements. The industry is well aware that high 'sleeper' Bid and Offers exist. It is also clear under the Code baseline that, where an Emergency Instruction is issued this could have a significant impact on Settlement. As such, the circumstances addressed under P171 could be foreseen. 2. Combinations of circumstances that could not have been reasonably foreseen - The circumstances addressed under P171 are not an example of a situation where the possibility of retrospective action had been clearly flagged to participants in advance. 3. Where the possibility of a retrospective action had been clearly flagged to the participants in advance - The circumstances addressed under P171 are not an example of a situation where the possibility of retrospective action had been clearly flagged to participants in advance.

Q	Question	Response	Rationale
2.	Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	We do not support retrospective market rule changes as a matter of principle and do not believe it can be justified in this case. See response to question 1.
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	If this modification were to be approved, it should be implemented at minimum cost given the very low expected frequency of use of the special provisions.
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes/No	
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P171 Alternative Modification? Please give rationale	Yes/No	
6.	Under the P171 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	Yes / No	
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	Yes / No	
8.	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	Yes / No	
9.	Are there any further comments on P171 that you wish to make?	Yes / No	

Q	Question	Response	Rationale
10.	Do you believe retrospective implementation is justified in this situation? Please give rationale	No	See responses to questions 1 and 2.

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

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Any queries on the content of the consultation pro-forma should be addressed to Tom Bowcutt on 020 7380 4309, email address Thomas.bowcutt@elexon.co.uk.

P171 ASSESSMENT PROCEDURE 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:	<i>Keith Munday</i>
No. of Parties Represented	<i>1</i>
Parties Represented	<i>BizzEnergy</i>
No. of Non Parties Represented	<i>0</i>
Non Parties represented	<i>0</i>
Role of Respondent	<i>Supplier</i>

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
1.	Do you believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	
2.	Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes / No	
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes / No	
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes / No	

Q	Question	Response Error! Bookmark not defined.	Rationale
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P171 Alternative Modification? Please give rationale	Yes/No	
6.	Under the P171 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	Yes / No	
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	Yes / No	
8.	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	Yes / No	
9.	Are there any further comments on P171 that you wish to make?	Yes / No	Due to not operating in the imbalance market Bizz does not have strong views on the relative merits of any solution. We are concerned and wish to see the removal of any potential for non energy balancing issues to impact imbalance prices.
10.	Do you believe retrospective implementation is justified in this situation? Please give rationale	Yes /	Yes – the amount of money involved is material to small suppliers. The major element of the materiality of the defect is the relative ability of different parties to absorb the impact of such an event. This differs depending on size of company and degree of generation within the company due to the smearing effects on RCRC. As it differentially disadvantages small independent suppliers it has a net effect of distorting competition and therefore needs to be removed.

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12:00 Midday on Tuesday 9 November 2004** to modification.consultations@elexon.co.uk and please entitle your email 'P171 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

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P171 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

Respondent:	<i>Sebastian Eyre</i>
Non Parties represented	<i>energywatch</i>
Role of Respondent	<i>Gas and electricity consumer watchdog</i>

Q	Question	Response	Rationale																								
1.	Do you believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	<p>energywatch agrees that under the current baseline the processing of Emergency Instructions (EIs) may result in actions taken for system reasons to significantly distort the energy imbalance price. Exclusion of the acceptance data on 19 May resulted in system sell prices (SSP) for periods 27 and 28 of around £15/MWh. Elexon estimates inclusion of the acceptance data, in accordance with the current baseline, will result in SSP for periods 27 and 28 of -£96.68/MWh and -£5,870.87. The minimum values of SSP in the relevant periods since go-live have been -£32.56/MWh and -£24.02/MWh respectively.</p> <p>Table 1: Summary of system sell prices (SSP)</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Period 27</th> <th>Period 28</th> </tr> </thead> <tbody> <tr> <td>Excluding acceptance data - 19/5/04</td> <td>14.991</td> <td>14.951</td> </tr> <tr> <td>Average across R2 - 05/04/04 - 15/07/04</td> <td>18.167</td> <td>17.467</td> </tr> <tr> <td>Minimum across R2 - 05/04/04 - 15/07/04</td> <td>14.183</td> <td>10.458</td> </tr> <tr> <td>Maximum across R2 - 05/04/04 - 15/07/04</td> <td>91.370</td> <td>91.530</td> </tr> <tr> <td>Average since go live - 27/03/01 - 31/10/04</td> <td>14.733</td> <td>14.423</td> </tr> <tr> <td>Minimum since go live - 27/03/01 - 31/10/04</td> <td>-32.561</td> <td>-24.017</td> </tr> <tr> <td>Maximum since go live - 27/03/01 - 31/10/04</td> <td>261.668</td> <td>255.990</td> </tr> </tbody> </table> <p>Source: Elexon Best View Prices</p>	Date	Period 27	Period 28	Excluding acceptance data - 19/5/04	14.991	14.951	Average across R2 - 05/04/04 - 15/07/04	18.167	17.467	Minimum across R2 - 05/04/04 - 15/07/04	14.183	10.458	Maximum across R2 - 05/04/04 - 15/07/04	91.370	91.530	Average since go live - 27/03/01 - 31/10/04	14.733	14.423	Minimum since go live - 27/03/01 - 31/10/04	-32.561	-24.017	Maximum since go live - 27/03/01 - 31/10/04	261.668	255.990
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Q	Question	Response	Rationale
			<p>We do not believe that parties should be exposed to imbalance prices that are unrepresentative of the energy balancing actions taken by NGT. We also do not believe that parties should make windfall losses or windfall gains as a result of emergency instructions. We understand that a number of parties suffered what they consider to be undue financial consequences relating to the EI on 19 May 2004. On balance, we consider that P171 is likely to better facilitate applicable objective (c) against the current baseline.</p>
2.	<p>Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)</p>	Undecided at present	<p>We note the deliberations of the group concerning instances where EIs are issued for balancing rather than system purposes and the view therefore that it may sometimes be appropriate to include within the energy imbalance price. We are currently unclear what the expected impact on imbalance prices would be if we sought to take account of consequential energy balancing delivered by an EI and how material an issue this is. Consequently, we are unclear whether the alternative modification better facilitates the applicable BSC objectives as compared to the proposed modification.</p>
3.	<p>Do you support the manual implementation approach preferred by the Modification Group? Please give rationale</p>	Yes (Qualified)	<p>Given the expected frequency of occurrence, we consider the manual solution is likely to be more cost effective than an automated solution. We do however note the group's consideration of the credit cover implications and that under a manual solution the imbalance prices used within the credit cover calculation will not be based on the proposed methodology and therefore parties' credit cover percentage may be falsely inflated. The magnitude of this issue and the actual ability of Elexon to apply the material doubt provisions of M1.2.1(e) are currently unclear to us.</p>
4.	<p>Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale</p>	No comment	
5.	<p>Do you support the proposed methodology for determining the 'Replacement Acceptance</p>	No comment	

Q	Question	Response	Rationale
	Price' under P171 Alternative Modification? Please give rationale		
6.	Under the P171 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	No comment	
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	Not applicable	
8.	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No comment	
9.	Are there any further comments on P171 that you wish to make?	No comment	
10.	Do you believe retrospective implementation is justified in this situation? Please give rationale	Yes	We agree that retrospection should be avoided wherever possible but that it is relevant to consider retrospective modifications on a case by case basis. As stated above, we recognise that parties were exposed to what they consider to be undue financial consequences as a result of the EI on 19 May 2004 and that NGC initially postponed submitting the acceptance data into settlement due to the implications for market participants. This is the first EI since go live and the inclusion or exclusion of the acceptance data results in significantly different SSP (see Table 1). In our view the circumstances may not have been reasonably foreseen by parties. Therefore on balance, we believe retrospection to be justified in this instance.

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P171/P172 Assessment Consultation - responses requested 09/11/04
From: Sue Pritchard

Sent: 09 November 2004 16:02

To: Modification Consultations

Subject: RE: P171/P172 Assessment Consultation - responses requested 09/11/04

Central networks would like to return a response of 'No comment' to the P171/P172 Assessment Consultation

Regards
Simon Sturgess

P171 ASSESSMENT PROCEDURE 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:	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 believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We agree that emergency instructions which are issued for system reasons should not impact on the energy imbalance price. P171 Proposed provides a simple way of achieving this by treating emergency instructions as unpriced in the imbalance price calculation. We agree with the view that P171 Proposed would reduce the potential exposure to unrepresentative energy imbalance prices, give confidence and certainty to the market and therefore better facilitate Applicable BSC objective (c) - "promoting effective competition". Retrospective implementation would address participants' exposure to the unrepresentative energy imbalance prices calculated under the current baseline for the settlement periods covered by the emergency instruction issued on 19 May 2004.

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

Q	Question	Response ¹	Rationale
2.	Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We also believe P171 Alternative is better than current baseline in term of Applicable Objective (c). However, in view of the fact that emergency Instructions should be mostly system related and occur infrequently, the need for a post event adjustment would only complicate the process which would be detrimental to the Applicable BSC Objective (d). Any post event adjustment requiring the judgement/discretion of the System Operator also adds uncertainty to the arrangement. We therefore on balance, believe that P171 Proposed would better facilitate the Applicable BSC Objectives than P171 Alternative. Hence we prefer P171 Proposed to P171 Alternative.
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	On the basis of the infrequent occurrence of this scenario and considering the cost of implementing an automated solution, we agree that a manual solution is most appropriate.
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P171 Alternative Modification? Please give rationale	Yes	Notwithstanding the fact that P171 Proposed is our preferred option as explained above, we agree if P171 Alternative were to be implemented, the use of a replacement Bid/Offer price derived from the Bids and Offers that would have been taken by the Transmission Company had the Emergency Instruction not been issued, would be appropriate.
6.	Under the P171 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	No	Notwithstanding the fact that P171 Proposed is our preferred option as explained above, we believe if P171 Alternative were to be implemented, the Transmission Company should flag those issued for System purposes which should then be set as Unpriced.

Q	Question	Response ¹	Rationale
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	We are not aware of any impact.
8.	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P171 that you wish to make?	No	
10.	Do you believe retrospective implementation is justified in this situation? Please give rationale	Yes	We believe a retrospective implementation is justified under P171 on the basis that it fulfils the Authority criteria for retrospective rule change that “ combinations of circumstances that could not have been reasonably foreseen ” and the fact that materiality of the losses to affected parties was considerable. The change would give confidence to the market.

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12:00 Midday on Tuesday 9 November 2004** to modification.consultations@elexon.co.uk and please entitle your email 'P171 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Tom Bowcutt on 020 7380 4309, email address Thomas.bowcutt@elexon.co.uk.

P171 ASSESSMENT PROCEDURE 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:	Helen Bray (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	Rationale
1.	Do you believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	We agree with the PSMG sentiment that retrospective changes do not facilitate competition and have a negative impact on the achievement of applicable BSC Objective (c). We believe that every retrospective modification should be assessed on a case-by-case basis. EDF Energy believes that Applicable BSC Objective (d) is not better facilitated as the proposed manual solution for P171 represents increased workload for ELEXON for each Settlement Run for the affected Settlement Period.
2.	Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	EDF Energy does not believe that the case has been made for retrospection and could have a negative impact on the achievement of Applicable BSC Objective (c). Applicable BSC Objective (d) is not better facilitated as P171 Alternative represents increased work for the Panel and ELEXON.

Q	Question	Response	Rationale
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	EDF Energy does not support the implementation of P171, but as a solution has to be proposed it should represent the lowest cost to the industry.
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P171 Alternative Modification? Please give rationale	Yes	It seems sensible to start from the manifest error process and we note that the replacement price could be the same as the actual price submitted by the affected BM Unit.
6.	Under the P171 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	Yes and No	Allowing the Transmission Company to tag acceptances taken in the Balancing Mechanism Window Period for system and energy purposes sets a precedent. At the moment, accepted Bids and Offers are not tagged as system or energy as NIV tagging is the process used to tag out system actions. As was stated by the PSMG, it may not be clear for all actions that the action was purely a system or energy action. We are also interested to find out if there are other actions that the Transmission Company can differentiate as system and energy. We note that this is only required for the alternative and therefore we are willing to support the solution chosen by the modification group.
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	P171 is retrospective so there is no impact as we are not able amend our Bid/Offer Prices after Gate Closure.
8.	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P171 that you wish to make?	No	

Q	Question	Response	Rationale
10.	Do you believe retrospective implementation is justified in this situation? Please give rationale	No	EDF Energy believes that the circumstances were reasonably foreseen as the market is aware of -£9,999/MWh bids submitted into the Balancing Mechanism and could have factored this into how long or short they choose to contract. We believe that Parties should be aware that under the current baseline the operation of an emergency instruction or relevant intertrip could have extreme impact on Settlement.

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

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P171 ASSESSMENT PROCEDURE 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:	<i>Teesside Power Limited</i>
No. of Parties Represented	<i>1</i>
Parties Represented	<i>Teesside Power Limited (TPL)</i>
No. of Non Parties Represented	
Non Parties represented	
Role of Respondent	<i>Generator</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	TPL believe that it is inappropriate to amend the rules regarding settlement of Emergency Instructions retrospectively
2.	Do you believe Alternative Modification P171 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	TPL believe that it is inappropriate to amend the rules regarding settlement of Emergency Instructions retrospectively
3.	Do you support the manual implementation approach preferred by the Modification Group? Please give rationale	Yes	
4.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	

Q	Question	Response Error! Bookmark not defined.	Rationale
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' under P171 Alternative Modification? Please give rationale	Yes	
6.	Under the P171 Alternative Modification, do you believe that a replacement price should be calculated for all Emergency Instructions or should the Transmission Company flag those issued for System purposes? Please give rationale	Yes	TPL believe that the Replacement Price should be applied to all Emergency Instructions
7.	Do you believe P171 will have an impact on the Bid/Offer Prices submitted by your company? Please give rationale	No	
8.	Does P171 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P171 that you wish to make?	Yes	See answer to Question 1
10.	Do you believe retrospective implementation is justified in this situation? Please give rationale	No	

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

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