Issue 38 Meeting

- John Lucas and Stuart Holmes
- 23 October 2009

Background to Issue 38

- **Jan 2005** - ISG48 and SVG47
  - Highlighted Potential Settlement Issues
  - ELEXON were to monitor the issues

- **Oct 2009** – Panel Meeting
  - Panel agreed to raise Issue 38

Potential Settlement Issues

- Reduced Accuracy of the Credit Checking Process
- GSP Group could be treated as Production
  - Base Trading Unit could become Production
  - Base Trading Unit could be treated as Delivering
- BSC Description of Interface from CDCA to SVAA
- Reduced Share of Supplier Charges
- Data Collection Obligations

Issue 1 - Reduced Accuracy of the Credit Checking Process

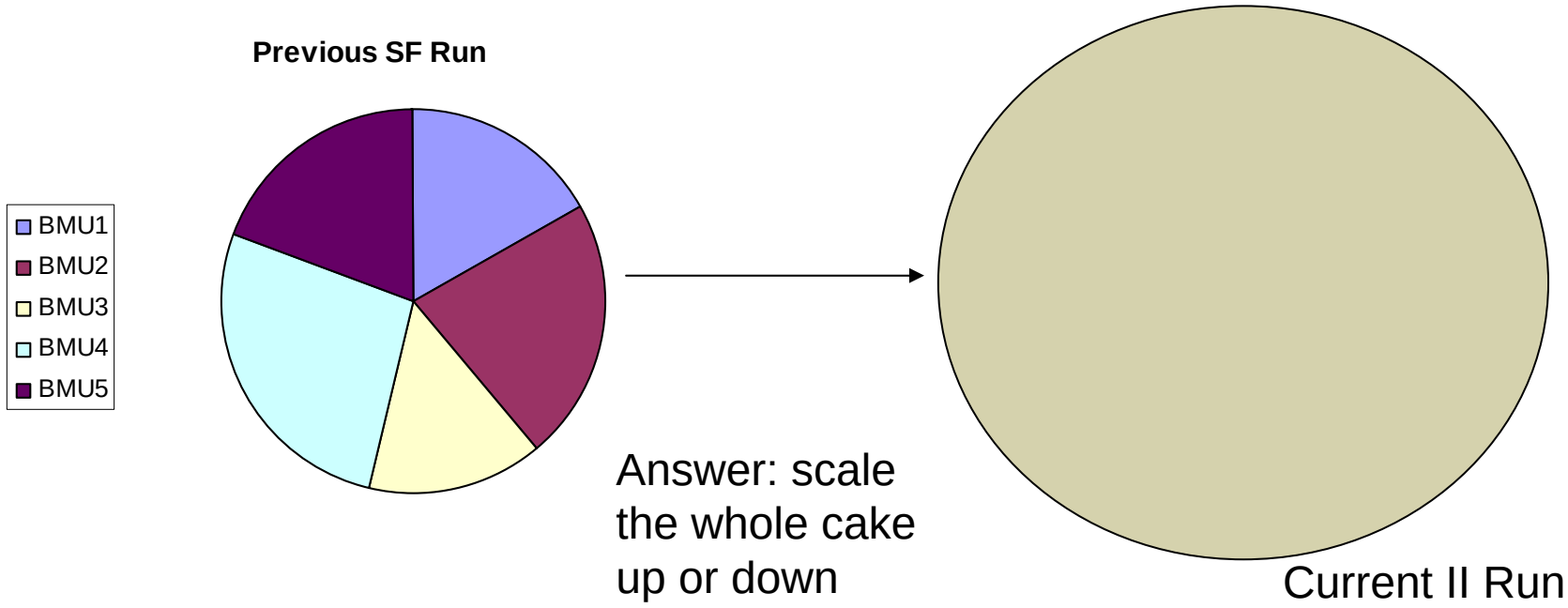
- SVA arrangements weren't originally designed to cope with significant embedded generation:
  - Under the Pool, Suppliers weren't allowed to have more generation than demand in a GSP Group. Any 'spill' was redistributed by ISRA.
  - NETA removed this constraint
- When BETTA came in, it was clear that this would eventually become an issue in North Scotland

Impact of Embedded Generation

- The core NETA rules (e.g. Imbalance Charges, Balancing Mechanism) treat demand and generation symmetrically, and hence cater for any amount of embedded generation (unlike the Pool Rules)
- As always, the devil is in the detail. Work done in 2004/05 identified six potential issues
- As a result, we started monitoring minimum GSPGT values

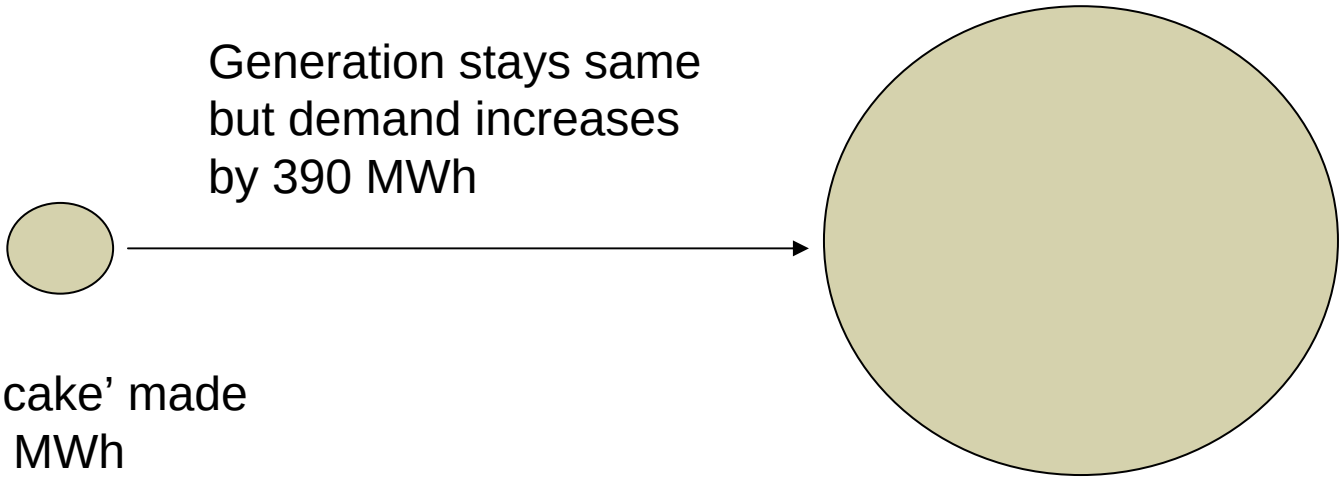
The Credit Checking Issue

- P2 started using the ‘Interim Information’ run for credit checking purposes
- Requires some way of estimating SVA Metered Volumes at II



Metaphors are dangerous things

- P2 Modification Group took comfort from the ‘slices of cake’ metaphor
- But a cake doesn’t have negative-sized slices



10 MWh ‘cake’ made up of 500 MWh demand and 490 MWh generation

400 MWh ‘cake’ is really made up of 890 MWh demand and 490 MWh generation. But the II run will assume it’s 20,000 MWh demand and 19,600 MWh generation

So what does it all mean?

- Three weeks after an II run with low GSPGT, credit checking may be disrupted (unless GSPGT is low again):
  - Demand values will be inflated – which could put affected Suppliers in Credit Default (unless the credit team invokes material doubt)
  - Generation values will also be inflated – which could hide underlying credit issues

Solutions

- A more robust way of estimating Metered Volumes:
  - If demand increases, increase demand and reduce generation, don’t increase them both
- Run SVAA in time for II?
- Bring SF forward?

Issue 2 - GSP Group could be treated as Production

- High Volumes of Embedded Generation could lead to GSP Group being treated as Production rather than Consumption
- BSC was not drafted with this in mind i.e. GSP Group should be Consumption in the eyes of the BSC
- Could lead to:
  - Incorrect allocation to Party Accounts i.e. Production vs. Consumption Accounts

GSP Group could be treated as Production

- So how does this work?

BMU ID	Generation /Production Capacity	Demand/ Consumption Capacity	Relevant Capacity
BMU1	10	-200	-200
BMU2	0	-50	-50
BMU3	120	-10	120
BMU4	0	-60	-60
BMU5	10	-30	-30

- Each BM Unit is categorized as either Generation or Demand. This occurs on a seasonal and Settlement Period basis.
- High levels of embedded generation can cause a GSP Group to flip from a Consumption to a Production one.
- The Trading Unit is classified as a DC this is expected, BUT what if the reverse occurred?

BSC Description of Interface from SVAA to SAA – Issue 3

- BSC assumed that GSP Group take is Positive
  - Section R5.7.1
- BSC Systems are geared for instances when GSP Group take is Negative
- So what must be done?
- BSC drafting should be brought into line with how the Systems operate

Reduced Share of Supplier Charges – Issue 4

- An increase in Embedded Generation leads to a decrease in the GSP liability CAP (in relation to Supplier Charges) for one Group but lead to an increase in another.
- This issue relates to the GSP Group Liability CAP calculation in section S-1 point 3.7.3

$$GSPmc = £1{,}275{,}000 * [GSPa/GSPas]$$

- As GSPa decreases the proportion of the liability CAP (£1,275,000) will increase for another GSP Group.

Issue 5 – Data Collection Obligations

- Embedded Generators not required to read Meters in time for SF
- Could results in:
  - Reduced accuracy in SF
  - Bigger adjustments at Reconciliation
- Possible Solution:
  - Get DC's to read Meters before SF run.