ELEXON

## Stage 03: Transmission Company Analysis

# P282 'Allow MVRNs from Production to Consumption or Vice Versa'

## Response Form

The P282 Workgroup requests your impact assessment of P282. In particular, we ask for your responses to the following questions and your reasons for those responses.

## Transmission Company Questions

**Question 1:**

Please describe the impact(s) of P282 on your ability as a Transmission Company to discharge your obligations efficiently under the Transmission Licence and to operate an efficient, economical and co-ordinated Transmission System.

**Please give your response:**

National Grid considered that one possible scenario as a result of P282 would be an increase in balancing actions with a resultant increase in balancing costs. Because exact behavioural changes are difficult to predict, this example scenario was based on our understanding of the workings of a typical PPA.

Currently, smaller renewable generators tend to sell their output to a supplier, who provides a guaranteed buyer for both their output and receiver of their ROCs. In return for providing this guarantor status, suppliers usually pay full value on the ROCs and buy the power at a discount to market price (e.g. day ahead baseload). Typically this discount could be 10-20% of the prevailing market price.

The rationale for the discount has usually been due to the fact that the supplier takes on the imbalance risk of the renewable generator and therefore the exposure to imbalance pricing.

Short cover is always the most difficult to hedge against and the potential exposure a lot more detrimental than under long cover. However, the latter may be the greater problem going forward from the perspective of the supplier and it could be this that the proposed change under P282 may be aimed at mitigating.

As the level of renewable generation penetration increases, there may be times when the system becomes very long, predominantly driven by the fact that renewables have to meter generation to receive the ROCs. We appreciate this may change under EMR for new generation projects that receive Feed-in Tariffs with Contracts for Difference, depending on how such tariffs are structured; however existing renewables will remain on the Renewables Obligation arrangements and the Renewables Obligation will remain open to new generation projects until 31st March 2017 (at which point the RO provisions will be

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

**Your response**

We invite you to respond to the questions in this form.

**How to return your response**

Please send responses, entitled 'P282 Transmission Company Analysis' to **modifications@elexon.co.uk** by **5pm** on **Friday 24 August 2012**

**Question 1:**

'vintaged'), with a period of overlap with the new CfD FiT arrangements from 2014. Hence the incentive for a significant volume of renewables who wish to generate wherever possible will remain.

Whilst NGET can instruct most renewable generation off, this tends to be at negative bid price. Thus far, where NGET has had to do this it is predominantly as a result of constraint actions, with the accepted bids being tagged out of the SSP calculation. Going forward, it is likely (particularly overnight) that NGET will increasingly be taking actions on renewable generation to manage the imbalance, first for downward margin and in future years for energy, both of which will feed into the SSP calculation.

If we assume that additional volume has previously been taken on by suppliers and offloaded into the market with little price risk (because of the discount), it is less likely that this will be easy to achieve in future. Two possible scenarios may therefore happen: suppliers may ask for a bigger discount on the pricing index; or they may choose to contract slightly less volume generally against their demand position. It is not possible to quantify the extent, if any, of behavioural changes to support these scenarios.

The former scenario is potentially addressed by the P282 change. The latter scenario is likely to increase balancing costs to NGET, as an element of headroom is lost.

**Question 2:**

Please outline your views and rationale on whether P282 would help to achieve the Applicable BSC Objectives.

**Please give your response:**

P282 may reduce the incentive for Parties to go less-long, increasing volatility and uncertainty for the System Operator, requiring the System Operator to hold more reserve and incur additional cost. This is not in support of Applicable BSC Objective (b).

As arguments for and against P282 are finely balanced, we are unsure as to the favourable/unfavourable impact on the other Applicable BSC Objectives.

**Question 3:**

Please outline the impact of P282 on the computer systems and processes of the Transmission Company. Include details of any changes needed as a result of implementing P282.

**Please give your response:**

We envisage no impact on our computer systems from the implementation of P282.

**Question 4:**

Please outline any potential issues relating to security of supply arising from P282.

**Please give your response:**

We envisage no potential security of supply issues as a result of the implementation of P282.

**Question 5:**

Please provide an estimate of development, capital and operating costs in appropriate detail which you as a Transmission Company anticipate that you would incur in implementing P282.

**Question 5:**

**Please give your response:**

We have not identified any additional costs that would result from the implementation of P282.

**Question 6:**

Please provide details of any consequential changes to Core Industry Documents and/or the System Operator Transmission Owner Code that would be needed as a result of implementing P282.

**Please give your response:**

No consequential changes to Core Industry Documents or the STC have been identified as a result of the implementation of P282.

**Question 7:**

Would you like to make any other comments on P282?

**Please give your response:**

No additional comment.

## Further Information

To help us process your response, please:

- Email your completed response form to **modifications@elexon.co.uk**
- Use the following text in the subject line of your email: "P282 Transmission Company Analysis"
- Include a phone number in your covering email, so that we can contact you if we have any questions
- Respond by **5pm on Friday 24 August 2012** (the Workgroup may not be able to consider late responses)

The Workgroup will consider your response at its next meeting. Once the Workgroup has completed its assessment of P282, it will draft the Assessment Report and present it to the October 2012 Panel meeting.