

Stage 01: Initial Written Assessment

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

P294: Addition of Offshore Transmission System and OTSUA to the definition of the Total System

Amend the BSC definition of Total System to include Offshore Transmission System and Offshore Transmission System User Assets (OTSUA).



ELEXON recommends
P294 is progressed to an Assessment Procedure by a Workgroup



High Impact:
Offshore Generators



Medium Impact:
ELEXON and Transmission Company

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About this document:

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 13 June 2013. The Panel will consider the recommendations and agree how to progress P294.

Further information is available in the P294 Modification Proposal (Attachment A) and Modification Proposal attachment (Attachment B).



Any questions?

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1 Why Change?

Background

The Offshore Transmission Regime went live in 2009. It was developed and introduced by Ofgem and the Department of Energy and Climate Change (DECC) as a regulatory regime for the construction and operation of Offshore Transmission assets.

Currently when a new Offshore site is commissioned, Balancing and Settlement Code (BSC) Section L 'Metering' requires the Generator to install Code of Practice (CoP)¹ compliant Settlement metering Onshore at the Boundary Point. This is because the site is treated like a normal Generator, connecting to the Transmission System, and any import/export from the new Offshore Transmission assets during the commissioning needs to be measured at the point it enters/leaves the Transmission system.

Once the Offshore Transmission assets (the offshore cable connecting the Offshore Generator to the Transmission System onshore) are transferred to the Offshore Transmission Operator (OFTO) the site becomes part of the Offshore Transmission System. At this point the Generator is required to meter imports and exports Offshore (at the Boundary Point between the Offshore Generator and the Offshore Transmission System).

What is the Issue?

There are two main issues.

1. After a short period of operation, during the development of the Offshore Transmission assets, the CoP1 compliant metering that is initially installed at the Onshore Boundary Point becomes redundant.

The costs of installing such onshore metering can be very high, and in the region of £150,000 per circuit as indicated by the Proposer of P294.

The only other existing option is to apply for a Metering Dispensation, as has been the case with some transitional projects, using the compliant metering on the offshore platform with an accuracy adjustment to account for the Boundary Point onshore. This is inconsistent with the intent of the enduring Generator Build Offshore Transmission System arrangements, where the works are undertaken by a User acting in the capacity of a Transmission Operator with the responsibility of extending the Transmission System.

2. The BSC refers to the [Grid Code](#) for its definition of Offshore Transmission System. In December 2010 the Grid Code was amended to include OTSUA into the Grid Code definition of Offshore Transmission System.

Under the Grid Code the Offshore Transmission System assets are defined as Offshore Transmission System User Assets (OTSUA) which are built during development works known as Offshore Transmission System Development User Works (OTSDUW).

This addition of OTSUA in the Grid Code definition of Offshore Transmission System creates some confusion as for the BSC Purposes an OTSUA forms part of the Offshore Transmission System but not part of the Transmission System. This is because the definition of Transmission System in the BSC refers to the Transmission Licence which does not include the Offshore transmission system as part of it.



What is a Boundary Point?

A Boundary point is a point at which a Plant or Apparatus not forming part of the Total System is connected to the Total System

¹ Metering Code of Practice 1 – Code of Practice for the Metering of Circuits with a rated capacity exceeding 100MVA for Settlement Purposes.

What this means is that according to Grid Code the OTSUA is considered to be part of the Offshore Transmission System, so the metering would only be needed at the Offshore Boundary Point, but as the BSC definition of Transmission System does not consider an Offshore Transmission System to be part of the Transmission System, CoP1 metering is still required at the Onshore Boundary Point.

In order to address this area of confusion changes to the BSC are needed.

2 Solution

Proposed Solution

P294 seeks to amend the definition of Total System in the BSC to include Offshore Transmission System and Offshore Transmission System User Assets. (OTSUA).

This would remove any confusion between the Grid Codes definition of Offshore Transmission System which includes OTSUA, and what is in the BSC provisions around what makes up the Transmission System and Total System.

It would also remove the requirement for Generators undertaking OTSDUW to temporarily install CoP1 compliant metering, at the Onshore Boundary Point, which would become redundant on transfer of the assets to the OFTO. This is because metering would only be needed at the Boundary point between the Generator and the Offshore Transmission assets (the OTSUA).

Implications of P294 on situations where Offshore Transmission connects to a Distribution Systems

In addition to removing the requirement to temporarily install CoP1 metering for OTSDUW connecting to the Transmission System, P294 would also affect situations where OTSUA connect to a Distribution System.

The current baseline requires the User to install onshore metering (in the same manner as OTSUA connecting to the Transmission System) The difference though is that the onshore metering is still required once the assets are transferred to the OFTO, but the responsibility for the metering would transfer to the Transmission Company.

P294 will put the responsibility for the onshore metering on the Transmission Company from the start, removing a potential inconsistency with the Distribution Connection and Use of System Agreement (DCUSA), which currently puts the responsibility for metering any imports or exports between the Distribution System and the OTSUA on the Transmission Company.

Applicable BSC Objectives

The Proposer believes that P294 would better facilitate the achievement of Applicable BSC Objectives:

(c) 'Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity' as it will address the issue with the current arrangements imposing an unnecessary cost on generators undertaking OTSDUW that other generators do not face; and



What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed by the Transmission Licence

(b) The efficient economic and co-ordinated operation of the National Electricity Transmission System

(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

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(d) 'Promoting efficiency in the implementation of the balancing and settlement arrangements' as P294 will remove scope for confusion in the current definitions.

Implementation approach

It is likely that the implementation of P294 would only require minor changes to the BSC. Therefore it is proposed that P294 is implemented **5 Working Days (WDs)** after an Authority decision on the Modification. However the appropriate implementation approach will be considered at the P294 Workgroup meetings.

3 Things to Consider

Possible interactions between P294 and the draft policies for the draft Energy Bill

The current legal baseline for 'Generator Build' is that Generators cannot start generating (exporting) prior to the transfer of the OTSUA to the OFTO as it would be transmission without the required Transmission Licence.

The Generator will need to import power to energise and commission the offshore platform, and this gives rise to the onshore metering that P294 is proposing to remove.

This however may change, as the draft Energy Bill [contains provisions](#) that would loosen this restriction, and allow export prior to OFTO transfer under certain circumstance. The implications are currently being discussed by Ofgem and DECC.

What does this mean for P294?

This gives rise to areas that may need discussion by the Workgroup:

1. To what extent does an OTSUA actually form part of the Offshore Transmission System for the purposes of the BSC and the Grid Code?

As mention in Section 1 above '*and, where the context permits, references to the Offshore Transmission System includes OTSUA*' was added to the Grid Code definition of Offshore Transmission System in December 2010, but consideration needs to be given to what 'where the context permits' means.

2. Would the inclusion of OTSUA in the BSC definition of Total System:
 - a. have implications for how the Offshore Transmission System should be operated?
(For example, would the addition of OTSUA in total system imply that the Transmission Company should be operating it.)
 - b. be consistent with the current prohibition on export prior to the transfer of the OTSUA to the OFTO?

4 Proposed Progression

Next Steps

We believe that P294 should go into an Assessment Procedure so that a Workgroup can be established in order to consider P294 and the areas outlined in Section 3.

The Proposer is not requesting that P294 is treated as a Self-Governance Modification Proposal. We concur that P294 should not be treated as a Self-Governance Modification due to the potential interactions with Ofgem's policy implementation of the Energy Bill.

Terms of Reference

We recommend that membership of the P294 Workgroup should comprise of members from the Settlement Standing Modification (SSMG), along with any other relevant experts and interested parties.

We recommend that the Terms of Reference for this Workgroup should focus on the following areas:

P294 Terms of Reference

To what extent does an OTSUA actually form part of the Offshore Transmission System for the purposes of the BSC and the Grid Code?

What would the impact be of adding OTSUA in the BSC Definition of Total System:

- Would it have implications for how the Offshore Transmission System should be operated? and
- Would it be consistent with the current prohibition on export prior to the transfer of the OTSUA to the OFTO?

What changes are needed to BSC to support P294?

Are changes needed to any Code Subsidiary Documents?

What are the benefits of P294?

Does P294 better facilitate the Applicable BSC Objectives than the current baseline?

Are there any Alternatives that should be considered?

Timetable

We recommend that P294 undergoes a 3 month Assessment Procedure, with the Assessment Report being presented to the Panel at its meeting on 12 September 2013.

We believe that the Workgroup will need to undertake the activities shown in the table below, which includes a 15 Working Day Assessment Phase Consultation. The timetable allows for both these and for the Workgroup to fully consider the areas highlighted in the Terms of Reference.

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Proposed Progression Timetable for P294	
Event	Date
Present Initial Written Assessment to Panel	13 June 13
Workgroup meeting 1	24 June 13
Additional Work group meeting	8 July 13
Assessment Procedure Consultation	19 July 2013 – 9 August 13
Workgroup Meeting	W/B 12 August 13
Present Assessment Report to Panel	12 September 2013
Report Phase Consultation	13 September 2013 – 1 October 2013
Present Draft Modification report to the Panel	10 October 2013
Issue Final Modification Report to Ofgem	11 October 2013

Estimated progression costs

The following table contain our estimates of the costs involved in progressing P294 through the Modification Procedures under the proposed timetable:

Impact on ELEXON	
Meeting costs (including Workgroup member expenses)	£1,500 (based on three meetings)
Non-ELEXON legal and expert costs	£0
ELEXON resource	40 man days, equating to approx. £10K

Estimate of Total Industry Assessment Costs based on Proposed Progression Timetable					
Workgroup support	Est #mtgs	Est #att	Est effort	Est rate	Sub-total
	3	8	1.5	£605	£21,780
Consultation response support	Est #cons	Est #resp	Est effort	Est rate	Sub-total
	2	8	2.5	£605	£24,200
Total Costs					£45,980



Industry Assessment costs

Industry Workgroup support and consultation response costs represent an approximation of industry time and effort in attending Workgroup meetings and responding to consultations.

The calculation is based upon an estimate of how many attendees we expect to attend each meeting and how many responses we expect to receive to each consultation.

The calculations assume that each attendee will require 1.5 man days of effort per meeting and each response will take 2.5 man days of effort multiply by a standard rate of £605 per man day.

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5 Likely Impacts

Impact on BSC Parties and Party Agents

None

Impact BSC Parties and Party Agents

None anticipated as the proposed change would align the BSC with the Grid Code.

Impact on Transmission Company

None anticipated as the changes would align the BSC with the Grid Code

Impact on other Codes

Grid Code	Depending on the Workgroup discussions there may be an impact on the Grid Code
DCUSA	P294 may address an inconsistency between the BSC and DCUSA

Impact on ELEXON

ELEXON effort	ELEXON would manage the implementation project
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Potential Impacts on Code

Code section	Potential impact
Section X – Annex X-1	Changes will be required to implement the solution
Section L	Changes may be required to implement the solution

Impact on Code Subsidiary Documents

None identified

Impact on other Configurable Items

None identified

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6 Recommendations



Recommended Progression

ELEXON recommends P294 is submitted to a 3 Month Assessment Procedure.

On the basis of the initial written assessment, ELEXON invites the Panel to:

- **DETERMINE** that Modification Proposal P294 progresses to the Assessment Procedure;
- **AGREE** the proposed Assessment Procedure timetable such that an Assessment Report should be completed and submitted to the Panel at its meeting on 12 September 2013;
- **DETERMINE** that the P294 workgroup should be formed from members of the Settlement Standing Modification Group and any other interested parties; and
- **AGREE** the Workgroup's Terms of Reference.

7 Further Information

You can find more information in:

Attachment **A**: P294 Modification Proposal Form

Attachment **B**: P294 Modification Proposal Form attachment

You can also find further information on the [P294](#) page of the ELEXON website.

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