

Responses from P36 Draft Modification Report Consultation

Consultation issued 22 February 2002

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	TXU Europe	P36_MR_001	20
2.	LE Group	P36_MR_002	5
3.	EdF Trading Ltd	P36_MR_003	2
4.	SEEBOARD	P36_MR_004	2
5.	ScottishPower UK plc	P36_MR_005	5
6.	British Energy	P36_MR_006	3
7.	Scottish & Southern Energy plc	P36_MR_007	4
8.	British Gas Trading	P36_MR_008	3
9.	Innogy Group	P36_MR_009	6
10.	GPU Power UK	P36_MR_010	1

P36_MR_001 – TXU Europe

20 TXU BSC Parties

We support the draft modification report conclusions and recommendations.

In line with our response to the P34 Draft Modification Report, whilst we are prepared to support the Panel recommendation we do not believe that the Alternative Proposal will make a material difference to the Standing Reserve issue. Unfortunately we can see no way of resolving this issue at present without changing the contracting route for such services – i.e it has to go via the customer's Supplier through the BM, although there may be a bilateral contract with the Supplier which instigates a difference payment. Perhaps this needs to be addressed via the Procurement Guidelines and a different BSC Modification proposal ?

Philip Russell

04/03/2002

P36_MR_002 – LE Group

Representing: London Electricity, South Western Electricity, Jade Power, Sutton Bridge Power and TXU Europe West Burton Ltd

Our comments on the P36 Modification Report, in addition to those found in the previous consultation on the matter, are as follows;

- We believe P36A best facilitates the achievement of the BSC objectives. Additionally we believe that P36A achieves the same effect as P34A as far as a 'non-active participant' is concerned.
- On page 23 the mutual exclusivity of the two types of balancing services referred to in Q1.4.1.(b) and (c) respectively should be made clearer.
- On page 23 the following sentence should be added to Q1.4.3. - "The Applicable Balancing Services Volume Statement will be a framework document under the code."
- Having concentrated on active BM participants it is not clear how the balancing services of a 'non active participant' in the Balancing Mechanism are dealt with as far as legal text is concerned. This may need to be addressed.

Rob Hetherington

Wholesale Market Analyst

P36_MR_003 – EDF Trading Ltd

Can you please note that EDF Trading Ltd and EDF (Generation) agree with the findings as expressed in the following consultative Modification Proposal report:

P36.

The report gives appropriate and understandable justifications for the recommendations to which EDFT and EdF concur.

Steve Drummond
EdF Energy Merchants Ltd

P36_MR_004 – SEEBOARD

With respect to above mentioned consultation. We agree with recommendations within section 1.1 of draft modification report, dated 22nd February, that alternative modification should be made and implemented on 1st December 2002.

Dave Morton
SEEBOARD Energy Limited
SEEBOARD Power Networks plc

P36_MR_005 – ScottishPower UK plc

With reference to the above, I would refer you to our previous comments on the proposal.

In this consultation response, we would reiterate our support of the P36 Alternative Proposal. Throughout the consultations of P34 and P36, we believe P36 Alternative better meets all the relevant Applicable BSC Objectives and provides the requisite flexibility to all providers of Applicable Balancing Services which we feel is necessary under these arrangements and is preferred to any other P34 or P36 options.

The legal drafting appears satisfactory.

I trust that you will find these comments helpful. Nonetheless, should you require further clarification of any of the above, please do not hesitate to contact me.

Yours Sincerely,
Man Kwong Liu
Calanais Ltd.

For and on behalf of: - Scottish Power UK Plc.; ScottishPower Energy Trading Ltd.; Scottish Power Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.

P36_MR_006 – British Energy

BE does not support P36 in its original or alternative forms at this time. These options facilitate payment for frequency response at freely submitted bid and offer prices. Whilst supportive in principle of a market solution for response provision, we believe that the potential for a liquid and competitive market needs to be more clearly demonstrated, and the interaction between energy provided through frequency response and bids and offers more

thoroughly considered, before proceeding with a proposal such as P36. On balance, we are not convinced that the BSC objectives would be better met through implementation of P36.

Rachel Ace
On behalf of
British Energy Generation
British Energy Power and Energy Trading
Eggborough Power Ltd

P36_MR_007 – Scottish & Southern Energy plc

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd.

In relation to the Modification Report for proposed Modification P36 contained in your note of 22nd February 2002; we agree with the suggested BSC Panel recommendation to the Authority that the 'original' Modification Proposal P36 be rejected and that the Alternative Modification Proposal P34 be approved, with an implemented date of 1st December 2002.

Regards
Garth Graham
Scottish & Southern Energy plc

P36_MR_008 – British Gas Trading

Thank you for the opportunity of responding to this consultation. This response is on behalf of British Gas Trading Ltd, Centrica King's Lynn Ltd and Centrica Peterborough Ltd.

In responding to this consultation we note that there are other BSC modifications and CUSC amendments currently under consideration in respect of this issue. However, in assessing this modification against the current baseline we agree with the view of the modification group that the Alternative modification will better facilitate the Applicable BSC Objectives.

As we have stated in previous responses to consultations on this modification, linking the price paid for Mandatory Response to BOAs will enable a market in Balancing Service energy to develop and a market price to be placed on these services. We believe this will offer a truer reflection of the value of Balancing Services to both NGC and the service provider than the current arrangements. The proposed Alternative will increase transparency and means all providers of Mandatory Response will be dealt with on an equal basis using a market based solution. P36 Alternative is preferable to P36 Original as it also accounts for those service providers who are not lead party BMUs or participants in the Balancing Mechanism.

In summary, in assessing this modification against the current baseline we agree with the view of the modification group that the Alternative modification will better facilitate the Applicable BSC Objectives. However, it should be noted that although we support P36 Alternative this is without prejudice to our views on either of the CUSC Amendments.

We hope these comments are useful. Should you wish to discuss any of the points in more detail please do not hesitate to contact me in the first instance on the number given above.

Yours faithfully
Danielle Lane
Transportation Analyst

P36_MR_009 – Innogy Group

Innogy's comments on P36 Draft Modification Report on behalf of Innogy plc, npower Limited, Innogy Cogen Trading Limited, npower Direct Limited, npower Northern Limited, npower Yorkshire Limited

Introduction

1. Currently, energy delivered as a consequence of providing Mandatory Frequency Response is paid for at system prices in the BM either as spilled energy or as a shortfall. It is recognised that this transaction will result in an imbalance cost and a mechanism in CUSC seeks to compensate for this imbalance exposure. Other services may also have a compensation payment as part of commercial agreements.

Features of P36

2. P36 would pay for delivered energy as if delivered through bids and offers for certain services whilst P36 Alternative would also allow for the removal of a calculated volume of energy from the provider's account for other services. This will allow the energy delivered as a consequence of providing certain services to be treated in exactly the same way as other balancing energy delivered as a result of accepted bids or offers or by way of other balancing services. Where bids and offers are not available, P36 Alternative will allow the estimated energy to be removed from the provider's account and allow for payment for the energy elsewhere.
3. Payment for mandatory Frequency Response energy at bid or offer prices through the BSC would keep the energy payment in the same place as the current arrangements but, because the energy is priced appropriately, removes the requirement for a compensation payment under CUSC. This would simplify CUSC and remove any perverse incentives not to provide any component of Response that is not properly compensated when using an administered 'reference price' in CUSC.
4. Pricing energy at bid or offer prices would allow the S.O. to compare properly the price of energy delivered automatically from responsive plant with that provided by the acceptance of bids and offers in the BM or other balancing services. This should facilitate improved decision-making leading to a more efficient purchase of balancing energy.
5. Allowing providers to price automatically delivered energy through bids and offers should enable the lowest cost providers to offer the most competitive service. It also encourages providers to ensure that they deliver accurately the expected energy volumes so as to reduce the volume risk that they are exposed to when providing Response.

6. Placing automatically delivered energy on the same footing as other balancing energy should lead to increased competition in the provision of all forms of balancing energy. Perverse incentives associated with a single reference price would be removed thus encouraging more providers to participate in the provision of mandatory Frequency Response.

Conclusion

7. Innogy supports P36 and P36 Alternative as they better facilitate the efficient, economic and co-ordinated operation by NGC of the transmission system, and promote effective competition in the generation and supply of electricity.
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P36_MR_010 – GPU Power UK

Please find that GPU Power UK response to P36 - The Generation for Bid Offer Acceptances Relating to Energy Delivered as a Result of Providing Applicable Balancing Services is 'No Comment'.

Rachael Gardener
Deregulation Control Group &
Distribution Support Office
GPU POWER.NETWORKS (UK) plc