

Modification proposal:	Balancing and Settlement Code (BSC) P226: 'Improving Large Combustion Plant Directive Information Disclosure' (P226)		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	Parties to the BSC and other interested parties		
Date of publication:	27 February 2009	Implementation Date:	25 June 2009

Background to the modification proposal

The Large Combustion Plant Directive (LCPD) aims to reduce acidification, ground level ozone and particulates by controlling the emissions of sulphur dioxide (SO₂), oxides of nitrogen ('NO_x') and dust from large combustion plants (LCPs).

To facilitate the transparency on the operation of the LCPD Scottish LCPs are required to provide data to the Scottish Environment Protection Agency (SEPA), while English and Welsh LCPs report data to the Environmental Agency (EA).

At present the Scottish LCPs report data annually - the minimum requirement under the LCPD - and in England and Wales data are reported on a monthly basis. There are also differences in the extent of information published by the respective agencies³.

English and Welsh LCPs are required to provide their (monthly) submissions to the EA within 28 days after the end of the month and the EA has a further 10 days to publish it on its website. In effect data is therefore published six weeks after the event.

The modification proposal

The Proposed Modification aims to ensure that data relating to the LCPD is made available to all interested parties via the BMRS in a user-friendly format and in a more timely manner. The Proposed Modification also seeks to provide additional data not currently provided by the environmental agencies. This data relates to derogations applied for by "Opted In" LCPs.

An Alternative Proposal has also been raised. Under the Alternative Proposal a more limited set of data items are required to be sent to the BSCCo for publication on the BMRS. Details of both proposals are summarised below.

Proposed Modification

The Proposed Modification places an obligation on those BSC Parties that are responsible for registering BM units associated with LCPs (under the terms of the LCPD) to report the following eight data items to the BSCCo (Elexon). These data items must be submitted to

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ In England and Wales LCPs also report details of transfers of sulphur dioxide B limits: Operators of each of the largest 17 coal and oil fired power stations operating in England and Wales have site specific 'A' limits and an operator specific 'B' limit set within their Integrated Pollution Control (IPC) authorisation. The A limit is the maximum permitted amount of SO₂ that can be emitted from a specific station during a reporting period. The B limit is the maximum permitted amount of SO₂ that may be released from each operator's portfolio of power stations. On 1st October 2005 the EA introduced a scheme to allow transfers of SO₂ B limits between these companies to provide them with a flexible market based mechanism for achieving overall reduction in sulphur emissions from the power sector.

BSCCo in accordance with defined frequencies (see section 9.2.4 of the proposed legal drafting (section Q)).

1. A register of Balancing Mechanism (BM) Units that are part of an LCP under the terms of the LCPD;
2. The status of each LCP:
 - a. Opted Out Plant;
 - b. Opted In Plant under the National Emission Reduction Plan (NERP); or
 - c. Opted In Plant under the Emission Limit Value (ELV);
3. The cumulative operational hours for Opted Out LCPs and LCPs with derogations under Article 5(1), 7(1), 7.1 (a) of the LCPD;
4. The remaining operational hours for each LCP for Opted Out Plants;
5. A summary of NERP and ELV (B specific limit) allowances bought and sold since 1 January 2008 and over the last month;
6. Details of any derogation applications for each Opted In LCP that have been lodged but are awaiting a decision (including applications for operation both under Article 5(1) of the LCPD resulting from a delay in fitting Flue Gas Desulphurisation (FGD) equipment, and under article 7(1) resulting from breakdown of existing FGD equipment);
7. Details of any derogation applications for each Opted In LCPs that have been granted;
8. The latest emission limits for each Opted In LCP.

Information will then be reported on the BMRS website. The Proposed Modification sets out the timescales for information to be reported on the BMRS following receipt. This data is typically to be published on the BMRS within a faster timescale than the publication of data on the EA website. As an example of the timescales for publication, information on notification of the derogations requested and derogations granted will be published on the BMRS within 1 working day of these events taking place.

Alternative Modification.

The Alternative Modification focuses on publishing those data items that provide information on operating hours and derogations.

The substantial difference between the data items in points 3, 4, 6 and 7 of the Proposed Modification and the Alternative Modification is that the Alternative Proposal does not call for the submission or publication of data on derogations under Article 7(1)⁴. In addition the Alternative Modification does not include the set of "static" data requested in items 1 and 2 of the Proposed Modification. The requirements and timescales for each of the data items included in the Alternative Modification are the same as those in the Proposed Modification.

The Alternative Modification proposes to publish the following four data items:

1. The cumulative operational hours for Opted Out LCPs and LCPs with derogations under Article 5(1);
2. The remaining operational hours for each LCP for Opted Out Plants;
3. Details of any derogation applications for each Opted In LCP that have been lodged but are awaiting a decision (including applications for operation under Article 5(1) of the LCPD resulting from a delay in fitting Flue Gas Desulphurisation (FGD) equipment);
4. Details of any derogation applications for each Opted In LCPs that have been granted.

⁴ Article 7 allows for unabated operation relating to malfunction or breakdown of abatement plant.

BSC Panel⁵ recommendation

The BSC Panel (the Panel) recommended implementation of the Proposed Modification by majority at its meeting on 15 January 2009. Furthermore the Panel made a unanimous decision that the Alternative Modification should not be made.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 21 January 2009. The Authority has considered and taken into account the responses to Elexon's⁶ consultation which are attached to the FMR⁷. The Authority has concluded that:

1. Implementation of the Proposed Modification will better facilitate the achievement of the relevant objectives of the BSC⁸; and
2. Directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁹.

Reasons for the Authority's decision

The Authority agrees with those respondents and the majority view of the Panel that implementation of the Proposed Modification would better facilitate the relevant BSC objectives. In particular we consider that it will better facilitate objectives (b) and (c), against the current baseline. Where we have not specifically addressed a relevant objective below, we consider the proposal to be neutral against this objective. Further discussion on the Authority's decision is outlined below.

Relevant BSC objective (b): 'the efficient, economic and co-ordinated operation of the GB transmission system'

The Authority considers that access to accurate, timely and accessible market information in relation to the operation of LCPs under the LCPD is important to allow the market to operate efficiently.

We consider that the publication of comprehensive data on LCP issues on the BMRS in an accessible format would enhance the visibility and transparency of the data for all market participants. In this respect we note the concerns raised by respondents on the ability of the market to easily access data on the SEPA and EA websites. For example, we note that the data currently provided by the EA is organised in a format that is not readily accessible for market participants, as it is dispersed across a number of web pages that are not always linked.

We further note the benefits of the modification in providing for more timely and symmetric publication relative to the current arrangements. English and Welsh publication timeliness will be improved by 1 week to 5 weeks instead of 6 weeks and Scottish data will be published on the same basis as English and Welsh data (i.e. monthly at a 5 week lag instead of annually).

⁵ The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

⁶ The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

⁷ BSC modification proposals, modification reports and representations can be viewed on the Elexon website at www.elexon.com

⁸ As set out in Standard Condition C3(3) of NGET's Transmission Licence, see:

http://epr.ofgem.gov.uk/document_fetch.php?documentid=4151

⁹ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

The Proposed Modification will also provide new information to the market, including for example, prompt notification of the details of any derogation requested and granted to parties with respect to “Opted-in” plant.

All these factors will better facilitate the ability of market participants to identify a comprehensive picture of the availability and behaviour of power plants in GB and this will better facilitate understanding of market behaviour.

Where market participants are able to make more informed decisions (e.g. on making generation available to the market) this should facilitate efficiencies in balancing behaviour and assist National Grid (NG) in taking more efficient balancing actions.

We acknowledge that the Panel and some of the respondents perceived these benefits as marginal. However, we consider that improved accessibility and timeliness in the provision of the information included in the Proposed Modification represents an appreciable enhancement to transparency in the market.

In summary, we consider that the provision of the information set out in this proposal to the market in an accessible, reliable and timely manner will better facilitate relevant objective (b) by facilitating efficiencies in balancing behaviour and assisting National Grid (NG) in taking more efficient balancing actions. While we believe that the Alternative Proposal P226 improves the baseline and constitutes an improvement against the current arrangements we agree with the Panel that the Proposed Modification is better than the Alternative Modification and the baseline because it offers a more complete set of data which is accessible in one place and is available in a more timely manner.

Relevant BSC objective (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’

We consider that the Proposed Modification will better facilitate objective (c) by providing improved access to information, and a more comprehensive set of data relating to generation plant availability under the LCPD arrangements. In particular, for the reasons outlined above under objective (b) we consider that the modification significantly improves transparency relative to the current arrangements for the provision of information on the EA and SEPA websites.

The Authority considers that improved access to information regarding generation availability should enable market participants to make more informed operating decisions and therefore to compete more effectively in the market.

We consider that the Proposed Modification would go some way to reduce potential uncertainty regarding the availability of information governing LCP emission limits, availability of emission allowances, and operating hours. In particular the Proposed Modification will provide a comprehensive view of the cumulative operational hours for the plants operating in GB under the LCPD. As per objective (b) above, we believe that a complete view of the plants operating in GB under the different LCPD regimes, inclusive of the derogations requested and granted by each plant, would improve the ability of parties to evaluate the level of available generation.

In summary, we consider that the Proposed Modification will help to ensure that information on LCPD arrangements is provided on a more timely basis relative to the current arrangements that additional information identified by the market as being necessary is similarly provided and that information on the status of LCP generation units is provided in a more easily accessible format. In the light of our considerations above, we believe that the data set provided by the Alternative Modification represents an

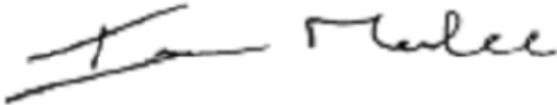
improvement to the baseline, but we consider that the Proposed Modification represents a more comprehensive and detailed set of information.

Further issues

Ofgem recognises, as generally expressed by the Panel, that transparency around LCPD related market constraints is important for the market. With this in mind the Authority regards P226 as an improvement in the level of transparency. However, we note that there may be steps that the industry could consider taking to further improve the timeliness and quality of LCPD related market information.

Decision notice

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority hereby directs that modification proposal BSC 226: 'Improving Large Combustion Plant Directive Information Disclosure' (P226) be made.

A handwritten signature in black ink, appearing to read 'Ian Marlee', written in a cursive style.

Ian Marlee
Director, Trading Arrangements

Signed on behalf of the Authority and authorised for that purpose