

Attachment C - P227 Report Phase Consultation Responses

Consultation Issued on 17 March 2008

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	Centrica	P227_dMR_01	10	0
2.	E.ON UK	P227_dMR_02	7	0
3.	International Power	P227_dMR_03	5	0
4.	SAIC Ltd. (for and on behalf of ScottishPower)	P227_dMR_04	7	0
5.	British Energy Trading & Sales Ltd	P227_dMR_05	13	0
6.	APX Commodities	P227_dMR_06	1	2

Question 1: Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P227 should be made?

Please give rationale.

Summary

Yes	No	Neutral/Other
6	0	0

Responses

Respondent	Response	Rationale
Centrica	Yes	<p>Our rationale below is the same as that submitted for the second Assessment Phase consultation.</p> <p>P227 would better facilitate objectives (b) and (c) as described in the draft Modification report and this would significantly outweigh a small detrimental impact on objective (d).</p> <p>The analysis undertaken by the Group highlights the potential cost implications for parties of not being able to submit contract notifications. P227 addresses situations which could occur where parties cannot submit contract notifications through no fault of their own. P227 better</p>

Respondent	Response	Rationale
		<p>aligns party risk with the elements they control resulting in arrangements that are fairer and as such, would provide increased market confidence. This promotes competition amongst existing parties and is more likely to facilitate entry than the existing baseline (Objective (c)).</p> <p>Centrica also believes that the analysis provided by National Grid supports the Group's conclusion that P227 would facilitate the efficient operation of the Transmission System (Objective (b)).</p> <p>Centrica continues to believe that there would be likely to be a small detrimental impact on the administration of the arrangements for Elexon (and its agents) in order to identify, investigate and process communication failures. However this small detrimental impact on Objective (d) would be far outweighed by the improvements to competition and the efficient operation of the Transmission System noted above.</p> <p>In addition, Centrica notes that there is no cost socialisation or detrimental impact to any other Party (BSC Party or other) from P227 being implemented. P227 would enable a party to resubmit the contract notifications it could not submit due to a failure of the centrally provided communication services. This fairly prevents the party from facing imbalance costs (in such situations) but does not impose any costs on the rest of the market.</p>
E.ON UK	Yes	<p>E.ON UK agrees that P227 is a practical solution to a potential problem that will</p> <p>exist whatever the communications solution in place.</p>
International Power	Yes	<p>International Power agrees with the Panel's provisional recommendation that proposed modification P227 should be made.</p> <p>Currently, where there is a failure of the centrally provided communications network, Parties would be unable to submit contract notifications and would have no recourse to resubmit contracts as they could in the event of an ECVA System failure, nor can Parties influence the duration of the communications failure (other than reporting the problem). So, the communications failure can therefore prevent a Party from balancing its position through trading, effectively passing the balancing responsibility on to the System Operator. This could result in substantial imbalance where for example plant loss coincided with the communications failure. International Power is of the opinion that in enabling Parties to resubmit contracts in the event of Notification System Incident (NSI) P227 would lead to more efficient operation of the transmission system.</p> <p>Imbalance represents a significant risk for Parties, particularly smaller participants, and as P227 would help to minimise potential imbalance</p>

Respondent	Response	Rationale
		risk (in allowing Parties to effectively trade out of imbalances during NSIs) International Power believes P227 would better facilitate new entry and competition.
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	The modification group has shown, through their various investigations and debates, that the Modification addresses a real gap in the current provision arrangements. This gap gives rise to iniquitous treatment of Parties in the event of technical faults. If there is a failure of the centrally procured IT systems then there is relief through the existing manual submission process; if there a failure of the centrally provided communications network then Parties are liable for any resulting imbalance, even though they have no control over that communications network. Closing this gap will prevent Parties being exposed to this unavoidable imbalance in future.
British Energy Trading & Sales Ltd	Yes	<p>ECVAA communications failure represents a largely unmanageable risk for trading parties. By allowing parties to continue trading during a communications failure in confidence that trades will be considered in settlement, this risk is mitigated and efficient market operation and system balancing are promoted.</p> <p>We note that in principle more competition in the provision of communications services could provide participants with more flexibility to manage their individual risks. However, the new arrangements for central provision provide increased cost-reflective flexibility for users, largely at considerably lower cost than previously, and we think the administrative costs of parties procuring their own individual communication services competitively would be hard to justify at this time.</p>
APX Commodities	Yes	-

Question 2: Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P227 (5WDs after the Authority Decision)?

Please give rationale.

Summary

Yes	No	Neutral/Other
6	0	0

Responses

Respondent	Response	Rationale
Centrica	Yes	-
E.ON UK	Yes	Prompt implementation is desirable.
International Power	Yes	Implementation date appears reasonable
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	The implementation date is appropriate. These arrangements required no system changes (with the exception of the new monitoring arrangements for the low grade service) and therefore should be implemented as soon as possible.
British Energy Trading & Sales Ltd	Yes	This is a practical notice period for parties to promulgate the change within their organisations, so that all traders are aware of the opportunity to submit notifications following ECVAA communications failure in the same manner as for unplanned ECVAA outage
APX Commodities	Yes	-

Question 3: Do you agree with the Panel's view that this legal text provided in the draft Modification Report delivers the solution agreed by the Modification Group?

Please give rationale

Summary

Yes	No	Neutral/Other
6	0	0

Responses

Respondent	Response	Rationale
Centrica	Yes	-
E.ON UK	Yes	It appears appropriate.
International Power	Ye	-
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	-
British Energy Trading & Sales Ltd		We have not examined the legal text in detail, but from a quick look we note that it appears consistent with the final proposal described in the modification report.

Respondent	Response	Rationale
		<p>We would prefer the definition of the 'Party System Boundary' to be included in the legal text of the BSC itself rather than in a Code Subsidiary Document. This is an important element in determining the risk associated with notification failures, and we think full and transparent consideration of potential future changes, as provided by the modification process, would be better.</p> <p>Suggest 'ECVAA Notification System' rather than just 'Notification System' to avoid any possible confusion with National Grid systems for Physical Notification.</p>
APX Commodities	Yes	-

Question 4: Do you agree with the Panel's views on the impact on the Applicable BSC Objectives?

Please give rationale.

Summary

Yes	No	Neutral/Other
6	0	0

Responses

Respondent	Response	Rationale
Centrica	Yes	Centrica supports the views of the Panel.
E.ON UK	Yes	BSC objectives b) and c) would be furthered by P227. The benefits under these objectives, of rectifying the current unfair risks to Parties from communications failures beyond their control and consequent disincentive to contract forward, far outweigh the fact that some work to investigate any failures might be required on the part of BSCCo.
International Power	Yes	International Power agrees with the panel's views on the impacts on the applicable BSC objectives for the reasons set out in the report
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	-

Respondent	Response	Rationale
British Energy Trading & Sales Ltd	Yes	We agree that BSC objectives (b) relating to efficient system operation and (c) relating to competition would be better met, and these benefits outweigh the small increase in costs under BSC objective (d).
APX Commodities	Yes	-

Question 5: Are there any further comments on P227 that you wish to make?

Responses

Respondent	Response	Rationale
Centrica	Yes	<p>Section 4.1.2 of the draft Modification Report records Ofgem's observation at the last Panel meeting when P227 was considered. It is noted that Ofgem were uncertain as to whether the work of the Modification Group is sufficient to address Ofgem's belief that parties being able to competitively procure communication services was likely to be a better model. Additionally whilst noting it may not be relevant to P227, it indicates that such considerations may affect the outcome of the proposal.</p> <p>Whilst Centrica understands that Ofgem are well aware of their duties, it is not clear how areas that are not relevant to a modification proposal should be able to impact Ofgem's decision. P227 does not attempt to alter the communication model that Ofgem appear to be concerned with and neither would P227's introduction perpetuate this perceived defect.</p> <p>Additionally, Centrica has not yet seen any evidence that a better model exists. The analysis commissioned by the Modification Group indicated that the existing communication model compared relatively favourably with other industries.</p>
E.ON UK	No	-
International Power	No	-
SAIC Ltd. (for and on behalf of ScottishPower)	No	-
British Energy Trading & Sales Ltd	No	-
APX Commodities	No	-