

## P236 Consultation Responses

Consultation issued on 02 June 2009

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

We received responses from the following Parties

Company	No BSC Parties / Non-Parties Represented	Role of Parties/non-Parties represented
International Power	6/0	Generator/Trader
EDF ENERGY	13/0	Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent/Distributor
Centrica	10/0	-
SAIC Ltd. (for and on behalf of ScottishPower)	7/0	Supplier / Generator / Trader / Consolidator / Exemptible Generator / Distributor
Gazprom Marketing & Trading*	2/0	Trader and supplier

Question 1: Would the Proposed Modification P236 help to achieve the Applicable BSC Objectives?

### Summary

Yes	No	Neutral/Other
5	0	0

### Responses

Respondent	Response	Rationale
International Power	Yes	We believe P236 would better achieve Applicable BSC Objectives (c) and (d) when compared to the current baseline. P236 would:  (c) "promote effective competition" - P236 will enable parties which MVRN to compete on an equal basis with

P236  
Assessment Consultation  
Responses

Day Month Year

Version 1.0

Page 1 of 9

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\* Late Response

Respondent	Response	Rationale
		<p>non-MVRN parties. In addition P236 will remove the potential for 'gaming' which exists within the current arrangements.</p> <p>(d) "promote efficiency in the implementation of the balancing and settlement arrangements" – we think P236 would clarify the Q8 claims process, making it absolutely unambiguous what elements could be and could not be included within a Q8 claim and in so doing would prevent any potential legal challenge.</p>
EDF ENERGY	Yes	<p>Objective (c) because it would allow more accurate and equitable and therefore more competitive compensation for claims associated with National Grid communications Outages. If a claim were to require MVRN information in order to be valid, and that information were to be considered in assessing materiality, then it would (i) allow Lead and Subsidiary party positions to be considered and (ii) help prevent potential opportunistic claims for only a loss without considering a corresponding gain on another account.</p> <p>Objective (d) as it seems there has been a genuine anomaly in the drafting of the BSC in terms of what parties can or cannot claim for. A correction through implementation of this proposal would correct the defect, make the overall claims process clearer and would avoid possible escalation by a party wishing to claim for Subsidiary Party costs. These benefits outweigh the modest implementation cost.</p>
Centrica	Yes	<p>Centrica agrees that P236 would better facilitate BSC objectives (c) and (d).</p> <p>MVRNs were introduced to facilitate the current competitive arrangements and it would seem perverse if Parties that use them are not accommodated by the Q8 claims process. This process was designed to ensure that Parties are not exposed to undue imbalance costs when they cannot submit PNs due to a Transmission Company outage. As the example in 2.7 of the attachment shows, current arrangements can result in compensation amounts being disparate to the loss incurred in aggregate to the Lead and Subsidiary Parties. This highlights that the current rules can provide for odd results which do not facilitate a competitive process. P236 will ensure that Q8 compensation amounts are equivalent to the aggregate negative impact on Parties.</p> <p>Centrica agrees with the group's view that BSC objective (d) would be better facilitated for the reason provided by</p>

Respondent	Response	Rationale
		the group.
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	-  (Respondent fully supported the Groups views and had no new arguments to make)
Gazprom Marketing & Trading	Yes	Modification P236 would better facilitate the achievement of Applicable BSC Objectives (c) and (d). The proposed modification would promote effective competition as a result of all parties being treated equally through subsidiary costs being permitted in the Q8 claims.  P236 would also promote efficiency in the implementation of the balancing and settlement arrangements through reducing the probability of litigation claims being raised as a consequence of a party attempting to claim for subsidiary costs.

## Question 2: Would the P236 solution impact your organisation?

### Summary

Yes	No	Neutral/Other
3	2	0

### Responses

Respondent	Response	Rationale
International Power	Yes	All International Power generation BM units are subject to a MVRN arrangement therefore this change will allow us to participate in the Q8 process.
EDF ENERGY	Yes	EDF Energy has a role both as a Lead and Subsidiary Party, and could be impacted in the event of a National Grid communications Outage. No internal systems impacts are envisaged and very minor changes to internal procedures.
Centrica	No	-
SAIC Ltd. (for and on behalf of ScottishPower)	No	The Modification as described will merely allow for Lead Parties to claim for trading and avoidable costs incurred during an outage by both them and the Subsidiary Party. It widens the scope of the claim, but does not alter the process for making that claim.
Gazprom	Yes	The MVRN bilateral contracts would be amended to

Respondent	Response	Rationale
Marketing & Trading		now reflect the new arrangements of including subsidiary cost in the Q8 claims process.

Question 3: Is there any reason why the Trading Charges and/or Avoidable Costs of Subsidiary Parties should not be considered as part of a Q8 claim?

### Summary

Yes	No	Neutral/Other
0	5	0

### Responses

Respondent	Response	Rationale
International Power	No	We believe that the subsidiary party's Trading Charges MUST be considered as part of a Q8 claim. However, we do not think the subsidiary party's avoidable costs would be affected so we see no reason why they should be included (to be clear, it would not be problematic were they to be included, as they are not relevant).
EDF ENERGY	No	To enable rational decisions to be made all relevant costs and gains should be considered for all directly affected parties. Failure to do so could allow claims only for the losses associated with an event without the corresponding gains in another energy account. Conversely, ignoring valid claims in relation to subsidiary accounts could result in unmanageable losses likely to increase market uncertainty.
Centrica	No	The Q8 claims committee should consider the impacts on the Lead and all Subsidiary parties (if any) in each claim.
SAIC Ltd. (for and on behalf of ScottishPower)	No	Subsidiary Parties who have entered into a MVRN are equally exposed to imbalance costs as a result of an outage, as they are responsible for the volume, but are unable to claim as they are not the registrant of the BMU.
Gazprom Marketing & Trading	No	We believe that there is no reason why Trading Charges of subsidiary parties should not be considered as part of a Q8 claim. Equal treatment of MVRN and ECVN should be encouraged.

Question 4: As the definition of Avoidable Costs relates to the operational costs of running a BM Unit, the Group believe that

Avoidable Costs for a Subsidiary Party will always be zero, as the Subsidiary Party does not own a BM unit. Do you agree with the Group's view?

### Summary

Yes	No	Neutral/Other
5	0	0

### Responses

Respondent	Response	Rationale
International Power	Yes	We agree, given the definition of avoidable costs, with the Modification Group assertion that a Subsidiary party will not incur avoidable costs as it is not directly responsible for operation of the BM unit.
EDF ENERGY	Yes	This is sensible and appropriate for the clear reason that Subsidiary Parties generally don't own the BM unit(s) and are not generally directly liable for the avoidable costs. The Lead Party is the registrant of a BM Unit under the BSC, and the BM Unit represents the physical plant and equipment causing electricity flows, so it is entirely rational that the registrant and no-one else has responsibility for advising costs associated with operating the plant and equipment.
Centrica	Yes	-
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	As per the group's view
Gazprom Marketing & Trading	Yes	The definition of Avoidable Costs would not permit a subsidiary party to make a Q8 claim under this particular category. The lead party is solely exposed to Avoidable Costs.

Question 5: If P236 was implemented, would you change the way that you use MVRNs or your contractual arrangements relating to MVRNs?

### Summary

Yes	No	Neutral/Other
1	3	1

### Responses

Respondent	Response	Rationale
International Power	No	The proposed change would not change the way we used MVRNs. However, it would provide us with comfort that we would be protected in the event of an outage compensation period
EDF ENERGY	-	It is very likely that the proposed changes relating to MVRNs and the associated claim process would necessitate corresponding changes in our underlying contracts.
Centrica	No	-
SAIC Ltd. (for and on behalf of ScottishPower)	No	-
Gazprom Marketing & Trading	Yes	The contractual arrangements related to MVRN would now incorporate the requirements of the subsidiary party providing a letter of support within less than 10 days of a Q8 claim had being submitted.

Question 6: Would you have raised a Q8 claim in the last 12 months, if the P236 solution was in use?

### Summary

Yes	No	Neutral/Other
1	3	1

### Responses

Respondent	Response	Rationale
International Power	Yes	I am replying on behalf of International Power - however one of our BSC parties (First Hydro Company, the modification proposer) has made a Q8 claim in the past year which was rejected precisely because of the BSC defect that P236 will correct.
EDF ENERGY	-	-
Centrica	No	-
SAIC Ltd. (for and on behalf of ScottishPower)	No	-
Gazprom Marketing & Trading	No	We have had no need, but that does not mean that the defect should not be corrected.

Question 7: The Group has determined that the opportunity to 'Game' would not be increased by implementing P236, and may be reduced. Do you agree? (Section 2 of the Detailed P236 assessment attachment)

## Summary

Yes	No	Neutral/Other
4	0	1

## Responses

Respondent	Response	Rationale
International Power	Yes	Under the present arrangement there is the perverse situation where a party wishing to reduce its PNs (during an outage compensation period) could claim more than its genuine losses. In fact, the <i>only</i> valid claim for such a MVRNing party would over compensate that party because the subsidiary party's trading charges cannot currently be considered. Under P236 there is no opportunity to game providing that all subsidiary party's trading charges MUST be included.
EDF ENERGY	Yes	The current arrangements allow the possibility of a Subsidiary Party making windfall gains, as they are simply not considered in the compensation process as a whole. The proposed change creates a more accurate picture as it considers the position of both the lead and subsidiary party. Overall the proposed change provides a truer or more accurate apportionment of the actual costs and gains involved when compared to current.
Centrica	-	Centrica agrees that the opportunity to game would not increase. It is clear that the situation described in the consultation example (whether this can be considered 'gaming' or not) is undesirable. The rules should ensure consideration of the Subsidiary Party trading charges.
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	We agree with the groups determination that the opportunities are decreased under the proposed Modification.
Gazprom Marketing & Trading	Yes	The example contained in Attachment B: Detail Assessment for P236 clearly highlights that the implementation of P236 does not increase gaming from the current arrangements.

## Question 8: Do you support the implementation approach described in Section 6 of the Assessment Consultation?

### Summary

Yes	No	Neutral/Other
5	0	0

### Responses

Respondent	Response	Rationale
International Power	Yes	As there are no system changes involved it seems appropriate to implement as soon as practicably possible.
EDF ENERGY	Yes	-
Centrica	Yes	-
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	The Modification should be implemented as soon as reasonably possible. As there should be no Party process impact then a short implementation cycle is appropriate.
Gazprom Marketing & Trading	Yes	We support the implementation approach described in Section 6 as a result of preserving the simplicity of the Q8 claim process i.e. maintaining 10 working days to submit a claim and ensuring no system costs are incurred.

## Question 9: Are there alternative solutions that the Modification Group has not identified, that they should consider?

### Summary

Yes	No	Neutral/Other
0	5	0

### Responses

Respondent	Response	Rationale
International Power	No	We think the Modification Group has considered all relevant issues.
EDF ENERGY	No	-
Centrica	No	-
SAIC Ltd. (for and on behalf of ScottishPower)	No	-
Gazprom	No	The simplicity of this proposed modification is



Respondent	Response	Rationale
Marketing & Trading		welcomed. Any potential alternative proposal has the possibility of being more complicated without delivering additional benefits when compared with P236.

## Question 10: Do you have any further comments on P236?

### Responses

Respondent	Response	Rationale
International Power	No	
EDF ENERGY	Yes	We have concerns that a subsidiary party(s) could effectively block valid claims raised by the Lead Party, by not providing a letter of support and/or acknowledgement. Our provisional view is that a subsidiary party(s) should not have this power of veto, and that subsidiary parties should simply be informed of claims and given opportunity to comment on them. We would welcome further consideration of this important point by the modification group.
Centrica	Yes	Centrica believes that it is not clear whether the support of the Subsidiary Party is required or not. The consultation document states that 02 June 2009 Version 1.0 <p>"If the Lead Party does not produce letters of support from the impacted Subsidiary Party/Parties then the Q8 committee will not consider the claim. It should be noted that the Subsidiary party does not have to agree or fully support the claim of the Lead Party, but acknowledge that the Lead Party is claiming the costs."</p> <p>This seems to be contradictory as it says that the Lead Party needs 'letters of support', but these letters do not have to support the claim. This contradiction is again made in 2.5 of the attachment.</p> <p>As a point of process it would seem sensible that the Subsidiary Party is not able to effectively veto the claim by not providing a letter of support.</p>
SAIC Ltd. (for and on behalf of ScottishPower)	No	-
Gazprom Marketing & Trading	Yes	The modification P236 effectively resolves the current defeat of subsidiary parties being permitted to claim for Trading Charges where a MVRN is in place.