

Modification proposal:	Balancing and Settlement Code (BSC) P241: Relaxation of Requirement to Separately Meter Licensable Generating Units (P241)		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	National Grid Electricity Transmission Plc (NGET), Parties to the BSC and other interested parties		
Date of publication:	21 January 2010	Implementation Date:	5 working days after Authority Decision

Background to the modification proposal

The Balancing and Settlement Code (BSC) requires that a Party's Exports and/or Imports be determined at each Boundary Point³ to the transmission system or a distribution system, via Metering⁴. Each meter which records Exports and/or Imports must be registered separately in accordance with the BSC.

P162 was approved by the Authority in October 2004. It sought to remove ambiguity in the BSC (Section K) about the definition of Exports and Imports of power flows⁵. P162 aimed to ensure that power flows would be separately metered at a Boundary Point so that each flow is attributable to a Party. P162 concluded that it was not necessary to determine Exports and/or Imports at a Boundary Point for all Generating Units, as Section K implied at that time. P162 amended the BSC to remove the requirement on Exemptable Generating Plant⁶ to be separately metered, so that only one meter was required to measure the net flow at a Boundary Point. The impact of P162 on Combined Cycle Gas Turbine (CCGT) Modules⁷ was not specifically considered at the time.

A BSC Issues Standing Group (Issue 37: Boundary Point Metering and BM Unit Issues in Section K) met in June 2009 to discuss a number of matters arising from the introduction of an offshore transmission regime on 24 June 2009 (the 'Go Active' date). Other BSC modifications (P237, P238, P240) have been raised to tackle different aspects of the treatment of offshore generators in terms of the registration and metering requirements imposed by the BSC in Section K. P241 arose out of the Issue 37 Group discussions as a standalone metering issue which is not related to the offshore transmission regime.

The modification proposal

P241 was proposed by RWE npower in July 2009 and seeks to amend the BSC to exclude each licensable Generating Unit within CCGT Modules from the requirement to be

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 A Boundary Point means a point at which any Plant or Apparatus not forming part of a transmission or distribution system connects to a transmission or distribution system.

⁴ Section K 1.2.1 of the BSC refers.

⁵ Further details on P162 can be found in the Decision Letter:

http://www.elexon.co.uk/documents/modifications/162/p162_ofgem_decision.pdf

⁶ An Exemptable Generating Plant is a plant that, if considered in isolation, would not need to be licensed. Exemption from the requirement to hold a Generation Licence applies in relation to plant below 50MW capacity and could be granted in relation to plant up to 100MW depending on circumstances.

⁷ A CCGT Module is a group of licensable Generating Units comprising gas turbine units and steam units. Waste heat from the gas turbines is used by the steam units, and component units within the CCGT Module are directly connected by steam or hot gas lines so that the units contribute to the efficiency of the combined cycle operation. The component units cannot be controlled separately.

separately metered⁸. The modification aims to address two defects: the ambiguity between metering practice and BSC requirements, and the potential for inefficient installation of meters.

A CCGT Module can be registered in the trading and settlement arrangements as a single BM Unit (Section K 3.1.4(a)) and typically metered through a single meter at the Boundary Point with the transmission system.

By ensuring that CCGT Modules are only required to fit one meter at the Boundary Point and not multiple meters (one per licensable Generating Unit as currently required), P241 would avoid the need to fit additional metering which would, in the proposer's view, serve no operational or commercial purpose but would add to the operating costs of the plant. The proposer considered that P241 would better facilitate Applicable BSC Objectives (c) and (d).

BSC Panel⁹ recommendation

The BSC Panel considered the draft Final Modification Report (FMR) at its meeting on 10 December 2009. The Panel unanimously agreed that P241 would better meet Applicable BSC Objectives (c) and (d) and recommended approval of P241. The FMR provides details of the Panel's views.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the FMR dated 11 December 2009. The Authority has considered and taken into account the responses to Elexon's¹⁰ consultation which are attached to the FMR¹¹. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the BSC¹²; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties¹³.

Reasons for the Authority's decision

We agree with the Panel and respondents that there is ambiguity between the interpretation of metering requirements within the existing BSC text and accepted metering practice, that creates an unnecessary metering obligation on CCGT Modules.

We note that the Modification Group concluded that there were no other types of existing Generating Units that were subject to such ambiguity, and that it is not appropriate to attempt to amend the BSC to provide for future developments in generator technology.

⁸ Post implementation of P162, requirements of Section K of the BSC mean that Export and/or Import flows from any Generating Unit that individually constitutes or is capable of constituting a Licensable Generating Plant are considered as separate flows and hence must be metered (such units are referred to as licensable Generating Units). The only Generating Units that do not need to be individually metered are those that are not licensable.

⁹ The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

¹⁰ The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

¹¹ BSC modification proposals, modification reports and representations can be viewed on the Elexon website at www.elexon.com

¹² As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=4151

¹³ 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.

In our view, the exclusion of CCGT Modules from the requirement for separate metering for the individual Generating Units does not discriminate against other types of Generating Units that do require to be separately metered.

Therefore, we consider it appropriate to have an explicit exclusion within the BSC legal text for CCGT Modules that avoids separate metering of the Generating Units within Modules. We consider that approving P241 does not 'future proof' against further developments in generator technology. If a new type of generator emerges that is appropriate for similar exclusion, then a new proposal would need to be raised and assessed at that time under the BSC Modification process.

Applicable BSC Objective (c) (promoting effective competition in the generation and supply of electricity)

We consider that P241 would prevent the installation and maintenance of unnecessary meters for existing non-compliant CCGT Modules (installation costs are estimated to be around £415k per Module) and approving P241 would promote effective competition in the generation of electricity by removing an unnecessary obstacle to market participation for non-compliant CCGT Modules. Elexon indicated that around half of existing registered CCGT Modules may be affected, as some existing CCGTs are already compliant due to their technical configuration.

We note the difference in views about the extent to which new CCGT Modules would install meters if P241 is not implemented. In our view, operators of new CCGT Modules are likely to install meters rather than risk being non-compliant upon entry. We consider that approving P241 would therefore prevent unnecessary metering costs being incurred by new CCGT operators. However, we note this is unlikely to significantly affect new entry since such metering costs are likely to only represent a small proportion of total entry costs.

We consider that P241 does therefore better meet Applicable Objective (c) overall.

Applicable BSC Objective (d) (promoting efficiency in the implementation of the balancing and settlement arrangements)

By removing the ambiguity between accepted practice and the BSC requirements, we consider that P241 does promote efficiency in the implementation of the electricity trading arrangements by reducing potential confusion for Parties operating CCGT Modules when implementing those requirements and avoiding the risk that those Parties dispute compliance with the requirements and initiate litigation.

We agree with the Panel and respondents that P241 would also better facilitate Applicable Objective (d) by avoiding the central BSC costs of administering additional meters which are unnecessary for settlement purposes.

We consider that approval of P241 is consistent with the Authority's statutory duties.

Decision notice

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority, hereby directs that modification proposal BSC P241: 'Relaxation of Requirement to Separately Meter Licensable Generating Units' be made.

Ian Marlee
Partner, Trading Arrangements

Signed on behalf of the Authority and authorised for that purpose.