

Modification Proposal – BSCP40/03MP No: P242
(mandatory by BSCCo)**Title of Modification Proposal (mandatory by originator): Treatment of Exemptable Generation Connected to Embedded Offshore Transmission Networks****Submission Date (mandatory by originator):****Description of Proposed Modification (mandatory by originator)**

The offshore transmission trading arrangements are due to Go Live on or about June 2010. It is proposed that Exemptable Generators located offshore and connected onshore to a distribution network will continue to be treated in the same manner as onshore Embedded Exemptable Generators, save for the allocation of losses for the offshore network. At present an offshore generator connected by 132kV cables to an onshore distribution network is treated in the same manner as any other Exemptable embedded generator. Under the present drafting of the BSC, following Go Live such a generator would be treated the same as a Licensable generator or one connected to the wider onshore transmission network.

It is proposed that the BSC is changed to continue to treat the generation in the following manner consistent with that for onshore embedded Exemptable Generators:

- The generator would, for the purposes of Settlement, be metered onshore at the point where the offshore network meets the relevant Distribution network.
- Losses for the offshore network would be fully attributable to the relevant generator and would not be smeared across other market participants.
- The generator would qualify for embedded benefits.
- There would be a choice as to whether the generating station is registered in SMRS or CMRS.
- The party responsible for the Exports from the generator would also be the Registrant of the meter.

Consideration should be given as to where the Boundary Point would be. Prior to Go Live it will be at the point of connection between the offshore cable and the onshore distribution system. Subsequent to Go Live, the present situation is that it will be on the offshore platform at the point of connection between the generator's assets and the offshore transmission assets. One possible solution to this modification would entail simply moving the Boundary Point back to the pre Go Live definition. However, this may alter the definition of the Total System which may have wider implications for the BSC. It is proposed that the exact solution would be developed by the modification group.

Description of Issue or Defect that Modification Proposal Seeks to Address (mandatory by originator)

At Go Live an Exemptable Generator connected offshore to an onshore distribution network will change from being considered as an Embedded Exemptable Generator to being treated as directly connected to the wider integrated transmission system. In reality, all that will happen at Go Live is that a discrete length of offshore cable and possibly some elements of the offshore substation will be designated as being transmission assets. However, its commercial position will change significantly. It appears disproportionate to treat this generator in the same manner as a transmission connected generator with direct links to the integrated transmission system, when the actual physical nature of the connection is unaltered. The physical position of the generator is actually closer to that of an onshore embedded generator. The only difference is the discrete length of offshore cable between the

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generator and the relevant distribution network, which is analogous to a (lengthy) local connection between an onshore embedded generator and the distribution network to which it connects.

This proposed Modification seeks to address inconsistencies in the treatment of these generators in the BSC. However, it is part of a number of changes required to provide appropriate treatment of Exemptable Generators connected to embedded transmission assets. The attached paper summarises the difference in treatment of Exemptable Generators under the present proposed regime for Offshore Transmission pre and post Go Live, and explains how the model proposed by E.ON and Centrica compares.

Clearly, this proposal has an immediate effect for those projects transitioning into the offshore transmission regime at Go Live. However, it also affects the connection decisions that parties make in the future. The present regime is likely to drive a generator to always choose a full transmission connection, with an extension of the onshore transmission network to meet the offshore assets, even if a connection to a distribution network is the most efficient solution overall. This is because the commercial effects it is exposed to will always be less favourable than choosing the pure transmission route.

Impact on Code *(optional by originator)***Impact on Core Industry Documents or System Operator-Transmission Owner Code** *(optional by originator)***Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties** *(optional by originator)***Impact on other Configurable Items** *(optional by originator)*

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*(mandatory by BSCCo)***Justification for Proposed Modification with Reference to Applicable BSC Objectives**
(mandatory by originator)

Treating similar cases differently constitutes undue discrimination. We believe that the Embedded Transmission Exemptable Generator is closer in terms of physical access to the system as an onshore Exemptable Embedded Generator than any other class of generator. The large differences in treatment under the proposed regime are not justified by the one difference between the two classes – the existence of the discrete section of offshore transmission assets. Therefore we believe that this different treatment is unduly discriminatory.

The proposal removes this discrimination whilst ensuring that the one difference between the two classes is properly reflected by maintaining the charge for using the offshore network plus making the relevant generator fully liable for the offshore transmission losses. The removal of this discrimination better meets applicable objective c), namely the facilitation of competition in generation, by removing an unfair disadvantage to a class of generator.

It would also promote more efficient network design solutions as Embedded Transmission solutions would not be avoided if they are the more efficient solution simply because of a distortion in the incentives provided by the current arrangements. Although not a direct concern to the BSC, this would better meet applicable objective a), the efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence.

Urgency Recommended: No *(delete as appropriate) (optional by originator)*

Justification for Urgency Recommendation *(mandatory by originator if recommending progression as an Urgent Modification Proposal)*

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Details of Proposer:

Name..... *Paul Jones*.....

Organisation... *E.ON UK plc*

Telephone Number... *02476 183 383*

Email Address..... [*paul.jones@eon-uk.com*](mailto:paul.jones@eon-uk.com)

Details of Proposer’s Representative:

Name..... *Paul Jones*

Organisation..... *E.ON UK plc*

Telephone Number.....*02476 183 383*.....

Email address..... [*paul.jones@eon-uk.com*](mailto:paul.jones@eon-uk.com)

Details of Representative’s Alternate:

Name.....*Chris Stewart*

Organisation.....*Centrica*.....

Telephone Number.....*07789 577 609*.....

Email address..... [*chris.stewart@centrica.com*](mailto:chris.stewart@centrica.com)

Attachments: Yes (*delete as appropriate*) (*mandatory by originator*)

If Yes, Title and No. of Pages of Each Attachment:

Explanatory Appendix - Treatment of Exemptable Generators connected to Embedded Transmission Assets (3 pages)