

P270 Consultation Responses

Consultation issued on 16 June 2011

We received responses from the following Parties

Company	No BSC Parties / Non-Parties Represented	Role of Parties/ Non-Parties represented
Western Power Distribution	4/0	LDSO
Electricity North West Limited	1/0	LDSO
UK Power Networks	4/0	LDSO
IBM (UK) Ltd (for and on behalf of ScottishPower)	4/0	Supplier/ Generator/ Trader/ Consolidator/ Exemptible Generator
EDF Energy	10/0	Supplier/ Generator/ Trader/ Consolidator/ Exemptible Generator/ Party Agent
E.ON UK	6/0	Supplier/ Generator/ Trader/ Consolidator/ Exemptible Generator
Scottish and Southern Energy	9/0	Supplier /Generator / Trader /Consolidator /Exemptible Generator

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

Question 1: Do you agree with the Panel's initial view that the Proposed Modification should be rejected?

Summary

Yes	No	Neutral/Other
4	3	0

Responses

Respondent	Response	Rationale
Western Power Distribution	No	Under OFTO the transmission company itself is a participant as a user of the distribution network (as witnessed by the fact that they are signatories to DCUSA and liable for DUOS charges). It is entirely appropriate that they should pick up the costs of distribution losses caused by their connection to a distribution system, in common with other users and in accordance with applicable objective (c). How they choose to allocate those losses to users of the transmission system, whether on a locational or a socialised basis, is a separate matter.
Electricity North West Limited	No	<p>Our view on the rationale for this modification remains unchanged since submitting the original proposal, in particular that it would have positive impact in respect of Applicable BSC Objectives (a) and (c) (see below for descriptions).</p> <p>The views of the workgroup expressed in the Draft Modification Report are neutral, balanced or slightly favourable in respect of applicable objectives (a), (b) and (d). The main arguments made against the proposal were in the context of applicable objective (c).</p> <p>The arguments against the proposal appear to be based on the following points:</p> <ul style="list-style-type: none"> • that P270 would transfer the cost of (some) distribution losses into transmission losses, which penalises transmission users; • that the Mod could not be said to improve cost reflectivity since the losses would be spread across all transmission users, not attributed to a particular participant; and • that the P270 issues are an area for LDSOs to pursue with Ofgem, and not a matter to be resolved under the BSC. <p>We believe that the first two conclusions miss out an</p>

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		<p>important step, which is that under OFTO the transmission company itself is a participant as a user of the distribution network (since they are signatories to DCUSA and liable for DUOS charges at these sites). It is entirely appropriate that the transmission company should be allocated the costs of distribution losses caused by such connections to distribution systems, in order to allow consistent application of applicable objective (c) to all users of distribution networks. How this cost is further allocated to users of the transmission system, whether on a locational or a socialised basis, is a separate matter beyond the scope of P270.</p> <p>The materiality of losses transferred from distribution to transmission is not great in the context of overall transmission losses; however the potential distortion of losses signals if P270 is not made could be significant for individual users of distribution systems and should be taken into consideration in the context of applicable objective (c).</p> <p>It is hard to understand the view that P270 issues are not a matter for the BSC, bearing in mind that such matters as the LDSO LLF calculation methodology are very much in the scope of the BSC, and that applicable objective (c) is highly relevant to the arguments. It would be useful to understand Ofgem's view on this point.</p> <p>Reference</p> <p><u>The Applicable BSC Objectives</u></p> <p>a) The efficient discharge by the licensee [i.e. the Transmission Company] of the obligations imposed upon it by the Transmission Licence;</p> <p>b) The efficient, economic and co-ordinated operation of the national transmission system;</p> <p>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;</p> <p>d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.</p>
UK Power Networks	No	By rejecting the P270 the conflict between the license and the BSC caused with the introduction of the OFTO arrangement will continue to be unresolved.
IBM (UK) Ltd	Yes	ScottishPower believes that the Proposed Modification

Respondent	Response	Rationale
(for and on behalf of ScottishPower)		<p>is not better than the current baseline for the following reasons:</p> <p>Objective a) Neutral</p> <p>Objective b) Neutral</p> <p>Objective c) Negative. The Modification proposes to redistribute a portion of distribution losses into the general pot of national transmission losses. These losses are then paid for by all NTS users, providing a distortion and discrimination against that class of user. Conversely, the embedded, distribution-connected users are given a financial benefit (or subsidy), which is quite clearly not an aid to overall competition. The current BSC principles correctly allocate losses to the appropriate users.</p> <p>Objective d) Neutral</p>
EDF Energy	Yes	<p>We support the Panel's initial view that the proposal would not better meet the BSC objectives, although our precise reasoning against each BSC objective is not exactly the same.</p> <p>BSC Objective (a): There appears to be no direct impact on achievement of Transmission Licence conditions, beyond that of the other BSC objectives.</p> <p>BSC Objective (b): Efficient, economic and co-ordinated operation of the national transmission system would not be better achieved by transferring a part of distribution loss so it is treated as being within transmission system loss. Including a part of distribution loss in the system operator incentive to reduce transmission loss would raise complex issues about the interaction between transmission and distribution system operation, which are beyond the scope of this proposal. We think it very unlikely that the proposal would result in any change to network operation, or to transmission or distribution investment decisions, and certainly none in relation to existing offshore connections.</p> <p>BSC Objective (c): Competition in the generation and supply of electricity would not be better achieved by charging all transmission users for particular elements of loss on particular distribution systems, instead of distribution users. We think distribution losses should continue to be charged to distribution users within the relevant distribution system, and transmission losses to transmission users. The flow from or to transmission at "remote" GSPs is not necessarily any different in its effect on distribution losses than that at "main" GSPs.</p>

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		<p>Both can be considered to affect distribution losses in a manner dependent on all the other in and out flows on the distribution network, over which the distribution operator has limited control. To single out flows at particular GSPs in the manner proposed could be considered discriminatory.</p> <p>BSC Objective (d): The proposal would add complexity to the BSC arrangements, and would therefore not promote efficiency in the implementation and administration of the balancing and settlement arrangements.</p> <p>We support the view that impacts of the OFTO arrangements on distribution loss incentive schemes would be better addressed directly through relevant distribution licence conditions.</p>
E.ON UK	Yes	<p>This proposal does not better facilitate the BSC Objectives; its primary effect would be an adverse impact on Objective (c). While the OFTO regime has indeed created GSPs 'different to others' in that offshore generation connected to an offshore transmission spur may have little demand directly associated, it did designate these assets as transmission but some of the flow entering the Distribution System may be used there, making it hard to justify treating such a 'remote' GSP differently to 'conventional' GSPs. More fundamentally it would be inappropriate to incorporate Distribution losses in overall Transmission losses.</p>
Scottish and Southern Energy	Yes	<p>We agree with unanimous Panel recommendation that P270 Proposed Modification should be rejected. In coming to this view we agree with the Panel's unanimous initial view that P270 is neutral against Objectives (a), (b), and (d) and would have a negative impact against Objective (c). We, like the Panel, support the views and arguments of the majority of the P270 Workgroup as set out in the consultation document.</p> <p>Furthermore, we agree with the arguments set out in the consultation that the application of an LLF to a Remote GSP would result, via the consequent adjustment of the metered output of that GSP, in an impact on Transmission Losses. This impact, in our view, would result in the cost effect (positive or negative) of Distribution System losses associated with a Remote GSP falling upon, and being shared between, connectees to the national Transmission System in line with existing BSC rules, which is inappropriate (and</p>

Respondent	Response	Rationale
		<p>potentially discriminatory).</p> <p>In addition although overall actual losses would be the same, losses attributed to Transmission would increase, which in relation to Transmission System efficiency is not beneficial. In this regard it would, in our view, effectively transfer the costs of Distribution System losses to Transmission users, which penalises GB Transmission System users and the resultant discrimination ultimately has a negative effect on competition, which thus does not better achieve the applicable BSC objective.</p> <p>On a related point we agree with the comments of the Panel member that the underlying issue is defining whether particular losses are considered as Transmission or Distribution related, which is not a BSC issue.</p> <p>In conclusion we agree with (i) the majority of the P270 Modification Group and (ii) the (unanimous) Panel, that P270 Proposed would not better facilitate the applicable BSC objectives overall and that (compared with the existing baseline) P270 Proposed is worse and, accordingly P270 should be rejected.</p>

Question 2: Do you agree that the legal text delivers the intention of P270?

Summary

Yes	No	Neutral/Other
7	0	0

Responses

Respondent	Response	Rationale
Western Power Distribution	Yes	Seems appropriate
Electricity North West Limited	Yes	-
UK Power Networks	Yes	The text creates a clearer definition from which to work under.
IBM (UK) Ltd (for and on behalf of	Yes	-

Respondent	Response	Rationale
ScottishPower)		
EDF Energy	Yes	<p>The definition of a Contiguous Transmission System could result in more than one Contiguous Transmission System, rather than one main system as we had understood from the original proposal. This means that, if approved, there could in future be Grid Supply Points that are physically remote but not considered remote by the legal text, as highlighted in the detailed assessment.</p> <p>For example, an offshore wind network connecting to two GSPs in different GSP Groups would be considered part of the Contiguous Transmission System, with the GSPs not being Remote GSPs, while a connection to two GSPs in the same distribution system would not, with the GSPs considered Remote GSPs.</p> <p>Also, a transmission spur connected to the “main” transmission system through a single-ownership distribution substation would be considered remote, while a transmission circuit connected only to distribution substations associated with different GSP Groups at either end would not.</p> <p>This does not materially affect our views on the proposal, but these distinctions might create unjustified discrimination between locations. If the number of such situations turns out to be significant, the definitions might need to be revisited.</p> <p>We note that for historic reasons there are several different references to Line Loss Factors in existing Section X and its annexes, which do not aid clarity of the BSC. Table X-6 also has a definition of LLF specific to section S. Opportunity could have been taken to improve this: to have a general definition of Line Loss Factor, which explains how LLFs may be applied to values recorded by CVA and SVA Metering Systems connected at Boundary Points in Distribution Systems or Remote Grid Supply Points. It might also have been made clear that adjustments, not by means of LLF, may also be made in meter compensation, or in CDCA aggregation rules for values recorded by CVA Metering Systems. However, we accept these changes are probably out of scope for this particular modification proposal.</p>
E.ON UK	Yes	-
Scottish and	Yes	It appears to meet the intention of P270.

Respondent	Response	Rationale
Southern Energy		

Question 3: Do you agree with the proposed redlined changes to BSCPs 25, 75 and 128?

Summary

Yes	No	No Answered
5	-	2

Responses

Respondent	Response	Rationale
Western Power Distribution	Yes	Seem appropriate
Electricity North West Limited	Yes	-
UK Power Networks	Yes	The changes are in association with P270 and therefore eliminate possible future inconsistencies.
IBM (UK) Ltd (for and on behalf of ScottishPower)	Yes	-
EDF Energy	-	We have not checked the redlined changes to BSCPs, and rely on ELEXON to draft appropriate changes.
E.ON UK	Yes	-
Scottish and Southern Energy	-	No comment.

Question 4: Do you agree with the Panel's suggested Implementation Date?

Summary

Yes	No	Neutral/Other
7	0	0

Responses

Respondent	Response	Rationale
Western Power Distribution	Yes	Seems sensible
Electricity North West Limited	Yes	-
UK Power Networks	Yes	The implementation date would lead into the BSCP128 timelines fluently and thus minimising possible disruption to current working practises.
IBM (UK) Ltd (for and on behalf of ScottishPower)	Yes	-
EDF Energy	Yes	10 working days notice of implementation should be sufficient to allow all relevant central and party processes to be updated.
E.ON UK	Yes	-
Scottish and Southern Energy	Yes	We agree with the suggested implementation approach as set out in section 5 of the consultation document; namely ten working days after an Authority decision.

Question 5: Do you have any further comments on P270?

Summary

Yes	No
3	4

Responses

Respondent	Response	Rationale
Western Power Distribution	Yes	The P270 Proposed solution will facilitate the calculation by LDSOs of more accurate Line Loss Factors (LLFs) that will improve the accuracy of settlement.
Electricity North West Limited	No	-
UK Power Networks	No	-

Respondent	Response	Rationale
IBM (UK) Ltd (for and on behalf of ScottishPower)	Yes	<p>It is our opinion that there is no real defect within the BSC as described in the Modification Proposal. The principles currently set out in the BSC allow for the correct allocation of losses in a cost-reflective and appropriate way. The issue experienced by the Proposer is caused by problems with the application of their distribution LLF methodology and the losses incentives provided through Ofgem. The incentives should be updated to account for the introduction of the OFTO arrangements. The ENW LLF methodology should allow for the recalculation of the appropriate factors to compensate for the losses removed from Robin Rigg, and that methodology should be applied as published. These are problems which are out with the scope of the BSC, and it appears that the Modification is trying to bypass these non-BSC problems by changing the BSC.</p>
EDF Energy	Yes	<p>We have not investigated all GSPs to identify any which might unexpectedly fall into the proposed category of "remote GSP". A possible case could be a complex or shared substation where isolated sections of transmission circuit or busbar link different parts of a distribution system or different distribution systems/GSP Groups. The GSPs at either end of the isolated section could be considered remote or not depending on the exact circumstances. It is not clear whether such situations exist.</p> <p>The proposal would create interaction between incentives on the transmission company and those on affected distribution operators, but we do not think these would materially affect actual flows or losses or investment on the respective networks.</p> <p>The modification report (section 4) describes a direct impact only on distribution companies required to amend their procedures, and a consequential impact on the transmission company and BSC parties as users of the transmission system subject to slightly changed transmission losses. There would also be an impact on users of an affected distribution system, in small changes to generic LLFs in future, and hence GSP Group Correction, and potential changes in site-specific LLFs.</p>
E.ON UK	No	-
Scottish and Southern Energy	No	-