Responses from P175 Assessment Consultation

Consultation Issued 28 October 2004

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	RWE	P175_AR_001	10	0
2.	E.ON UK	P175_AR_002	15	0
3.	National Grid Transco	P175_AR_003	1	0
4.	British Energy	P175_AR_004	4	0
5.	British Gas Trading	P175_AR_005	1	0
6.	BizzEnergy Ltd	P175_AR_006	1	0
7.	Scottish Power	P175_AR_007	6	0
8.	EDF Energy	P175_AR_008	9	0
9.	Teesside Power	P175_AR_009	1	0

P175 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Name*
No. of Parties Represented	*10*
Parties Represented	*Please list all Parties responding on behalf of (including the respondent company if relevant).* RWE Trading Gmbh; RWE Npower Ltd; Npower cogen Ltd; Npower cogen trading Ltd; Npower Direct Ltd; Npower Ltd; Npower northern Ltd; Npower nothern supply Ltd; npower yorkshire Ltd; npower yorkshire supply Ltd
No. of Non Parties Represented	*None*
Non Parties represented	*Please list all non Parties responding on behalf of (including the respondent company if relevant).*
Role of Respondent	*(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state [1])* *Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent*

Q	Question	Response [1]	Rationale
1.	Do you believe Proposed Modification **P175** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	P175 would enable the removal the potential distortions to cash out prices occurring as a result of emergency instructions and intertrips and provide for lead parties to claim costs associated to any actions required by NGC where these costs are not remunerated under the CUSC.
2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.	Do you believe that the scope of P175 as defined by the PSMG (see section 2.1.2) is appropriate?	Yes	P175 should be robust to any changes in relation to bid offer acceptances under the Grid Code Sections 2.9 and 2.10.
4.	Do you support the implementation approach developed by the Modification Group (see section 2.2.1)? Please give rationale	Yes	The lowest cost option should be implemented for these rare events.

[1] Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

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Q	Question	Response [1]	Rationale
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' (see section 2.2.1.3)? Please give rationale	Yes	The determination of the replacement price should be based on the existing manifest error provisions, subject to allowing the emergency BOA to be taken into account.
6.	Do you agree with the PSMG's definition of the costs that should be deemed legitimate to include in a compensation claim under P175? *(NB: If you answer 'no' to this question, please specify what costs you think should be included.)*	Yes	It appears appropriate to take into account plant damage in assessing the claim.
7.	Do you believe that there should be a de minimis level for a compensation claim to the Panel under P175? *(NB: If you answer 'yes' to this question, please specify the level that you deem appropriate.)*	Yes	A de minimus limit would prevent trivial claims being submitted.
8.	Do you believe that the Panel determination of compensation claims should be open to appeal?	Yes	The approach should be based on the existing contingency provisions under the Code.
9.	Does P175 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
10.	Are there any further comments on P175 that you wish to make?	No	

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12:00 Midday on Tuesday 9 November 2004** to modification.consultations@elexon.co.uk and please entitle your email 'P175 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

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Any queries on the content of the consultation pro-forma should be addressed to Tom Bowcutt on 020 7380 4309, email address Thomas.bowcutt@elexon.co.uk.

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P175 ASSESSMENT PROCEDURE CONSULTATION

Respondent:	E.ON UK plc
No. of Parties Represented	15
Parties Represented	E.ON UK plc, Powergen Retail Limited, Cottam Development Centre Limited, Enizade Ltd, E.ON UK Drakelow Limited, E.ON UK Ironbridge Limited, E.ON UK High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy.
No. of Non Parties Represented	-
Non Parties represented	-
Role of Respondent	Supplier, Generator, Trader, Consolidator & Exemptable Generator

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification **P175** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	As with P173, P175 represents an undermining of the principle of pay as bid which is a fundamental characteristic of the balancing mechanism. Parties submit their bids/offers in the context of a competitive market and it is therefore not clear why they are inappropriate for these purposes. Parties are not able to change these bids/offers in reaction to the emergency instruction so there is no question that the SO can be exploited as a distressed buyer. However, what does happen is that the Party concerned is not able to realise the value of its bid or offer, as other Parties are in respect of other instructions, and instead has to go through an appeal process to claim compensation. This disadvantages the Party concerned and so represents a future risk to all Parties. This works against competition and therefore objective (c).
2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.	Do you believe that the scope of P175 as defined by the PSMG (see section 2.1.2) is appropriate?	No	We do not support the modification so would not wish to see its scope widened.

Q	Question	Response	Rationale
4.	Do you support the implementation approach developed by the Modification Group (see section 2.2.1)? Please give rationale	No	We do not support implementation of this modification.
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' (see section 2.2.1.3)? Please give rationale	Yes	We support this approach for energy imbalance pricing purposes, as in the alternative solution to P172.
6.	Do you agree with the PSMG's definition of the costs that should be deemed legitimate to include in a compensation claim under P175? *(NB: If you answer 'no' to this question, please specify what costs you think should be included.)*	No	We feel that it is unnecessary to require parties to do this. The BOA should be honoured.
7.	Do you believe that there should be a de minimis level for a compensation claim to the Panel under P175? *(NB: If you answer 'yes' to this question, please specify the level that you deem appropriate.)*	No	
8.	Do you believe that the Panel determination of compensation claims should be open to appeal?	Yes	
9.	Does P175 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	Yes	As with P173, there still doesn't seem to be a clear indication of why it is appropriate to undermine the pay as bid principle in these circumstances. The group should focus on this issue further to understand why it was deemed necessary in respect of emergency instructions at NETA Go Live, but not so now. What has changed? Additionally, it has been argued that the modification is required to avoid the effects of sleeper bids, without even considering the definition of such a bid. At what level would a bid be deemed to be a sleeper?
10.	Are there any further comments on P175 that you wish to make?	No	

P175 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*National Grid Transco*
No. of Parties Represented	*1*
Parties Represented	*National Grid Company plc*
No. of Non Parties Represented	
Non Parties represented	
Role of Respondent	*BSC Party*

Q	Question	Response Error! Bookmark not defined.	Rationale

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1.	Do you believe Proposed Modification **P175** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	We believe it is evident, from the documentation associated with the Modification Proposal and the discussion at the only modification group meeting held so far, that the PSMG is still developing Modification Proposal P175 as well as the solution to the defect. We are concerned that there is a danger that the Proposal itself will change post consultation and that the industry will not fully consider the eventual proposal. It is not possible for NGT to determine whether, on balance, P175 better facilitates the applicable BSC Objectives as the Modification Proposal and solution outlined in the consultation document allows for key elements of the proposal to change following this consultation. In particular: • Whether the proposal applies to whole sections of the Grid Code or explicitly to Emergency Instructions and the operation of Intertrips • Exactly what costs are included in the compensation provisions and what is meant by "plant damage" Additionally, we do not believe an adequate assessment of the appropriateness of using a replacement price and the consistency of this approach with existing imbalance pricing provisions has been performed. However we welcome recognition by P175 that Emergency Instructions and Intertrips are events which occur outside of the normal operation of the Balancing Mechanism and it is therefore not appropriate to apply normal Bid-Offer prices to those events. Based on our current understanding of the Modification Proposed, and the solution that is being developed, we believe P175 would better facilitate the Applicable BSC Objectives if: • Compensation was limited to Avoidable Costs as currently defined in the BSC • The proposed provisions were explicitly linked to Emergency Instructions and the operation of an Intertrip • Further assessment of the use of a replacement price concludes that it is appropriate and consistent with the treatment of other "System" actions in cashout. Based on the debate conducted at the only Modification Group meeting and our understanding of the solution proposed in the consultation document, we believe P175 has the following primary features: a) Applies to Instructions issued under Grid Code BC2.9 and BC2.10 which are treated as Acceptances. b) Provides for a replacement acceptance price to be used in cashout which is entirely independent of amounts paid to (or from) a Party. c) Provides a mechanism for compensating a Party for delivering a Grid Code Instruction treated as an

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			Acceptance, rather than remunerating at the prevailing Bid-Offer prices d) Compensates based on Avoidable Costs with the possibility for the inclusion of other costs e) Allows for the compensation arrangements to be "switched off" if other provisions relating to the Instruction or Event exist. Our views on each of these primary features are given below: a) The BSC contains explicit provisions for determining Acceptance Data relating to Emergency Instructions and the operation of Intertrips (as these are currently treated as Bid Offer Acceptances). However, if in the future a change were made to the Grid Code to treat another instruction as a Bid-Offer Acceptance, corresponding changes would be required to the BSC to determine Acceptance Data for that instruction. The required BSC modification could therefore propose to apply the P175 arrangements (or not) as appropriate, and could be assessed on its own merits. We do not therefore believe it is appropriate or necessary to make this judgement now. It is our view that the "closed approach" should be adopted in relation to which Grid Code Acceptances are covered by P175 and therefore that P175 should explicitly apply to Emergency Instructions and the operation of an Intertrip using the existing provisions contained within BSC Q5.1.3 and Q5.1.5. We note that there are instructions contained within BC2.10 which result in the issuing of Bid-Offer Acceptances in real time in the Balancing Mechanism. We believe it would be inappropriate to invoke the P175 proposals on these instructions. Additionally, we would like to point out that the provisions for treating the *operation* of an Intertrip as a Bid-Offer Acceptance are contained within BC2.5.2.3, and not in BC2.9 or BC2.10. These factors also lead to the logical conclusion that P175 should only apply to the specific instructions which the provisions were designed for. b) We are concerned that the use of a replacement price as proposed by P175 may be inconsistent with the treatment of other balancing actions which are "tagged" by the imbalance pricing mechanism and included in the calculation as unpriced volumes. We believe the consequences of setting a precedent whereby prices that are not ultimately paid to or by BM Participants are applied to system volumes and then used in the imbalance price calculation should be further assessed by the PSMG. This seems to be a significant departure from the principles that underpin the current treatment of "system" actions. Without proper assessment, we are not in a position to say whether the principle better facilitates the BSC Objectives. c) Whilst Emergency Instructions and the operation of intertrips are currently treated as Bid-Offer Acceptances, they are not Bid-Offer Acceptances that have been issued in the normal operation of the Balancing Mechanism. As these prices have been submitted for use in the normal Balancing Mechanism arrangements, applying these prices to instructions or events outside of the balancing

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			mechanism (e.g. for Emergency Instructions or Intertrips) is inappropriate and could lead to Market participants being exposed to losses or gains through consequential Industry cashflows, including NGC's Balancing Services Use of System Charges. We therefore support the proposal not to treat such deemed Acceptances at prevailing Bid or Offer prices. Depending on exactly what costs are included in the compensation arrangements, P175 may provide more appropriate compensation for Emergency Instructions and the operation of intertrips. As this is ultimately paid for by Market Participants it could promote effective competition in the generation and supply of electricity and (so far as consistent therewith) promote such competition in the sale and purchase of electricity. We support the use of the existing Avoidable Costs provisions (as currently defined within the BSC) for compensating Parties who have delivered against an Emergency Instruction. However extending the compensation beyond Avoidable Costs to include plant damage would in our view be inappropriate and could be seen as a replacement for plant insurance, underwritten by the rest of the industry. This would not promote competition, and would not better facilitate BSC objective (c). d) We believe it is appropriate for Emergency Instructions to be treated as a contingency and that the current Avoidable Cost provisions should apply. In respect of Intertrips, the Authority has indicated in its decision on P87 that remuneration for the operation of an intertrip should be dealt with under the CUSC, and NGT is progressing a CUSC Modification (CAP076) in this area. However, when compared with the current BSC baseline, we believe remuneration for the operation of an Intertrip using the currently defined Avoidable Costs provisions is more appropriate than using the prevailing Bid price. A determination of what items are appropriate to include and exclude in relation to Avoidable Costs for the purposes of providing compensation in contingency circumstances has already been made in the BSC, as it forms the current BSC baseline in section W. We see no reason to change it, or suggest that it is inadequate. We note that the PSMG have not reached a conclusion as to what costs should be included or excluded. e) We believe it is entirely appropriate to ensure that there are not "dual routes" for claiming compensation available to market participants, and that participants are not able to choose which mechanism is best for them. Explicit provisions should exist for remunerating (or not) Emergency Instructions and the Operation of Intertrips as appropriate, and they should be contained within the most appropriate Code (or Bilateral agreement). Thus it is important that the provisions introduced by P175 do not undermine the potential to develop explicit provisions elsewhere. We note that should CAP076 be approved, and if an Intertrip were to operate, the compensation mechanism proposed by P175 would not apply.
2	Do you believe there are	Yes	The costs that can be included in the compensation claim are still being developed by the PSMG and there

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	any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale		may be an Alternative if different views exist. Additionally, as we believe the use of a replacement price in cashout has not been adequately assessed, one potential alternative would be to treat Emergency Instruction and operation of an Intertrip BOAs as an unpriced Acceptance volume, consistent with the treatment of other "system" actions.
3	Do you believe that the scope of P175 as defined by the PSMG (see section 2.1.2) is appropriate?	No	The BSC contains explicit provisions for determining Acceptance Data relating to Emergency Instructions and the operation of Intertrips (as these are currently treated as Bid Offer Acceptances). However, if in the future a change were made to the Grid Code to treat another instruction as a Bid-Offer Acceptance, corresponding changes would be required to the BSC to determine Acceptance Data for that instruction. The required BSC modification could therefore propose to apply the P175 arrangements (or not) as appropriate, and could be assessed on its own merits. We do not therefore believe it is appropriate or necessary to make this judgement now. It is our view that the "closed approach" should be adopted in relation to which Grid Code Acceptances are covered by P175 and therefore that P175 should explicitly apply to Emergency Instructions and the operation of an Intertrip using the existing provisions contained within BSC Q5.1.3 and Q5.1.5. We note that there are instructions contained within BC2.10 which result in the issuing of Bid-Offer Acceptances in real time in the Balancing Mechanism. We believe it would be inappropriate to invoke the P175 proposals on these instructions. Additionally, we would like to point out that the provisions for treating the *operation* of an Intertrip as a Bid-Offer Acceptance are contained within BC2.5.2.3, and not in BC2.9 or BC2.10. These factors also lead to the logical conclusion that P175 should only apply to the specific instructions which the provisions were designed for. We also note the comment in the consultation document that the "open approach" is not one of the fundamental objectives of the Modification Proposal.
4	Do you support the implementation approach developed by the Modification Group (see section 2.2.1)? Please give rationale	Yes	Given that these events are likely to be infrequent, NGT believes that the lowest cost implementation approach should be adopted. We note that the solutions for P171/2/3 include provisions to cater for extreme circumstances where many Emergency Instructions have been issued and it is not possible to submit Acceptance data for all of them by II. We believe the same provision should be made for P175 (i.e. submission for II and by SF in exceptional circumstances.)
5	Do you support the proposed methodology for determining the 'Replacement Acceptance	Yes	We are concerned that the use of a replacement price as proposed by P175 may be inconsistent with the treatment of other balancing actions which are "tagged" by the imbalance pricing mechanism and included in the calculation as unpriced volumes. We believe the consequences of setting a precedent whereby prices that are not ultimately paid to or by BM Participants are applied to other unpriced

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	Price' (see section 2.2.1.3)? Please give rationale		"system" volumes and then used in the imbalance price calculation should be further assessed by the PSMG. This seems to be a significant departure from the principles that underpin the current treatment of unpriced "system" actions. However notwithstanding this concern, we believe that an appropriate way to determine a replacement price for Emergency Instructions and the Operation of an intertrip (due to their likely limited frequency of occurrence), is to base it on the current Manifest Error provisions for determining replacement prices.
6.	Do you agree with the PSMG's definition of the costs that should be deemed legitimate to include in a compensation claim under P175? *(NB: If you answer 'no' to this question, please specify what costs you think should be included.)*	No	We believe there is ambiguity regarding what costs are and are not included in the compensation provisions for P175, and are concerned that these may change following this consultation. We believe it is appropriate for Emergency Instructions to be treated as a contingency and that the current Avoidable Cost provisions should apply. In respect of Intertrips, the Authority has indicated in its decision on P87 that remuneration for the operation of an intertrip should be dealt with under the CUSC, and NGT is progressing a CUSC Modification (CAP076) in this area. However, when compared with the current BSC baseline, we believe remuneration for the operation of an Intertrip using the currently defined Avoidable Costs provisions is more appropriate than using the prevailing Bid price. A determination of what items are appropriate to include and exclude in relation to Avoidable Costs for the purposes of providing compensation in contingency circumstances has already been made in the BSC, as it forms the current BSC baseline in section W. We see no reason to change it, or suggest that it is inadequate. We therefore support the use of the existing Avoidable Costs provisions (as currently defined within the BSC) for compensating Parties who have delivered against an Emergency Instruction or following the Operation of an Intertrip (prior to explicit provisions being set out in the CUSC). However extending the compensation beyond Avoidable Costs to include plant damage would in our view be inappropriate and could be seen as a replacement for plant insurance, underwritten by the rest of the industry. This would not promote competition, and would not better facilitate BSC objective (c).
7.	Do you believe that there should be a de minimis level for a compensation claim to the Panel under P175? *(NB: If you answer 'yes' to this question, please specify the level that you deem appropriate.)*	Yes	It would seem appropriate to set a de-minimis limit for compensation claims to promote efficiency in the claims process. Whilst we do not have strong views on the limit, we suggest £5k as this is consistent with the cost of raising a manifest error claim.
8.	Do you believe that the	No	We believe leaving the Panel's determination open to appeal would be inconsistent with other contingency

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	Panel determination of compensation claims should be open to appeal?		arrangements.
9.	Does P175 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	Yes	We do not believe an adequate assessment of the appropriateness of using a replacement price and the consistency of this approach with existing imbalance pricing provisions has been performed, and would like the PSMG to consider this further.
10.	Are there any further comments on P175 that you wish to make?	No	

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12:00 Midday on Tuesday 9 November 2004** to modification.consultations@elexon.co.uk and please entitle your email 'P175 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.
Any queries on the content of the consultation pro-forma should be addressed to Tom Bowcutt on 020 7380 4309, email address Thomas.bowcutt@elexon.co.uk.

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P175 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

Modification Proposal P175 'Development of Provisions Related to Certain Bid-Offer Acceptances Issued Pursuant to the Grid Code (e.g. BC2.9 and BC2.10)'

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Martin Mate*
No. of Parties Represented	*4*
Parties Represented	*British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd*
No. of Non Parties Represented	-
Non Parties represented	-
Role of Respondent	*Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent*

Q	Question	Response Error! Bookmark not defined.	Rationale

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Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification **P175** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	Under the current Code baseline, deemed Grid Code Acceptances may result in actions taken primarily for System reasons significantly distorting Energy Imbalance prices. Consequently there is potential for Parties to be exposed to imbalance prices that may be unrepresentative of the prices necessary simply to balance energy at a national level. P175, through the calculation of a Replacement Acceptance Price, would reduce this potential exposure. British Energy considers that this would better facilitate achievement of Applicable BSC Objective (c) "Promoting effective competition in the generation and supply of electricity and promoting such competition in the sale and purchase of electricity". Excluding System actions from Energy Imbalance Prices leads to more appropriate incentives to balance, thereby leading to more efficient operation of the Transmission System. British Energy considers that these benefits would better facilitate achievement of Applicable BSC Objective (b) "The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System". Care is required in legal drafting to ensure that less complete compensation for the directly affected BM Unit(s) imposed unilaterally under another governance does not undermine compensation provided for under the BSC. P175 will introduce new processes e.g. for the calculation of a Replacement Acceptance Price and the introduction of a compensation claim process. This may make the trading arrangements more costly to operate. Therefore, P175 could have a negative impact on Applicable BSC Objective (d). In these circumstances a cost-effective solution should be adopted.

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Q	Question	Response Error! Bookmark not defined.	Rationale
2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.	Do you believe that the scope of P175 as defined by the PSMG (see section 2.1.2) is appropriate?	Yes	The solution developed under P175 should be applicable to any new categories of deemed Grid Code Acceptances that could have similar impacts on Settlement as the existing deemed Grid Code Acceptances. British Energy therefore, agrees with the PSMG provisionally conclusion that P175 refer generically to instructions issued under Grid Code BC2.9 and BC2.10.
4.	Do you support the implementation approach developed by the Modification Group (see section 2.2.1)? Please give rationale	Yes	A process, which deals with the impact of rare operational events on settlement systems via a manual approach thus avoiding expensive system changes, is a proportionate response to the identified defect.
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' (see section 2.2.1.3)? Please give rationale	Yes	The proposal to base this process on the approach used to determine a replacement price under the Manifest Errors process seems appropriate. The changes to this process to take account of the fact that the Transmission Company may have actually accepted the same Bid or Offer in normal circumstances as it did in the emergency situation and hence that the assessment should not be limited to looking at 'other' Bid-Offer Pairs, also seem appropriate. We agree with the view that the process should specifically look at what Bid-Offer Pair(s) would have been accepted if there had not been an emergency situation. The modification group's suggestion that this should be defined as the Bid-Offer Pair(s) that would have been accepted without taking into account System constraints seems reasonable.

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Q	Question	Response Error! Bookmark not defined.	Rationale
6.	Do you agree with the PSMG's definition of the costs that should be deemed legitimate to include in a compensation claim under P175? *(NB: If you answer 'no' to this question, please specify what costs you think should be included.)*	Yes	
7.	Do you believe that there should be a de minimis level for a compensation claim to the Panel under P175? *(NB: If you answer 'yes' to this question, please specify the level that you deem appropriate.)*	Yes	A de minimus level will prevent frivolous claims.
8.	Do you believe that the Panel determination of compensation claims should be open to appeal?		Principles and guidelines for compensation should be clear to avoid excessive costs and market uncertainty. Care is required in legal drafting to ensure that less complete compensation for the directly affected BM Unit(s) imposed unilaterally under another governance does not undermine compensation provided for under the BSC.
9.	Does P175 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
10.	Are there any further comments on P175 that you wish to make?	No	

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the

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Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12:00 Midday on Tuesday 9 November 2004** to modification.consultations@elexon.co.uk and please entitle your email 'P175 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

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P175 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	Mark Manley
No. of Parties Represented	
Parties Represented	British Gas Trading (BGT)
No. of Non Parties Represented	
Non Parties represented	
Role of Respondent	

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification **P175** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	BGT do not believe this modification proposal better facilitates the Applicable BSC Objectives. BGT has sympathy with the intentions of the proposer in respect of trying to normalise the impact on Energy Imbalance Price (EIP) by removing system actions. BGT concur with the views of the modification group that this element of the proposal better facilitates the Applicable BSC objectives. However BGT is concerned that this modification proposal moves away from the pay as bid principle. BGT acknowledge there is a precedent for non-pay as bid within the Manifest Error (ME) provisions, however this relates to errors not 'considered' instructions. Parties not being paid as bid could have a detrimental impact on competition in the supply and generation of electricity. BGT does not believe P175 will have a negative or positive impact on Applicable objective (b). BGT believe the Grid Code obligations on Parties

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Q	Question	Response Error! Bookmark not defined.	Rationale
			to take appropriate action in response to an emergency instruction will be unaffected by this modification proposal. Similarly BGT does not agree with the view that removing the payment of high priced Bids or Offers will encourage the System Operator (SO) to issue more Emergency Instructions (EI). The SO is constrained by the Grid Code in respect of issuing EI and BGT have no reason to believe Approval of P175 will impact upon those constraints.
2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.	Do you believe that the scope of P175 as defined by the PSMG (see section 2.1.2) is appropriate?	Yes	BGT's preference would be to place the detail in the BSC and refer to Emergency Instructions and Intertrips. This would remove the requirement for a cross-reference within the BSC to another governance document. However BGT acknowledges that there is a precedent within the BSC for cross-referencing to other governance documents and this may be the most efficient way of drafting the proposed change.
4.	Do you support the implementation approach developed by the Modification Group (see section 2.2.1)? Please give rationale	Yes / No	BGT agrees with the process that has been developed by the group but BGT cannot support the implementation approach until certain decisions have been made in respect of the inputs to the approach. The specific concern is which option is chosen in respect of the Bid Offer Acceptance (BOA) details fed into settlements in the interim period prior to the replacement price being calculated. BGT believe the original BOA should be fed into settlements as this will best achieve the intent of the credit cover calculation, which is to protect BSC Parties from being exposed to a bad debt.
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' (see section 2.2.1.3)?	Yes	BGT supports the methodology that has been developed for determining the Replacement Price.

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Q	Question	Response Error! Bookmark not defined.	Rationale
	Please give rationale		
6.	Do you agree with the PSMG's definition of the costs that should be deemed legitimate to include in a compensation claim under P175? *(NB: If you answer 'no' to this question, please specify what costs you think should be included.)*	No	BGT do not agree with the definition of costs that are deemed legitimate for making a compensation claim. BGT do not believe the claim process should include an allowance for plant damage. BGT do not believe this should be included within the vires of the BSC. BGT also has concerns that introducing compensation for plant damage will result in the supplier segment of the market underwriting the generation side of the market. This will introduce a cross subsidy and BGT do not believe this should be allowable.
7.	Do you believe that there should be a de minimis level for a compensation claim to the Panel under P175? *(NB: If you answer 'yes' to this question, please specify the level that you deem appropriate.)*	No	BGT do not believe it is necessary to set a minimum threshold for raising compensation claims. The scale of the compensation claims is likely to be significant, BGT therefore see little value in imposing such a de minimis level. As the cost of preparing the claim will act as a natural barrier to frivolous claims.
8.	Do you believe that the Panel determination of compensation claims should be open to appeal?	Yes/No	Dependent upon the scope of 'avoidable costs' the materiality of compensation claims could be significant. Due to the potential level of claims BGT believe there may be value in implementing an appeals mechanism. However this largely depends upon which body is likely to decide on the claim. If this is delegated to a Panel sub-committee do the Panel have the appropriate expertise to consider an Appeal? If the Panel hears the claim, where can the decision be appealed, Ofgem?
9.	Does P175 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
10.	Are there any further comments on P175 that you wish to make?	No	

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P175 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Keith Munday*
No. of Parties Represented	*1*
Parties Represented	*BizzEnergy Limited*
No. of Non Parties Represented	*o*
Non Parties represented	*0*
Role of Respondent	*Supplier state* [1] *)*

Q	Question	Response [1]	Rationale
1.	Do you believe Proposed Modification **P175** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes /	
2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	/ No	
3.	Do you believe that the scope of P175 as defined by the PSMG (see section 2.1.2) is appropriate?	Yes	
4.	Do you support the implementation approach developed by the Modification Group (see section 2.2.1)? Please give rationale	Yes / No	

[1] Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

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Q	Question	Response [1]	Rationale
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' (see section 2.2.1.3)? Please give rationale	Yes / No	
6.	Do you agree with the PSMG's definition of the costs that should be deemed legitimate to include in a compensation claim under P175? *(NB: If you answer 'no' to this question, please specify what costs you think should be included.)*	Yes / No	
7.	Do you believe that there should be a de minimis level for a compensation claim to the Panel under P175? *(NB: If you answer 'yes' to this question, please specify the level that you deem appropriate.)*	Yes /	Set at the cost of administration say £10k.
8.	Do you believe that the Panel determination of compensation claims should be open to appeal?	Yes /	
9.	Does P175 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	Yes / No	P175 is not retrospective. Due to the materiality of the Damhead Creek incident and potential other incidents prior to implementation of any mods to address this general defect, a retrospective element either P171 or alternate needs to be developed. The major element of the materiality of the defect is the relative ability of different parties to absorb the impact of such an event. This differs depending on size of company and degree of generation within the company due to the smearing effects on RCRC. As it differentially disadvantages small independent suppliers it has a net effect of distorting competition and therefore needs to be removed.
10.	Are there any further comments on P175 that you wish to make?	Yes / No	

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Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

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P175 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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Respondent:	Man Kwong Liu (SAIC Ltd)
No. of Parties Represented	6
Parties Represented	*Please list all Parties responding on behalf of (including the respondent company if relevant).* Scottish Power UK plc; ScottishPower Energy Management Ltd.; ScottishPower Generation Ltd; ScottishPower Energy Retail Ltd.; SP Transmission Ltd; SP Manweb plc.
No. of Non Parties Represented	0
Non Parties represented	*Please list all non Parties responding on behalf of (including the respondent company if relevant).*
Role of Respondent	*(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state [1])* Supplier / Generator / Trader / Consolidator / Exemptable Generator

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification **P175** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	We believe that the post-event calculation process suggested under P175 would significantly complicate the settlement arrangements and would be detrimental to the achievement of Applicable BSC Objective (d) – "efficiency..." Any post-event adjustment requiring the judgement of a committee would cause lengthy legal argument, substantial costs and add uncertainty to the settlement arrangements. This would be detrimental to the achievement of applicable BSC Objective (c) – "promoting effective competition ..."

[1] Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

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Q	Question	Response Error! Bookmark not defined.	Rationale
2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.	Do you believe that the scope of P175 as defined by the PSMG (see section 2.1.2) is appropriate?	No	We believe that the scope of P175, as defined by the PSMG, is over-ambitious. We do not believe that the likely occurrence of these events is such as to justify the creation of a 'universal' process, nor could such a process be designed which does not include the exercise of discretion/judgement/agreement by many parties. Such a process would undermine confidence in the settlement arrangements.
4.	Do you support the implementation approach developed by the Modification Group (see section 2.2.1)? Please give rationale	No	See our comment in Qu. 1. We believe the process is grossly complicated.
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' (see section 2.2.1.3)? Please give rationale	No	See our comment in Qu. 1.
6.	Do you agree with the PSMG's definition of the costs that should be deemed legitimate to include in a compensation claim under P175? *(NB: If you answer 'no' to this question, please specify what costs you think should be included.)*	Yes / No	See our comment in Qu. 1.
7.	Do you believe that there should be a de minimis level for a compensation claim to the Panel under P175? *(NB: If you answer 'yes' to this question, please specify the level that you deem appropriate.)*	Yes / No	See our comment in Qu. 1.
8.	Do you believe that the Panel determination of compensation claims should be open to appeal?	Yes / No	See our comment in Qu 1.

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Q	Question	Response Error! Bookmark not defined.	Rationale
9.	Does P175 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
10.	Are there any further comments on P175 that you wish to make?	No	

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P175 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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Respondent:	Helen Bray (EDF Energy)
No. of Parties Represented	9
Parties Represented	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power) EDF Energy (Cottam Power) Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; London Energy plc; Seeboard Energy Limited
No. of Non Parties Represented	0
Non Parties represented	N/A
Role of Respondent	Supplier/Generator/ Trader

Q	Question	Response	Rationale

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Q	Question	Response	Rationale
1.	Do you believe Proposed Modification **P175** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	We note that removing the pay as bid for Balancing Mechanism acceptances sets a new precedent that we cannot support. We agree with the modification group that removing extreme Bid or Offer Prices could incentivise the System Operator to issue more Emergency Instructions than otherwise, which undermines Applicable BSC Objective (b). We note that P175 does better facilitate the Applicable BSC Objective (c) because under the current code baseline an Emergency Instruction may result in actions taken for System reasons polluting the Energy Imbalance Prices. P175 would remove this potential pollution. The process proposed under P175 involves manual processes for ELEXON and the Panel this does therefore not better facilitate achievement of the Applicable BSC Objective (d). Overall, EDF Energy does not believe that P175 better facilitates the Applicable BSC Objectives.
2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.	Do you believe that the scope of P175 as defined by the PSMG (see section 2.1.2) is appropriate?	Yes	The solution for P175 should be robust and flexible to deal with changes to acceptances under BC2.9 and BC2.10 and possible solutions for maximum generation and demand control.
4.	Do you support the implementation approach developed by the Modification Group (see section 2.2.1)? Please give rationale	Yes	
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' (see section 2.2.1.3)? Please give rationale	Yes	It seems sensible and it is appropriate that the original acceptance is included in the Replacement Acceptance Price process.

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Q	Question	Response	Rationale
6.	Do you agree with the PSMG's definition of the costs that should be deemed legitimate to include in a compensation claim under P175? *(NB: If you answer 'no' to this question, please specify what costs you think should be included.)*	Yes	We believe that the costs arising from damage to Plant and Apparatus demonstrably incurred through responding to an emergency instruction or the operation of an intertrip, and any opportunity costs associated with the amount payable or receivable
7.	Do you believe that there should be a de minimis level for a compensation claim to the Panel under P175? *(NB: If you answer 'yes' to this question, please specify the level that you deem appropriate.)*	Yes	Yes, this would be an efficient way to implement the proposed solution. A similar deminis level could be used as for Trading Disputes to the Trading Dispute Committee.
8.	Do you believe that the Panel determination of compensation claims should be open to appeal?	Yes and No	It is difficult as this could set a precedent and by opening up other processes to appeal. We note that an appealed Trading Dispute can go to the Panel after the Trading Disputes Committee. It is unclear where would an appeal would be referred to under P175.
9.	Does P175 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
10.	Are there any further comments on P175 that you wish to make?	No	

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Respondent:	*Teesside Power Limited*
No. of Parties Represented	*1*
Parties Represented	*Teesside Power Limited (TPL)*
No. of Non Parties Represented	
Non Parties represented	
Role of Respondent	*Generator*

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification **P175** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	TPL believes that in order to promote a competitive market, parties should pay (or be paid) as bid/offer.
2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.	Do you believe that the scope of P175 as defined by the PSMG (see section 2.1.2) is appropriate?	Yes	
4.	Do you support the implementation approach developed by the Modification Group (see section 2.2.1)? Please give rationale	Yes	

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Q	Question	Response Error! Bookmark not defined.	Rationale
5.	Do you support the proposed methodology for determining the 'Replacement Acceptance Price' (see section 2.2.1.3)? Please give rationale	No	
6.	Do you agree with the PSMG's definition of the costs that should be deemed legitimate to include in a compensation claim under P175? *(NB: If you answer 'no' to this question, please specify what costs you think should be included.)*	No	See response to Question 1
7.	Do you believe that there should be a de minimis level for a compensation claim to the Panel under P175? *(NB: If you answer 'yes' to this question, please specify the level that you deem appropriate.)*	Yes / No	
8.	Do you believe that the Panel determination of compensation claims should be open to appeal?	Yes	
9.	Does P175 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
10.	Are there any further comments on P175 that you wish to make?	No	

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