

**Responses from P173 Draft Report Consultation**

**Consultation Issued 16 December 2004**

**Representations were received from the following parties**

<b>No</b>	<b>Company</b>	<b>File number</b>	<b>No BSC Parties Represented</b>	<b>No Non-Parties Represented</b>
1.	British Gas	P173_dMR_001	1	0
2.	RWE Trading	P173_dMR_002	10	0
3.	Scottish and Southern	P173_dMR_003	5	0
4.	Teesside Power Ltd	P173_dMR_004	1	0
5.	E.ON UK	P173_dMR_005	15	0
6.	British Energy	P173_dMR_006	4	0
7.	EDF Energy	P173_dMR_007	9	0
8.	Central Networks	P173_dMR_008	1	0
9.	National Grid Transco	P173_dMR_009	1	0
10.	Total gas and Power	P173_dMR_010	1	0



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Tel. (01753) 431137  
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Our Ref.  
Your Ref.  
23 December 2004

Dear Sirs,

**Re: Modification Proposal P173 – Revised Settlement Arrangements for Emergency Instructions**

Thank you for the opportunity of responding to this draft modification report considering Modification Proposal P173. British Gas Trading (BGT) agrees with the Panel's provisional recommendation that neither the original or the Alternative should be made.

Both the proposed modification and the Alternative propose to remove pay as bid provisions for Emergency Instructions. This fundamentally changes the principles of the market, which is based upon pay as bid. BGT believe this would have a negative impact on Applicable BSC objective (c) and will not better facilitate competition in the generation and supply of electricity as it could undermine the operation of the market.

BGT whilst not supporting the modification proposal agrees with the proposed implementation date, which is consistent with the suite of modification proposals being discussed in this area.

If you have any questions regarding this response please contact me 01753 431137.

Yours faithfully

Mark Manley  
Contract Manager

**A *centrica* business**

**British Gas Trading Limited** Registered in England No.3078711. Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD  
[www.gas.co.uk](http://www.gas.co.uk)

## P173 REPORT PHASE 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.

<b>Respondent:</b>	<i>Bill Reed</i>
<b>No. of Parties Represented</b>	10
<b>Parties Represented</b>	<i>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 northern supply Ltd; npower yorkshire Ltd; npower yorkshire supply Ltd.</i>
<b>No. of Non Parties Represented</b>	None
<b>Non Parties represented</b>	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant). None</i>
<b>Role of Respondent</b>	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state <sup>1</sup>) Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	We do not support the use of the avoidable cost route as currently defined under P173. In particularly we remain concerned that the cash out price derived may distort prices in some circumstances and the mandatory disclosure of commercially confidential information may place parties in breach of contract or breach of the Code.
2.	Do you agree with the Panel's views on <b>Alternative Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	We do not support P173.

<sup>1</sup> Delete as appropriate – please do not use strikethrough, this is to make it easier to analyse the responses

Q	Question	Response Error! Bookmark not defined.	Rationale
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>	Yes	
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P173 (Proposed and Alternative)? <i>Please give rationale.</i>	Yes	
5.	Are there any further comments on P173 that you wish to make?	No	

Please send your responses by **12:00 on 23 December 2004** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P173 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

Any queries on the content of the consultation pro-forma should be addressed to either Roger Salomone (0207 380 4369, email address [roger.salomone@elexon.co.uk](mailto:roger.salomone@elexon.co.uk)) or Sarah Parsons (020 7380 4293, email address [sarah.parsons@elexon.co.uk](mailto:sarah.parsons@elexon.co.uk)).

From: Garth Graham  
Sent: 23 December 2004 09:55  
To: Modification Consultations  
Subject: P173 Report Phase consultation

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd., SSE Energy Supply Ltd. and Medway Power Ltd.

In relation to the five questions listed in the Report Phase Consultation document, contained within your note of 16th December 2004 concerning Modification Proposals P173, we have the following comments to make: -

Q1 Do you agree with the Panel's views on Proposed Modification P173 and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P173 should not be made? Please give rationale.

Yes, we agree with the Panel's proposed recommendation to the Authority that the Proposed Modification P173 should not be made.

We believe, on reflection, that the Proposed Modification P173 (and the Alternative) is fundamentally flawed for the following reasons.

First, we believe that P173 (both Proposed and Alternative) goes directly against the 'Pay as Bid' principle which is the cornerstone of the 'market' so often referred to by parties when promoting the benefits attributed to NETA (and indeed BETTA).

Lead Parties submit their Bid or Offer price based on an assessment of their costs and risks and within the context of a competitive market. It should be noted that Lead Party (unlike the System Operator) is unable to take other mitigating actions (such as change their Bid or Offer price) in reaction to the Emergency Instruction so there is no question of the System Operator being exploited as a distressed buyer.

If P173 (both Proposed and Alternative) were to be approved any Lead Party issued with an Emergency Instruction would not be able to realise the value of its Bid or Offer price, as other Parties can in respect of other instructions, and instead the Lead Party would have to go through a quasi judicial claims process (incurring increased cost and uncertainty in doing so). This disadvantages the Lead Party concerned and represents a future risk to all Lead Parties. This works against competition and therefore cannot be said to better achieve Applicable Objective (c).

Second, we believe that P173 (both Proposed and Alternative) is based on a false premise, namely that certain Bid or Offer prices may be "inappropriate". It is our belief that all submitted Bid or Offer prices are, in principle, 'appropriate', noting that industry systems permit prices up to £99,999.00 to be used, so clearly in establishing NETA the Secretary of State, the Authority, the Transmission Company and Lead Parties consider all prices up to this level to be 'appropriate'.

The Bid or Offer price is set by the Lead Party based on an assessment of its costs and associated factors including taking account of the risk that if the station is turned off (by complying with the BOA) it may not be able to return to service in time to meet the requirements of the Lead Party, requiring them to purchase in the market place or go out of balance.

We are also mindful of the comments by the Authority in the decision letter concerning CAP 47 which states that "Ofgem considers that for a market to function properly, prices must be allowed to fluctuate according to market fundamentals. By introducing a fixed cap, and therefore introducing a limiting range within which prices can fluctuate, Ofgem considers that the investment signals for market providers would be distorted and impaired which would have a negative impact on the development of competition." Clearly the notion of an "inappropriate" Bid or Offer price implies that there is a Bid or Offer price

that would be 'appropriate' and as such this 'appropriate' Bid or Offer price (by virtue of not being "inappropriate") would introduce a fixed cap which would distort and impair investment signals and as such cannot be said to better achieve Applicable Objective (c).

Third, we believe that P173 (both Proposed and Alternative) would not address the defect as any Lead Party in the future who is subject to an Emergency Instruction could potentially be able to make a claim for compensation (by virtue of Article 1 of the First Protocol of the European Convention on Human Rights) based on a lack of recompense of costs incurred or of the market value (which in the absence of any other information would appear to be their Bid or Offer price).

Fourth, in conclusion, taking account of the above three points, along with the arguments outlined in Sections 1.4 and 1.7 of the Report Phase Consultation document, we believe that P173 (both Proposed and Alternative) fails to better facilitate the achievement of the Applicable BSC Objectives.

Q2 Do you agree with the Panel's views on Alternative Modification P173 and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P173 should not be made? Please give rationale.

Yes, we agree with the Panel's proposed recommendation to the Authority that the Alternative Modification P173 should not be made for the reasons outlined in our answer to Q1 above.

Q3 Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.

We do not agree with the Panel's view that the (P173 'Alternative') legal text provided in the draft Modification Report correctly addresses the defect or issue identified with respect to the 'Alternative' Modification Proposal.

In particular, with regard to paragraph 9.1.2 (b) it is our clear understanding (having referred to Section 1.5 of the Report Phase Consultation document and Section G2.1.4 (e)) that the aim was to 'include' those items listed in G2.1.4 (e) as claimable costs, rather than to limit claimable costs only to any 'increase' in the amounts per se.

Accordingly, we believe that paragraph 9.1.2 (b) should be redrafted along the following lines: -

(b) "financing costs or overhead costs (borne or payable by the Lead Party or as provided in Section G2.1.4(b) by the Customer), including any increase in any insurance premia (which results directly from the Lead Party's complying with the Excluded Acceptance), may be counted as a cost for the purposes of calculating the excluded acceptance compensation amount."

Q4 Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P173 (Proposed and Alternative)? Please give rationale.

If the Modification Proposal P173 (original or alternative) is approved, we agree with the BSC Panel's provisional recommendation concerning the Implementation Dates

Q5 Are there any further comments on P173 that you wish to make?

Not at this time.

Regards

Garth Graham  
Scottish and Southern Energy plc

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are trading names of the Scottish and Southern Energy Group.  
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## P173 REPORT PHASE 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.

<b>Respondent:</b>	<i>Teesside Power Limited</i>
<b>No. of Parties Represented</b>	1
<b>Parties Represented</b>	<i>Teesside Power Limited</i>
<b>No. of Non Parties Represented</b>	
<b>Non Parties represented</b>	
<b>Role of Respondent</b>	<i>Generator</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	
2.	Do you agree with the Panel's views on <b>Alternative Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	TPL is concerned that Alternative Proposal (a) may disadvantage the lead party of the affected BM Unit. The lead party would have no control over the price they would be paid as the replacement price would not reflect actual costs incurred.
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>		
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P173 (Proposed and Alternative)? <i>Please give rationale.</i>		
5.	Are there any further comments on P173 that you wish to make?	Yes	TPL believes that in order to promote a competitive market, parties should pay (or be paid) as bid/offer.

Please send your responses by **12:00 on 23 December 2004** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P173 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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## P173 REPORT PHASE CONSULTATION

<b>Respondent:</b>	E.ON UK plc
<b>No. of Parties Represented</b>	15
<b>Parties Represented</b>	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.
<b>No. of Non Parties Represented</b>	-
<b>Non Parties represented</b>	-
<b>Role of Respondent</b>	Supplier, Generator, Trader, Consolidator & Exemptable Generator

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	As we have stated in previous responses, the move away from the "pay as bid" principle would be detrimental to competition.
2.	Do you agree with the Panel's views on <b>Alternative Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	This still moves away from "pay as bid".
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>	No	It correctly addresses the solution, but the solution does not address the defect.
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P173 (Proposed and Alternative)? <i>Please give rationale.</i>	Yes	
5.	Are there any further comments on P173 that you wish to make?	No	

## P173 REPORT PHASE 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.

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

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	The costs recoverable by an affected party under the proposal are not the whole costs incurred. Obliging parties to perform actions for which they cannot recover all the costs will put those parties at a disadvantage compared to other parties not so instructed. This will act against BSC objective (c) relating to competition, and could ultimately result in such actions no longer being available, affecting BSC objectives (a) and (b) relating to system operation.
2.	Do you agree with the Panel's views on <b>Alternative Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	Although more of the possible costs borne by a party in complying with an emergency instruction are included in the payments claimable under the alternative modification, it is still not clear that all costs are claimable, and for this reason BSC objectives cannot be better achieved. For example, the consequential imbalance costs in subsequent settlement periods, where purchase of energy at a loss may be required, particularly where market liquidity is low. Removal of payment at bid removes the opportunity for a party to recover such costs.

Q	Question	Response Error! Bookmark not defined.	Rationale
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>	Yes / No	
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P173 (Proposed and Alternative)? <i>Please give rationale.</i>	Yes / No	
5.	Are there any further comments on P173 that you wish to make?	Yes / No	

Please send your responses by **12:00 on 23 December 2004** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P173 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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<b>Respondent:</b>	Paul Chesterman (EDF Energy)
<b>No. of Parties Represented</b>	9
<b>Parties Represented</b>	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power) Jade Power Generation Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; London Energy plc; Seeboard Energy Limited
<b>No. of Non Parties Represented</b>	0
<b>Non Parties represented</b>	N/A
<b>Role of Respondent</b>	Supplier / Generator / Trader

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	
2.	Do you agree with the Panel's views on <b>Alternative Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>	Yes / No	We would look to Elexon and the Modification Group to advise on the suitability of the Legal Text.
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P173 (Proposed and Alternative)? <i>Please give rationale.</i>	Yes	
5.	Are there any further comments on P173 that you wish to make?	No	

Please send your responses by **12:00 on 23 December 2004** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P173 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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P173\_dMR\_008.txt

RE: P171, P172, P173, P175 Report Phase consultation - responses requested by  
5pm 23/12/04  
From: Sue Pritchard  
Sent: 23 December 2004 12:38  
To: Modification Consultations  
Subject: RE: P171, P172, P173, P175 Report Phase consultation - responses  
requested by 5pm 23/12/04

Central Networks would like to return a response of 'No Comment' to the P171,  
P172, P173, P175 Report Phase consultation

Regards  
Simon Sturgess

Registration Services  
Central Networks

## P173 REPORT PHASE 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.

<b>Respondent:</b>	<i>National Grid Transco</i>
<b>No. of Parties Represented</b>	1
<b>Parties Represented</b>	<i>National Grid Company plc</i>
<b>No. of Non Parties Represented</b>	
<b>Non Parties represented</b>	
<b>Role of Respondent</b>	<i>BSC Party</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	No	<p>We do not agree with the majority view of the Panel or indeed their recommendation that Proposed Modification P173 should not be made.</p> <p>Our views on this modification are expressed fully in our response to the assessment consultation, however there are a number of new points we wish to make resulting from the Panel's discussion and views.</p> <p>We agree with the Panel that the central issue regarding P173 is the “Pay-as-Bid” principle. We note the views expressed regarding the Avoidable Costs process and agree with the Panel that P173 seeks only to apply an existing and accepted part of the Code Baseline to a new scenario. We also note the views made by a Modification Group member and the legal advice received by BSCCo on the potential interaction with the European Convention on Human Rights. We agree with the legal advice received by BSCCo that the arrangements proposed by P173 would not constitute an infringement of the Convention and similarly agree with the Panel view that no further assessment of this issue is required or appropriate.</p> <p>Regarding the central Pay-as-Bid issue, we agree with the view expressed by some Panel Members that Emergency Instructions (issued in accordance with BC2.9 of the Grid Code) are not issued under market conditions or for standard operational purposes and as such warrant a different treatment in Settlement from standard Acceptances issued within the Balancing Mechanism pursuant to BC2.7. BC2.9.1.1 of the Grid Code itself states that it may be necessary to depart from normal Balancing Mechanism operation when issuing Emergency Instructions:</p>

Q	Question	Response Error! Bookmark not defined.	Rationale
			<p>BC2.9.1      <u>Emergency Actions</u>  BC2.9.1.1      In certain circumstances (as determined by <b>NGC</b> in its reasonable opinion) it will be necessary, in order to preserve the integrity of the <b>GB Transmission System</b> and any synchronously connected <b>External System</b>, for <b>NGC</b> to issue <b>Emergency Instructions</b>. In such circumstances, it may be necessary to depart from normal <b>Balancing Mechanism</b> operation in accordance with BC2.7 in issuing <b>Bid-Offer Acceptances</b>. <b>BM Participants</b> must also comply with the requirements of <b>BC3</b>.</p> <p>Black Start is one circumstance (as described in BC2.9.1.2(e)(i) of the Grid Code) where Emergency Instructions may need to be issued. We therefore note the precedent set by the arrangements in the BSC that deal with the remuneration of Emergency Instructions issued during a Black Start Period by utilising the Avoidable Costs process in Section G of the Code. P173 would therefore align more closely the treatment within Settlement of Emergency Instructions issued for reasons other than a Black Start.</p> <p>We also note the view of a Panel Member that Emergency Instructions might result from the absence of 'preventative' maintenance of network assets. Emergency Instructions can be issued for a wide variety of reasons and not just as a consequence of the failure of an NGC owned asset. Also NGC maintains transmission system assets in England and Wales in accordance with our statutory and Licence duties in order to fulfil the requirements of the National Grid Transmission System Security and Quality of Supply Standards (SQSS). It should also be noted that the Emergency Instruction issued at Damhead Creek on the 19<sup>th</sup> May 2004 was not caused by a lack of preventative maintenance.</p>
2.	Do you agree with the Panel's views on <b>Alternative Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	We believe that the provisional Panel recommendation to reject Alternative Modification P173 was reached following consideration of the "Pay-as-Bid" principle. Whilst we agree with the Panel's preliminary recommendation to reject Alternative Modification P173 we do so because Alternative Modification P173 proposes to allow remuneration based on Avoidable Costs as currently defined, plus a number of additional cost categories, such as plant damage. We believe that it would be inappropriate for the wider industry to underwrite these additional cost categories, particularly via the Balancing and Settlement arrangements. In this respect we believe the Avoidable Cost provisions contained within the BSC have already made this distinction and introducing contrary provisions could undermine those that already exist.
3.	Do you agree with the Panel's	Yes	We note that P173 can be implemented with Proposed Modification P171 or Proposed Modification P172.

Q	Question	Response Error! Bookmark not defined.	Rationale
	view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>		
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P173 (Proposed and Alternative)? <i>Please give rationale.</i>	Yes	
5.	Are there any further comments on P173 that you wish to make?	Yes	We note that until the current arrangements are changed, all classes of market participant continue to face the risk that extreme prices will be applied to SO actions which in certain circumstances impact entirely inappropriately on industry cash flows.

Please send your responses by **12:00 on 23 December 2004** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P173 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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## P173 REPORT PHASE CONSULTATION QUESTIONS

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<b>Respondent:</b>	<i>Sharif Islam</i>
<b>No. of Parties Represented</b>	1
<b>Parties Represented</b>	<i>Total Gas and Power Limited</i>
<b>No. of Non Parties Represented</b>	
<b>Non Parties represented</b>	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
<b>Role of Respondent</b>	<i>(Supplier/Trader)</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you agree with the Panel's views on <b>Proposed Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	The Pay-as-Bid principle should be respected and we also consider that ex-post determination for compensating a party for its balancing actions or in developing a proxy imbalance price is problematic and will introduce unnecessary uncertainty, complexity and inefficiencies into participation in the BM and operation of central arrangements.
2.	Do you agree with the Panel's views on <b>Alternative Modification P173</b> and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P173 <b>should not</b> be made? <i>Please give rationale.</i>	Yes	See above
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? <i>Please give rationale.</i>	Yes	
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Dates for P173 (Proposed and Alternative)? <i>Please give rationale.</i>	Yes	
5.	Are there any further comments on P173 that you wish to make?	No	

Please send your responses by **12:00 on 23 December 2004** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P173 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

Any queries on the content of the consultation pro-forma should be addressed to either Roger Salomone (0207 380 4369, email address [roger.salomone@elexon.co.uk](mailto:roger.salomone@elexon.co.uk)) or Sarah Parsons (020 7380 4293, email address [sarah.parsons@elexon.co.uk](mailto:sarah.parsons@elexon.co.uk)).