# P282 Impact Assessment Responses

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

**Impact Assessment issued on 30 May 2012.**

## We received responses from:

| Company | Role of Parties/non-Parties represented |
|---|---|
| E.ON UK | Supplier / Generator / Trader / Consolidator / Exemptable Generator |
| Eggborough Power Limited | Generator |
| RWE Supply & Trading GmbH | Supplier / Generator/ Trader / Consolidator / Exemptable Generator / Party Agent |
| IBM UK Ltd for and on behalf of the ScottishPower Group | Supplier / Generator / Trader / Consolidator / Exemptable Generator / Distributor |
| National Grid | Transmission System Operator |
| EDF Energy | Supplier / Generator / Trader / Exemptable Generator |
| International Power | Generator / Trader / BSC Agents - MVRNAs |
| Centrica | Supplier / Generator / Trader / BSC Party |
| SSE plc. | Supplier / Generator / Trader / Consolidator / Embedded Generator / MVRN Agent |

## Impact Assessment by BSC Parties

What stage is this document in the process?

01 Initial Written Assessment

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## Question 1: Will P282 impact your organisation?

**Responses**

| Respondent | Response |
|---|---|
| E.ON UK | **Yes**<br><br>We would have to change trading systems and processes, plus consider the impact on downstream reports and spreadsheets. There would also be some changes to business practices in the Control Room. |
| Eggborough Power Limited | **Yes**<br><br>Eggborough believes that the modification will potentially have an impact on our competitive position as we are a single site, small player who will face greater financial risk from imbalance, and associated cash flows, than our competitors.<br><br>While we believe that smaller players will be worse off under this proposal it is difficult to see any evidence that this has been fully explored. While the potential increases in RCRC exposure seem to have been examined, we believe more work on the effects on smaller players would be beneficial. We understand work on this is ongoing, and if it shows that smaller players are potentially worse off then this change could create another barrier to entry.<br><br>The ability to simply "internally" trade is likely to impact wider market liquidity. At a time when Ofgem are trying to improve the forward market it would be detrimental to make a change that further facilitates passive sales and purchases. Like many players on one side of the market, along with developers, it is vital to us that the traded market improves and not worsens. |
| RWE Supply & Trading GmbH | **Yes**<br><br>Since P282 will enable MVRNs between consumption and production we will develop a new internal process that facilitates such MVRNs (our current processes do not allow this to occur) |
| IBM UK Ltd for and on behalf of the ScottishPower Group | **Yes**<br><br>Minor process, procedure update and system reconfiguration. |
| National Grid | **Yes** |

| Respondent | Response |
|---|---|
| | We assess that as a result of the proposed modification, the reallocation of energy from one energy account to an opposite energy account could result in less market length and as such, the number of actions required by National Grid to balance the market may increase resulting in a subsequent increase in balancing cost. |
| EDF Energy | **Yes**<br><br>EDF Energy would need to change internal systems and processes to cope with BMUs being MVRNAed into either the production or consumption accounts. Consequent changes would be needed to the method of calculation of trades between EDF Energy's Production and Consumption accounts; to the allocation of imbalance costs for finance and accounting purposes; and to our Settlements systems. |
| International Power | **Yes**<br><br>We would want to set up processes and agreements in order to take advantage of the change. Although International Power only has Production BM units, it is part of the GDF Suez group, which has significant Consumption. Internal systems, processes and agreements will need to be developed to achieve this. |
| Centrica | **Yes**<br><br>We would need to make significant changes to our systems and processes in order to take advantage of P282 (i.e. enable us to MVRN from production to consumption and vice versa).<br><br>We understand that **existing MVRNs** (e.g. production to production) **would not be disrupted** by implementation of P282. We believe this is essential to P282's implementation.<br><br>We believe system changes by BSC parties should only be necessary to accommodate MVRNs from production to consumption and vice versa.<br><br>If implementation of P282 could disrupt existing MVRNs, we would expect notification from Elexon as soon as possible. |
| SSE plc. | **Yes**<br><br>1) Back office systems software development, testing and deployment;<br>2) Front and middle office systems configuration and testing;<br>3) Front, middle and back office revisions to documented procedures and local working practices;<br>4) Review and possible amendment of certain power purchase agreements;<br>5) Review and optimisation of MVRN strategy across the portfolio;<br>6) Establishment of revised MVRNA Authorisations to support optimal MVRN strategy – N.B. this could be a high number for SSE given the relatively high number of low capacity BM Units registered in the North of Scotland. |

## Question 2: Will your organisation incur any costs in implementing P282?

**Responses**

| Respondent | Response |
|---|---|
| E.ON UK | **Yes**<br><br>One-off costs are anticipated from various system, process and documentation changes. At this stage we would not expect these to be difficult or excessively costly, but we would need to undertake a more thorough impact assessment and examination of solution options to determine the actual costs. We would also prefer that implementation be part of a normal BSC Systems release in order to keep costs to a minimum. Outside of a regular release is doable, particularly given the voluntary nature of the modification, but would require separate budgetary approval to schedule the necessary resources. Conversely being part of a normal BSC systems release would remove the need to allocate time and money separately for P282 implementation. |
| Eggborough Power Limited | **No**<br><br>While we would not expect to incur direct costs, we are concerned that our imbalance costs could become disproportionately higher than parties able to balance all energy into one account, as well as our RCRC exposure increasing. The law of large numbers will, as is already the case, favour the position of the largest parties. The point of the cash-out between the production and consumption accounts was deliberately limiting this benefit. We therefore believe our competitive position could be eroded. |
| RWE Supply & Trading GmbH | **No**<br><br>We do not believe that there are significant or material changes required to our internal systems. |
| IBM UK Ltd for and on behalf of the ScottishPower Group | **Yes**<br><br>Minor one-off costs. No difference if outside normal release. |
| National Grid | **No** |
| EDF Energy | **Yes**<br><br>IT costs associated with the above changes, of c. £130k These costs will be a one-off. |
| International Power | **Yes**<br><br>Most of the costs will be one-off costs related to employees' time needed to set up the processes and agreements, most of which will be done in-house. We believe that our externally-provided systems would be able to cope with the change (in particular submit MVRNs between accounts), although this is not yet fully verified. Once |

| Respondent | Response |
|---|---|
| | implemented, ongoing costs are expected to be minimal. |
| Centrica | **Yes**<br><br>We would incur costs as a result of changing our systems and processes in order to take advantage of P282.<br><br>We understand that BSC parties would not need to incur costs as a result of P282 if they continued to MVRN within the current rules. We believe this should be the case.<br><br>If implementation of P282 could disrupt existing MVRNs (and cause parties to incur costs to remedy the disruption), we would expect to be notified by Elexon as soon as possible. |
| SSE plc. | **Yes**<br><br>£15k - £30k one off costs. Minimal ongoing incremental costs.<br><br>The costs identified above are administrative costs only. SSE have not taken into account any possible commercial impact through the redistribution of benefits and costs via the imbalance settlement process (i.e. no assessment of cashout/RCRC impact). |

## Question 3: How long (from the point of Ofgem approval) would you need to implement P282?

**Responses**

| Respondent | Response |
|---|---|
| E.ON UK | **4 Months**<br><br>We would require a four month notice period; systems work and budgeting for these system changes would be the key driver behind this. We anticipate that the actual work and testing plus changes to working practices should only take approximately 20 working days, but would require the additional time to scope the work and seek and obtain the budget for it, in addition to making the changes and testing. As per our answer to question 2, implementation as part of a normal BSC systems release would be more straightforward, not requiring quite so much notice, as time and budget have already been allocated to such 'Business As Usual' work. |
| Eggborough Power Limited | **Indifferent**<br><br>As a general principle changes should be made as part of a general release as it is usually the cheapest option. |
| RWE Supply & Trading GmbH | **5 Working Days**<br><br>The implementation timescales should be consistent with the current MVRN business process subject to internal checks that the MVRN is in place. |
| IBM UK Ltd for and on behalf of the ScottishPower Group | **10 Days**<br><br>For system reconfiguration and procedural update. No difference if outside normal release. |
| National Grid | **N/A**<br><br>The introduction of the new EBS system scheduled for Q3 2013 will provide enhanced support for any increase in additional balancing actions that may result from the implementation of P282. Implementation of any changes after this date would therefore be preferable. |
| EDF Energy | **9 Months**<br><br>This time is required for development, implementation and testing of IT change referred to in Q2, above. This is not dependent on whether P282 is implemented as part of or outside a regularly scheduled BSC systems release. |
| International Power | **2-3 Months**<br><br>As participation in these changes is not mandatory, no lead time is absolutely necessary. However, we would want to participate from the start and envisage that it would take some 2-3 months to set up the internal processes. We would not expect it to make a difference whether or not the changes were part of a normal BSC Systems |

| Respondent | Response |
|---|---|
| | Release. |
| Centrica | **-** |
| SSE plc. | **9 Months**<br><br>The key driver for this timescale is the necessary software changes, testing and deployment of back office systems, coupled with the need to identify an appropriate window within existing software development schedules. |

## Question 4: Would you like to make any further comments on P282?

**Responses**

| Respondent | Response |
|---|---|
| E.ON UK | **No** |
| Eggborough Power Limited | **Yes**<br><br>At a time when Ofgem has been looking to increase the liquidity in the market this modification could make it more difficult for Ofgem to monitor and audit the actual level of trading of the integrated energy businesses.<br><br>We believe that the modification could have an adverse effect on trading levels and lead to less active monitoring of output, as the production units can allocate all energy imbalances into one account. This may reduce the incentives to control BMUs as accurately, especially if "self balancing" is used.<br><br>On balance we believe that the modification does not better facilitate the relevant objectives, in particular objective (c). |
| RWE Supply & Trading GmbH | **No** |
| IBM UK Ltd for and on behalf of the ScottishPower Group | **No** |
| National Grid | **No** |
| EDF Energy | **No** |
| International Power | **No** |
| Centrica | **No** |
| SSE plc. | **Yes**<br><br>Were P282 solution approved, and SSE to take advantage of the opportunity afforded by it, we could have a significant number of MVRNA Authorisations to establish (between 50 – 100 BM Units). This increases the workload considerably for SSE, as a form needs to be completed for each BM Unit; we can foresee potential capacity issues with the proposal to use existing procedures to manage this number of requests from a central systems perspective also. A one-off bulk transfer mechanism, e.g. excel xml file, that allows a high number of BM Units to be transferred in a single transaction may be of value. |