

By email to david.fowlis@cma.gsi.gov.uk and energymarket@cma.gsi.gov.uk

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10 November 2016

Dear David,

ELEXON's response to the Energy Market Investigation (Electricity Transmission Losses) Order 2016

Thank you for the opportunity to comment on the CMA's latest [Draft Order](#) (as updated on 4 November 2016) and [Explanatory Note](#) (as published on 11 October 2016).

On 4 November 2016, we published the [Assessment Procedure Consultation](#) for BSC Modification Proposal P350 'Introduction of a seasonal Zonal Transmission Losses scheme'.¹ This includes the draft BSC legal text to deliver the Modification Proposal.

The P350 Workgroup has identified certain technical developments and regulatory changes that have occurred since P229 was progressed in 2010. These have necessitated additional BSC legal drafting.² The CMA's engagement with ELEXON and the Workgroup has therefore been invaluable in ensuring that P350 and the Order align.

We confirm that the latest draft Order, updated by the CMA on 4 November 2016 in parallel with the publication of our consultation:

- Aligns with our current P350 legal drafting; and
- Addresses our concerns on the previous draft Order which the CMA issued for informal consultation in August 2016.

Our Assessment Procedure Consultation closes on 25 November 2016. The Workgroup will discuss the responses at its final meeting on 7 December 2016. We note the possibility that responses to the BSC or CMA consultations could result in changes to the P350 text and/or the Order. We also note that the P350 solution and the Order are likely to be finalised in parallel. We therefore welcome the CMA's continued engagement with the Workgroup during the later stages of P350's assessment.³

We remain on track to deliver a Final Modification Report to Ofgem by mid-February 2017, in accordance with the BSC Panel's agreed timetable.

¹ Raised by National Grid to support the implementation of the CMA's remedy, which is based on previous [Proposed Modification P229 'Introduction of a seasonal Zonal Transmission Losses scheme'](#).

² These changes are described in the CMA's [Notice of intention to make an Order](#), the CMA's Explanatory Note and the P350 Assessment Procedure Consultation.

³ The CMA's statutory deadline for implementing remedial action (i.e. the Order) is 23 December 2016. The Workgroup will finalise the P350 solution on 7 December 2016, after which it will submit its report to the Panel meeting on 12 January 2017.

We offer two minor clarifications on the wording of the Explanatory Note, in Appendix 1 to this letter. These apply only to the Explanatory Note (which is not legally binding) and do not affect the Order.

If you would like to discuss these further, please contact [Kathryn Coffin](#) on 020 7380 4030 or [John Lucas](#) on 020 7380 4345.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Mark Bygraves".

Mark Bygraves
CEO, ELEXON

List of enclosures

Appendix 1 – ELEXON's comments on draft Explanatory Note

COMMENTS ON DRAFT EXPLANATORY NOTE

Explanatory note paragraph 53

This implies that Interconnector BM Units will not be allocated to Zones and will not have locational Transmission Loss Factor (TLF) values. This may reflect the wording of earlier P350 documents before the Workgroup had developed its legal drafting.

Under the current P350 legal text, each Interconnector BM Unit will still be allocated to a Zone and will be registered with the locational TLF value for that Zone as per P229. However, this TLF will have no effect on its Trading Charges under P350. This is because, as now, the Interconnector BM Unit will still receive a fixed Transmission Loss Multiplier of 1 that ignores the TLF. It will therefore receive no allocation of transmission losses.

This approach was taken to minimise the amount of changes needed to the original P229 solution to reflect the subsequent implementation of [P278](#).⁴

We suggest the following wording change to reflect this approach:

'14 Transmission Loss Factor zones (each a 'TLF Zone') shall be created based on the existing 14 Grid Supply Point (GSP) Groups. A 'Network Mapping Statement' will be established to document the allocation of BM Units (~~other than Interconnectors BM Units~~) to zones. One Transmission Loss Factor value will be calculated per zone per BSC Season. These values will be published three months prior to the start of each BSC Year, and will be based on historical data from a preceding 12-month period (the 'Reference Year'). The Transmission Loss Factor for a given zone will be applied to all ~~non-Interconnector~~ BM Units allocated to that zone for all Settlement Periods in the relevant BSC Season. The calculation will be documented in a Load Flow Model Specification document. Interconnector BM Units will continue to receive a fixed Transmission Loss Multiplier of 1 regardless of their Transmission Loss Factor, for the reasons explained in paragraph 47 above.'

Explanatory note paragraph 64

This implies that the TLF Zones will include Offshore Nodes representing direct current (DC) offshore networks.

However, as explained in Section 6 (pages 20-21) of the Assessment Consultation Document, P350 only caters for DC circuits that are internal to the Transmission System (i.e. that connect two points of the network) – such as the planned High Voltage DC Western Link. It does not cater for DC circuits that connect a user to the Transmission System.

The Workgroup has concluded that these types of offshore DC connections are sufficiently far in the future that they would be more appropriately considered under a separate Modification Proposal.

P350 (as per P229) already caters for onshore and offshore alternating current (AC) transmission circuits.

We suggest the following wording change to reflect this:

'As noted above, TLF Zones will be based on the geographical areas of GSP Groups. For offshore Nodes which are part of the Transmission System (~~including both DC and AC offshore transmission networks, including those and offshore networks~~ connected to distribution systems), ~~which are part of the Transmission System~~, the onshore GSP Group to which the network is connected will be the basis for allocating Nodes to TLF Zones.'

⁴ 'Treatment of Transmission Losses for Interconnector Users' (implemented in 2012).