

Report Phase Consultation Responses



P350 'Introduction of a seasonal Zonal Transmission Losses scheme'

This Report Phase Consultation was issued on 20 January 2017, with responses invited by 2 February 2017.

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

Consultation Respondents

| Respondent | No. of Parties/Non-Parties Represented | Role(s) Represented |
|--|--|--|
| SmartestEnergy | 1 / 0 | Supplier |
| ScottishPower | 3 / 2 | Generator, Supplier, Non Physical Trader, Interconnector User / ECVNA, MVRNA |
| UK Power Reserve Limited | 1 / 0 | Generator, Supplier |
| Npower | 1 / 0 | Supplier |
| Estover Energy | 0 / 1 | Generator |
| EDF Energy | 6 / 1 | Generator, Supplier / ECVNA, MVRNA |
| National Grid Electricity Transmission plc | 1 / 0 | Transmission Company |

P350
Report Phase Consultation
Responses

6 February 2017

Version 1.0

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Question 1: Do you agree with the Panel's initial unanimous recommendation that P350 should be approved?

Summary

| Yes | No | Neutral/No Comment | Other |
|-----|----|--------------------|-------|
| 4 | 1 | 1 | 1 |

Responses

| Respondent | Response | Rationale |
|--------------------------|----------|---|
| SmartestEnergy | Yes | - |
| ScottishPower | Yes | <p>We agree that the P350 Proposed Modification:</p> <p>Better facilitates Applicable BSC Objective (a) by ensuring that the Transmission Company complies with its Transmission Licence in particular the requirement to introduce a zonal transmission losses scheme;</p> <p>Is neutral against Applicable BSC Objective (b);</p> <p>Is neutral Applicable BSC Objective (c) as the potential benefits identified by the CMA are negligible and unlikely to be realised in practice;</p> <p>Is neutral against Applicable BSC Objective (f); and</p> <p>Better facilitates Applicable BSC Objective (g) by introducing a Zonal Transmission Losses scheme in accordance with the Licence requirement.</p> |
| UK Power Reserve Limited | Yes | Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity |
| npower | Other | <p>We agree with the principles of this change however the way in which this will practically impact certain customers will differ. The correct signals are being sent to the Generators but not to demand customers. If these zonal transmission losses were applied 100% to Generators then the correct market signals would be introduced and costs passed onto the end customers through the suppliers purchased energy would be more cost reflective. Customers in Scotland would be most impacted.</p> <p>There is no point trying to create a cost reflective and competitive market if the end consumer is then charged on a skewed and unfair basis.</p> |

| Respondent | Response | Rationale |
|--|----------|---|
| Estover Energy | No | We have serious concerns that this proposal is yet another measure which unfairly penalises small embedded generators who do not use the Transmission System. We disagree with the CMA's proposals. |
| EDF Energy | Neutral | The Competition and Markets Authority's Energy Market Investigation (Electricity Transmission Losses) Order 2016 effectively requires transmission losses to be allocated according to P350 from 01 April 2018, and introduced a new BSC Objective requiring compliance with the Transmission Losses Principle from that time. We don't think there is sufficient evidence to say definitively whether or not the proposal would better meet the other BSC Objectives, or the BSC Objectives overall. |
| National Grid Electricity Transmission plc | Yes | - |

Question 2: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P350?

Summary

| Yes | No | Neutral/No Comment | Other |
|-----|----|--------------------|-------|
| 4 | 1 | 1 | 1 |

Responses

| Respondent | Response | Rationale |
|--------------------------|------------|--|
| SmartestEnergy | No Comment | - |
| ScottishPower | Yes | - |
| UK Power Reserve Limited | Yes | - |
| npower | Other | <p>Yes although we feel further work is required on:</p> <p>4. Zones, Nodes and Mapping 4.1 For the purposes of this Annex T-2: (a) a "Zone" is the geographic area: (i) in which the following lie: (1) a GSP Group (there being no more than one GSP Group in any one Zone);</p> <p>The legal text should state: there is 1:1 relationship between zones and GSPs. The current wording allows for partial GSP groups to make up a zone.</p> <p>4. Zones, Nodes and Mapping 4.1 For the purposes of this Annex T-2: (a) a "Zone" is the geographic area: (i) in which the following lie: (3) any part of an Offshore Transmission System which connects to the onshore AC Transmission System at a point within the geographic area of that GSP Group; and</p> <p>We are concerned that since the geographic area of a GSP could differ to the geographic area of a zone the definition above should be based on zone NOT GSP.</p> <p>(d) the Panel shall publish a description of the Zones from time to time (but may do so by referring to any other document which describes or identifies the geographic areas determined by the Panel to be the Zones).</p> <p>We feel that 4.1(d) is not consistent with 4.1.a.i.3</p> |

| Respondent | Response | Rationale |
|--|----------|--|
| | | <p>as stated above. Why would the treatment of these be different?</p> <p>Changes are required to legal text to detail timelines on how changes will be made to the Prevailing Network Mapping Statement. At present this appears poorly defined and is not tied down. Our concerns relate to mid-year changes and how we would need to manage this via our systems / processes. Current legal text states:</p> <p>4.4.d.i From time to time update the reference network mapping statement (or prevailing network mapping statement as the case may be) so as to reflect any changes to, or in respect of, the list of Nodes, the definition of any Zone, BM Units, Transmission System Boundary Points, HVDC Boundaries or Systems Connection Points and any determination by the Panel under paragraph 4.5 (such updated reference network mapping statement being the prevailing network mapping statement); and</p> <p>We feel operational procedures would need to be defined in the first instance before legal text can be finalised. For example we are not clear whether a prospective change to a prevailing mapping statement can be made part way through a live (extant) BSC season.</p> |
| Estover Energy | No | - |
| EDF Energy | Yes | |
| National Grid Electricity Transmission plc | Yes | - |

Question 3: Do you agree with the Panel's recommended Implementation Date?

Summary

| Yes | No | Neutral/No Comment | Other |
|-----|----|--------------------|-------|
| 5 | 1 | | 1 |

Responses

| Respondent | Response | Rationale |
|---------------------------|----------|---|
| SmartestEnergy | Yes | - |
| ScottishPower | Yes | The Implementation Date will ensure that a Transmission Losses scheme is introduced in accordance with the timescales set out in the CMA recommendation. |
| UK Power Reserve Limited | Yes | - |
| npower | Other | We recognise the CMA mandated implementation date of April 18 and in our previous response we asked for at least 3 years notice from the point of approval. This request was to allow for any necessary system development. If this is not possible we would welcome a delayed implementation from April 18 to enable protection of rates within our existing contracts. |
| Estover Energy | No | - |
| EDF Energy | Yes | <p>The CMA's Energy Market Investigation (Electricity Transmission Losses) Order 2016 effectively requires Transmission Losses to be allocated according to P350 on 01 April 2018. Therefore, no practical alternative to this date is possible.</p> <p>We note that preparatory work by BSCCo, the BSC Panel, existing and new BSC Agents, NGET and Distribution Companies is necessary in advance of this date in order for a new transmission loss allocation to be in place for 01 April 2018. This includes prior publication of Transmission Loss Factors (TLFs) for the 2018-19 BSC Year, and indicative Transmission Loss Adjustments (TLMOs), no later than December 2017; we are expecting these to be available to support efficient pricing of future bilateral and retail electricity contracts.</p> |
| National Grid Electricity | Yes | - |

| Respondent | Response | Rationale |
|------------------|----------|-----------|
| Transmission plc | | |

Question 4: Do you agree with the Panel's initial view that P350 should not be treated as a Self-Governance Modification?

Summary

| Yes | No | Neutral/No Comment | Other |
|-----|----|--------------------|-------|
| 7 | | | |

Responses

| Respondent | Response | Rationale |
|--|----------|---|
| SmartestEnergy | Yes | - |
| ScottishPower | Yes | P350 may have a significant and material impact on BSC Parties including a re-distributional impact and therefore should not be treated under the Self-Governance arrangements. |
| UK Power Reserve Limited | Yes | - |
| npower | Yes | Yes we agree that P350 should not be treated as a self-governance modification. |
| Estover Energy | Yes | - |
| EDF Energy | Yes | P350 clearly has material effect on competition and between different classes of participant (according to location), so doesn't meet the criteria for self-governance. |
| National Grid Electricity Transmission plc | Yes | - |