

P276 Report Phase Consultation Responses

Consultation issued on 11 May 2012 and closed on 1 June 2012

We received responses from the following Parties:

Company	No. BSC Parties / non-Parties represented	Role of Parties/non-Parties represented
National Grid	1 / 0	Transmission System Operator
IBM (UK) Ltd. (for and on behalf of ScottishPower)	7 / 0	Supplier / Generator / Trader / Consolidator / Exemptable Generator / Distributor
E.ON	6 / 0	Supplier / Generator / Trader / Consolidator / Exemptable Generator
EDF Energy	10 / 0	Generator / Supplier / Party Agent / Consolidator / Exemptable Generator / Trader
Scottish and Southern Energy (<i>late response</i>)	8 / 0	Supplier / Generator / Trader / Consolidator / Exemptable Generator

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

Question 1: Do you agree with the BSC Panel's initial view that P276 better facilitates Applicable BSC Objectives (b), (c) and (d) and has no impact on Applicable BSC Objectives (a) and (e)?

Summary

Yes	No	Neutral/Other
5	0	0

Responses

Respondent	Response	Rationale
National Grid	Yes	For the reasons set out by the Workgroup and discussed by the Panel, we believe that P276 better facilitates Applicable BSC Objectives (b), (c), and (d) and has no impact on BSC Applicable Objectives (a) and (e).
IBM (UK) Ltd. (for and on behalf of ScottishPower)	Yes	<p>Objective (a): No Impact</p> <p>Objective (b): We agree that ensuring that the market (or a section of it at least) continues to operate will help National Grid manage the wider network in the event of a partial black start. This will allow them to continue to manage the emergency without the added overhead of having to micro-manage the entire GB transmission system.</p> <p>Objective (c): Clearly, if the market is suspended then there is no competition at all. Keeping the market operational for as long as possible should have a definite positive effect on competition.</p> <p>Objective (d): Managing the shutdown and start-up operations of the market are a large overhead for ELEXON, and any avoidance of this can only be a benefit to Objective d.</p> <p>Objective (e): No impact.</p>
E.ON	Yes	<p>The market should only be suspended when absolutely necessary in a Black Start/Total/Partial Shutdown situation and it is desirable to limit this where possible in the event of a Partial Shutdown. Implementing P276 to do so would have no effect upon Objective a) or e).</p> <p>It would be positive under Objective b) in that as identified, National Grid could avoid having to centrally dispatch all generators but continue to restore the system in the most efficient manner unencumbered by any concern about any potential impact on the market.</p> <p>Objective (c) would be supported as the present situation where market suspension in a Partial Shutdown could be more disruptive than continuing the market, is detrimental to effective competition.</p> <p>Likewise Objective (d) is supported by implementing a straightforward solution to a long-standing concern.</p>
EDF Energy	Yes	<p>Although not a complete solution to market issues raised by potential partial shutdowns of the transmission system, the proposal represents a pragmatic improvement on the current situation.</p> <p>In relation to BSC Objectives:</p> <p>(a): We have not identified any specific non-BSC obligations of the Transmission Licence that would be more efficiently met by adoption of this proposal, but note that there could be some interaction with obligations under the Grid Code and Connection and Use of System Code.</p> <p>(b): Efficient co-ordinated operation of the transmission system in the event of a partial shutdown below the</p>

Respondent	Response	Rationale
		<p>threshold should be improved:</p> <ol style="list-style-type: none"> 1. Normal efficient operation of the major part of the system, including rebalancing and preparing for re-energisation of the isolated portion, could continue using the usual tried and tested methods of trading and self-despatch by participants with balancing by the System Operator. 2. The System Operator would not be distracted from managing the partial shutdown by the need to despatch all generation itself using unfamiliar processes. 3. The System Operator might currently avoid otherwise effective use of Black Start services to quickly restore small shutdown areas, because this currently would precipitate declaration of a Partial Shutdown and full suspension of the market. The operational and commercial consequences of suspending the market, self-despatch and the Balancing Mechanism are very uncertain for everyone. More time-consuming steps to re-energise from the remaining system, without declaring a Partial Shutdown, might be used instead. With this proposal, the System Operator would not be disincentivised from using Black Start services to restore small shutdown areas where it would be quicker to do so. <p>(c) There are opposing factors in consideration of the impact of the proposal on BSC objective (c) concerning effective competition in the generation and supply, and the purchase and sale of electricity:</p> <ol style="list-style-type: none"> 1. Competition is obviously significantly restricted if normal market trading is suspended, as would currently occur in the event of any Partial Shutdown. The suspension itself would create instant winners and losers dependent on the various wholesale and retail contracts in place, the single market price that is set and the range of avoided (or created) costs and revenues, regardless of whether or not any particular party is directly affected by the partial shutdown. 2. If normal market and balancing operation were to continue while some users are in imbalance due to a de-energisation beyond their control, as under the proposal in the case of relatively small de-energised volumes, competition would also be harmed. Unless those parties directly affected can obtain effective compensation for the de-energisation, they will be unfairly disadvantaged relative to others and competition harmed. 3. The proposal presents a pragmatic compromise between these factors, by suspending the market only once a certain threshold de-energised volume is reached. Up to this level, those directly affected by the de-energisation might be disadvantaged, subject to any compensation that might be claimable, but great market uncertainty is avoided. Above this level, another undetermined set of participants will be disadvantaged, but those directly affected by the de-energisation do not face the consequences alone. 4. The ideal level of the threshold to best facilitate

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		<p>competition, by balancing the interests of those directly affected by a de-energisation with those that would be affected by a suspension of the market, is probably impossible to determine. Although we think the level might be too low, particularly for times of low demand, it represents an improvement on the current situation where the relative effects of market suspension on competing participants is not considered at all.</p> <p>5. Effective compensation for those directly affected by partial de-energisation could allow the threshold level to be increased in future.</p> <p>(d): Market suspension would create a huge amount of administrative work, both centrally within BSCCo and National Grid, and within BSC Parties. There would be immediate disruption to normal processes, and months or years of work following the event to manage all the bilateral contractual claims, central claims, financial and forecasting and other after-effects. Because this is a rare event with which all concerned would be unfamiliar, the effort would be a relatively inefficient use of resources. The proposal would avoid this disruption and its inefficient administrative costs, for de-energisations up to the specified threshold, and in our view would clearly better meet BSC objective (d) concerning efficient implementation and administration of the balancing and settlement arrangements.</p> <p>(e): We have not identified any specific interaction of this proposal with current EU regulations.</p>
Scottish and Southern Energy	Yes	We note the deliberations of the Workgroup (as set out in Section 7) and agree with the Panel (as well as the Proposer and the majority of the Workgroup) that P276 appears to better facilitate Applicable BSC Objectives (b), (c) and (d) and has no impact on Applicable BSC Objectives (a) and (e).

Question 2: Do you agree with the Panel's recommended Implementation Date?

Summary

Yes	No	Neutral/Other
4	0	1

Responses

Respondent	Response	Rationale
National Grid	Yes	The recommended implementation date supports the application of the automated solution by National Grid and takes into consideration the consequential change processes for associated Codes.

Respondent	Response	Rationale
IBM (UK) Ltd. (for and on behalf of ScottishPower)	Yes	While ScottishPower would prefer this Mod be implemented earlier, as risk of instant market suspension remains as long as this is delayed, we accept that this is the earliest implementation date due to the System Operator's IT system implementation timescale.
E.ON	Yes	P276 should be implemented as soon as possible; it is unfortunate that possibly late 2012 at the earliest in the Assessment consultation has slipped to first quarter 2013 for a manual solution and finally to 31/03/14. However we agree that a high spend on an interim manual solution would be inefficient.
EDF Energy	-	It is disappointing that an earlier implementation date could not be supported at reasonable cost by the Transmission Company. However, given the very low probability of the event this proposal concerns, we accept the proposed date of 31 March 2014 and hope there are no occurrences before that time.
Scottish and Southern Energy	Yes	We concur with the proposed Implementation Date.

Question 3: Do you agree that the draft BSC legal text delivers the intention of the P276 solution?

Summary

Yes	No	Neutral/Other
3	0	2

Responses

Respondent	Response	Rationale
National Grid	Yes	The comments raised by National Grid to Elexon during the consultation have been addressed to our mutual satisfaction.
IBM (UK) Ltd. (for and on behalf of ScottishPower)	Yes	The draft legal text appears appropriate.
E.ON	-	We have not reviewed this in detail.

Respondent	Response	Rationale
EDF Energy	-	<p>We have not undertaken a full detailed legal and technical review. From the review we have performed, we make the following comments:</p> <ol style="list-style-type: none"> 1. Proposed new section G3.1.6 requires the Transmission Company to notify BSCCo of the circumstances of 3.1.5(b) (no more baseline forecast data available). It would help ensure common understanding and verification of the relevant times if the circumstances of 3.1.5(c) (72 hours since partial shutdown commenced) were also required to be notified, even though Elexon should be able to determine it themselves from the initial notification. 2. In the case of market suspension, G3.3.2(b) applies and all outturn generation is deemed to be subject to a black start instruction with Trading Charges comprising spill at a single energy price. New sections in G3.3.2 describe the calculation of compensation for a BM Unit subject to a Black Start Instruction in a situation of partial shutdown where the market has not been suspended. Compensation is calculated as "A" avoided cost minus "B" the difference between outturn Trading Charges with the black start action included and what Trading Charges would have been with a "black start compensation volume" removed. <ol style="list-style-type: none"> i. In the case of partial shutdown with normal market operation continuing, stations subject to an explicit Black Start instruction might have sold, or sell, the same output bilaterally and notify volume to settlement. Within a portfolio of sales, it may be difficult to distinguish a corresponding specific sale. If this were not taken into consideration in the determination of Avoidable Costs, or in the determination of the "black start compensation volume", a BM Unit could in some circumstances claim some compensation for costs covered by revenue obtained bilaterally. The Panel should consider this possibility in making determinations on compensation claims. ii. The expression "previously determined" in G3.3.2(d) and (e) indicates a sequential calculation of Trading Charge effects by BM Unit/instruction. Because of the dual imbalance price, individual energy accounts could flip from shortfall to spill or vice versa for different BM Units dependent on the order of processing. Although the total amount of trading charge changes should not be affected, the allocation of amounts between BM Units could depend on the order in which the claims are processed. The Panel may need to consider this in making determinations on compensation claims.
Scottish and Southern Energy	Yes	It appears to meet the intention of the P276 solution.

Question 4: Do you have any further comments on P276 which you would like the Panel to consider?

Summary

Yes	No	Neutral/Other
2	3	0

Responses

Respondent	Response	Comments
National Grid	No	-
IBM (UK) Ltd. (for and on behalf of ScottishPower)	Yes	<p>As stated within our Assessment Consultation response, the market should only be suspended as an absolute last resort. We therefore do not believe that 5% represents a realistic level at which it is better to suspend the market in the event of a Partial Shutdown.</p> <p>The ELEXON analysis attempted to determine the impact on imbalance prices in a disappearing market. In our opinion that analysis is flawed, resulting in an unrealistic scenario, particularly in the light of new information from National Grid on their behaviour with respect to the tagging methodology. The analysis assumes a pessimistic approach, where all actions taken in the 'healthy' market are energy actions (which lead to the spiralling of imbalance prices and an answer of 5%), as opposed to being tagged as system actions where they would have no impact on imbalance prices.</p> <p>In further clarification from National Grid (post Assessment Consultation) they note that "...any actions that it issues to Parties in the 'healthy' part of the system to help re-energise the shutdown part..." (and by extension we presume stabilise the healthy part) "...will be flagged as system-balancing actions." This means that a large number of the expensive bid-offers used in the analysis would be tagged out, reducing the increase in SBP and SSP as modelled.</p> <p>Imbalance prices should only be affected by energy actions required to balance Party imbalance, and should not be affected by actions taken to stabilise the system in the event of, what is to all intents and purposes, a system constraint due to a system network problem. One of the driving benefits of keeping the market open during a crisis is the belief that the market will behave in a rational manner, and this behaviour will ease the load on National Grid allowing them to concentrate on crisis management. If the market is receiving irrational signals then it cannot function in a rational way, exacerbating the problems for National Grid.</p> <p>We note that the current tagging methodology is not entirely clear on what would happen during a Partial</p>

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		<p>Shutdown, and so we urge the Panel to allow additional time for National Grid and ELEXON to work together to determine a realistic set of tagging rules for this situation, and to then re-run the analysis to derive a more realistic percentage. Without this, we fear that while this Modification is clearly better than the baseline, the cushion it provides is so thin that it will not prevent the market from being suspended almost immediately in the event of anything other than a tiny incident occurring.</p> <p>If this additional work is carried out we may find that imbalance prices do not appear to have a materially disruptive effect on the market during a Partial Shutdown, and that we may need to look at a different measure of when the market should be suspended. At the very least, the suspension threshold should be significantly higher than 5%.</p>
E.ON	No	-
EDF Energy	Yes	<p>We think the threshold level could be set higher. The level of 5% proposed is within the level of error of NG's demand forecasts, within the range of normal market imbalance, and represents only about 1000 MW at times of low demand, and there remains a significant risk that the entire market could be suspended for a relatively small event where a black start action is taken. However, the proposal remains better than the baseline where any black start action would precipitate market suspension. A simple suggestion is that the threshold could be the lower of 5% or 2000 MW. This would reduce the possibility of relatively small events resulting in market suspension.</p> <p>We note that some parallels can be drawn between the impacts of extreme generation loss on the market, and those associated with extreme demand loss, either of which may exist in a partial shutdown. However, these situations are very different in practice.</p> <p>We also think more discretion could be given to the BSC Panel and National Grid to determine whether a partial shutdown with significant demand loss is continuing, rather than automatically suspending the market after 72 hours. It could be disproportionate to suspend the market simply because a small demand loss cannot be accurately measured. We assume an urgent modification proposal could be employed to change this if circumstances suggested such a change would be beneficial.</p> <p>We note that the threshold is set on loss of national demand (measurement of which includes loss of distribution connected licence exempt generation), rather than loss of national generation, national delivery or national offtake, the latter two which might include interconnection flows. This is a pragmatic rather than ideal measure. Theoretically, and with more likelihood as interconnection increases and European markets integrate, there could be circumstances where local demand is being met by interconnector circuits, or local generation is feeding</p>

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		<p>interconnector circuits, and the impacts of a partial shutdown are wider and more complex, and the threshold on National Demand may not be appropriate. We assume this will be considered in a future modification proposal.</p> <p>Further consideration should be given to compensation arrangements for Suppliers and/or generators who lose access to the Transmission System during a partial shutdown in which the market is not suspended. This would aim to ensure that those parties directly affected by a local system shutdown are not unfairly advantaged relative to other parties. This is usually argued to fall within the scope of the Connection and Use of System Code (CUSEC), and is distinct from the issue of compensation to Black Start generators, covered in the BSC and this proposal.</p> <p>The proposal highlights the difficulty of considering compensation for de-energisation in the CUSEC while for most participants a significant part of the cost to be compensated relates to energy, which is settled under the Balancing and Settlement Code. It also highlights the similarity between de-energisation of an individual site, for which the CUSEC has some limited provisions, and de-energisation of a group of sites in a partial shutdown.</p> <p>If parties directly affected by a localised system shutdown could be confident of compensation such that they were not unfairly disadvantaged relative to other parties, the threshold for suspending the BSC market arrangements could be much higher.</p> <p>The current compensation arrangements concentrate on generator BM Units. Ideally, the impact on the demand and licence exempt generation of Suppliers would also be considered. The impact will vary between those Suppliers affected by a given partial shutdown, and competition would be better supported if the specific impacts could be estimated and allocated between them. However, while the threshold remains low and the frequency of the event very low, we acknowledge that this has been left for future consideration.</p>
Scottish and Southern Energy	No	We have nothing further to add at this time.