

## Assessment Consultation Responses: P286 'Revised treatment of RCRC for generation BM Units'

**Consultation issued on 23 August 2012**

We received responses from the following Parties

Company	No BSC Parties / Non-Parties Represented	Role of Parties/non-Parties represented
SmartestEnergy	1 / 0	Supplier / Consolidator
TMA Data Management Ltd	0 / 1	Party Agent
RWE Supply & Trading GmbH	10 / 0	Supplier / Generator/ Trader / Consolidator / Exemptable Generator / Party Agent
Centrica	13 / 0	Generator / Trader / Supplier / BSC Party
National Grid Electricity Transmission Ltd	1 / 0	Transmission Company
IBM UK Ltd for and on behalf of the ScottishPower Group	7 / 0	Supplier / Generator / Trader / Consolidator / Exemptable Generator / Distributor

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 Workgroup's initial view that P286 better facilitates the Applicable BSC Objectives when compared with the current BSC Rules?

### Summary

Yes	No	Neutral/No Comment
4	2	0

### Responses

Respondent	Response	Rationale
SmartestEnergy	No	<p>a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence -- We do not agree that RCRC and BSUoS are linked. Therefore, any changes to BSUoS under the CUSC do not impact on the RCRC arrangements under the BSC.</p> <p>b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System – There would be no impact on parties' incentive to balance. Cash-out prices provide Parties with an incentive to balance.</p> <p>c) 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 -- As both generators and Suppliers cause imbalance, both should be subject to the imbalance mechanism, which includes RCRC.</p> <p>d) Promoting efficiency in the implementation of the balancing and settlement arrangements – This objective is not facilitated</p> <p>e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency -- There are no relevant legally binding decisions of the EC or the Agency</p>
TMA Data Management Ltd	Yes	Yes in terms of objective A but we are unsure of the impact of P286 on the other objectives.
RWE Supply & Trading GmbH	No	We do not believe that the proposal better meets the BSC Objectives. RCRC is a product of the Energy Imbalance charges. Consequently RCRC should apply to all parties that contribute to the EIC. We are concerned that removal of RCRC from generation BM

Respondent	Response	Rationale
		<p>Units will have an impact on incentives to balance, The proposal will also create windfall gains and losses for demand BMUs that relates to imbalances over which they have no control.</p>
Centrica	Yes	<p>If modification CMP201 is agreed then this modification aligns RCRC beneficiaries with those that are liable for BSUoS (c). Agreement with this modification is contingent on modification CMP201 being accepted.</p>
National Grid Electricity Transmission Ltd	Yes	<p>If BSUoS is removed from GB generation as a consequence of CUSC proposal CMP201, then RCRC will constitute a payment / charge on GB generation for which there is no common EU equivalent and thus has the potential to distort competition on cross-border trades.</p> <p>The amount of RCRC that each generator is currently exposed to is also related to their metered generation. Without the counter-balancing energy balancing element within the BSUoS charge, there would be an unbalanced effect on individual generators and their offered market prices, depending on their load factor. Removing RCRC from parties not subject to BSUoS addresses both issues and thus P286 better facilitates competition (Objective c).</p> <p>Not implementing P286 along with CMP201 may reduce the cash-out signal for generators to self-balance. They would be "in receipt" of RCRC whilst not "paying" (via BSUoS) for energy balancing, potentially increasing system balancing costs as a consequence. P286 implementation would therefore better facilitate objective (b) through maintaining the correct signals that help with the efficient, economic and coordinated operation of the Transmission System.</p> <p>P285 takes into consideration National Grid's obligations to take into account changes in its transmission business arising from European developments. By ensuring that appropriate financial balancing and settlement (BSC) arrangements are in place, P285 better meets Objective (a).</p>
IBM UK Ltd for and on behalf of the ScottishPower Group	Yes	<p>ScottishPower acknowledges the need to develop a holistic solution to cash out and RCRC, and accepts the arguments on the features of RCRC. However, we believe that there is interaction between RCRC and BSUoS, and agree with the views that:-</p>

Respondent	Response	Rationale
		<ul style="list-style-type: none"> <li>• By having the same exclusion made on RCRC as that on BSUoS, any potential anomalous situation would be alleviated and any potential windfall gains or losses would be removed for generators. This would better facilitate the Applicable BSC Objectives (c) – competition.</li> <li>• The change to RCRC in response to BSUoS amendment also means that the incentive to balance for generators is improved, potentially resulting in lower costs and fewer system operator actions in balancing the system, and therefore better facilitate Objective (b) - efficient, economic and co-ordinated operation of the National Transmission System.</li> </ul> <p>However, for the same reasons, if the corresponding CMP201 were not made, then P286 should not be made. Otherwise, the anomalous situation, which P286 tries to alleviate, would exist.</p>

Question 2: Do you agree with the Workgroup that there is no Alternative Modification within the scope of P286 which would better facilitate the Applicable BSC Objectives than the Proposer's solution?

### Summary

Yes	No	Neutral/No Comment
6	0	0

### Responses

Respondent	Response	Rationale
SmartestEnergy	Yes	-
TMA Data Management Ltd	Yes	-
RWE Supply & Trading GmbH	Yes	-
Centrica	Yes	-
National Grid Electricity Transmission Ltd	Yes	The proposal is a proportionate response that does not incur unnecessary complexity or costs.
IBM UK Ltd for and on behalf of the ScottishPower Group	Yes	ScottishPower acknowledges the views for an alternative but agrees that the Proposed represents the simplest, cheapest and quickest solution to fulfil any obligation and to alleviate potential anomalies, particularly as the potential alternative would mean significant costs and delays.

Question 3: Do you agree with the Workgroup that the draft legal text delivers the intention of P286?

**Summary**

Yes	No	Neutral/No Comment
5	0	1

**Responses**

Respondent	Response	Rationale
SmartestEnergy	-	No comment.
TMA Data Management Ltd	Yes	-
RWE Supply & Trading GmbH	Yes	-
Centrica	Yes	-
National Grid Electricity Transmission Ltd	Yes	The proposed text appears to meet objectives of the proposal
IBM UK Ltd for and on behalf of the ScottishPower Group	Yes	The draft legal text appears appropriate.

## Question 4: Do you agree with the Workgroup's recommended Implementation Date?

### Summary

Yes	No	Neutral/No Comment
5	1	0

### Responses

Respondent	Response	Rationale
SmartestEnergy	No	The proposal is for two years' notice following an approval. Given that some long term contracts will be affected we are not sure this is long enough.
TMA Data Management Ltd	Yes	-
RWE Supply & Trading GmbH	Yes	-
Centrica	Yes	-
National Grid Electricity Transmission Ltd	Yes	Given the likely timescales for implementing the corresponding CUSC proposal (CMP201), if approved, then implementation date represents a sensible approach.
IBM UK Ltd for and on behalf of the ScottishPower Group	Yes	ScottishPower agrees that P286 should be implemented at the same time as CMP201 otherwise, the potentially anomalous situation, which this modification tries to alleviate, would exist.

## Question 5: Do you have any further comments on P286?

### Summary

Yes	No
4	2

### Responses

Respondent	Response	Rationale
SmartestEnergy	Yes	<p>Regardless of the flow of payments which result from RCRC we do not agree with the premise underlying this proposal. Whilst there is a correlation between BSUoS and RCRC, the real relationship is between cash-out and RCRC. If a participant is subject to cash-out, they should also be subject to RCRC.</p> <p>We agree with the view that "BSUoS and RCRC are separate cashflows and that changes to the allocation of RCRC under the BSC are not needed in response to the proposed changes to BSUoS allocation under the CUSC .... [and that] the BSUoS charge is a cost-recovery mechanism levied by the System Operator in order to recover the costs incurred in balancing the system. This charge is not comprised solely of the costs of energy balancing actions, but also includes actions taken to alleviate system constraints as well as ancillary service charges, neither of which are related to imbalance."</p> <p>Indeed, if there is an issue of pollution of energy costs within BSUoS, this should be dealt with under the CUSC/the Balancing SCR and not in the BSC.</p>
TMA Data Management Ltd	Yes	Given the upcoming Electricity Balancing SCR, it would be more appropriate to reject P286 and let the matter be reviewed as part of the SCR.
RWE Supply & Trading GmbH	Yes	We do not believe that RCRC cash flows are related to "use of system" charges. Rather they are an artefact of the GB cash out arrangements and in particular dual cash out. Therefore there is no case for change to the treatment of RCRC in relation to the relevant EU directives.
Centrica	No	-
National Grid Electricity Transmission Ltd	Yes	Whilst RCRC and BSUoS are separate cash-flows, there is a prima facie link between the two. The Significant Code Review on Cash-out may conclude that changes to the imbalance process are required.

Respondent	Response	Rationale
		P286 aims to address the issues CMP201 will raise if approved rather than wait for the SCR process to complete and any subsequent change proposals to be raised and progressed to conclusion.
IBM UK Ltd for and on behalf of the ScottishPower Group	No	-