

Assessment Consultation Responses: P285 'Revised treatment of RCRC for Interconnector 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
BritNed Development Limited	1 / 0	Interconnector Administrator / Interconnector Error Administrator
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
E.ON	5 / 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 Workgroup's initial view that P285 better facilitates the Applicable BSC Objectives when compared with the current BSC Rules?

Summary

Yes	No	Neutral/No Comment
6	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 P285 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
		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.
Centrica	Yes	This modification takes into consideration National Grid's obligations to account for developments arising from European legislation (a). It also aligns RCRC beneficiaries with those that are liable for BSUoS (c). Agreement with this modification is contingent on modification CMP202 being accepted.
BritNed Development Limited	Yes	We agree with the proposer's views.
National Grid Electricity Transmission Ltd	Yes	<p>P285 removes the potential for RCRC payments / charges, which arise from the Imbalance processes, to distort cross-border trades as they may impact on an Interconnector trader's decision to flow that is not linked to market price differentials. By removing this potential distortion, P285 better facilitates competition (Objective c).</p> <p>P285 takes into consideration National Grid's obligations to 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> <p>Whilst, RCRC is part of the Imbalance charging process, it has the potential to be perceived as a charge on parties trading across interconnectors. Removing RCRC from interconnectors also removes any ambiguity and thus ensures clearer visibility of compliance with the EU 3rd package (Objective e).</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> <ul style="list-style-type: none"> • 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 interconnector users. This would better facilitate the Applicable BSC Objectives (c) – competition. • The change to RCRC in response to BSUoS amendment resulting from EU target model

Respondent	Response	Rationale
		<p>obligation enables National Grid to efficiently discharge its licence obligations - to account for developments arising from European legislation, and therefore better facilitate Objective (a).</p> <ul style="list-style-type: none"> Removals of a perceived charge (in RCRC) on parties trading across interconnectors also fulfil any potential EU third package obligations and therefore better facilitate Objective (e).
E.ON	Yes	If CMP202 is approved then P285 should follow.

Question 2: Do you agree with the Workgroup that there is no Alternative Modification within the scope of P285 which would better facilitate the Applicable BSC Objectives than the Proposer's solution?

Summary

Yes	No	Neutral/No Comment
7	0	1

Responses

Respondent	Response	Rationale
SmartestEnergy	Yes	-
TMA Data Management Ltd	Yes	-
RWE Supply & Trading GmbH	Yes	-
Centrica	Yes	-
BritNed Development Limited	Neutral	Although we suggested that it might be appropriate for the element of RCRC that relates to the offsetting of imbalances to remain, we note the Workgroup's view that the costs of doing so outweighs the materiality of the proposed solution and are therefore happy to support P285 in its current form.
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 the obligation and to alleviate potential anomalies, particularly as the potential alternative would mean significant costs and delays.
E.ON	Yes	-

Question 3: Do you agree with the Workgroup that the draft legal text delivers the intention of P285?

Summary

Yes	No	Neutral/No Comment
7	0	1

Responses

Respondent	Response	Rationale
SmartestEnergy	-	No comment.
TMA Data Management Ltd	Yes	-
RWE Supply & Trading GmbH	Yes	-
Centrica	Yes	-
BritNed Development Limited	Yes	The changes appear to deliver the intention of P285.
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.
E.ON	Yes	-

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

Summary

Yes	No	Neutral/No Comment
7	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	It would be beneficial if it was sooner.
BritNed Development Limited	Yes	We agree that this should be implemented at the earliest viable implementation date.
National Grid Electricity Transmission Ltd	Yes	The implementation date represents a sensible approach given the proposed changes and their materiality.
IBM UK Ltd for and on behalf of the ScottishPower Group	Yes	In view of the implementation of CMP202 on 30 August 2012, ScottishPower agrees that P285 should be implemented as early as possible, irrespective of the decision on P286.
E.ON	Yes	-

Question 5: Do you have any further comments on P285?

Summary

Yes	No
2	6

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	No	-
RWE Supply & Trading GmbH	Yes	<p>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.</p>
Centrica	No	-
BritNed Development Limited	No	-
National Grid Electricity	No	-

Respondent	Response	Rationale
Transmission Ltd		
IBM UK Ltd for and on behalf of the ScottishPower Group	No	-
E.ON	No	-