



The Pace of Change in Great Britain

AN UPDATE FROM IPA ENERGY + WATER ECONOMICS

Inside...

- " Details of a new Energy Bill;
- " Draft energy National Policy Statements;
- " Framework for carbon capture and storage on all new coal;
- " Initial proposals for funding critical transmission investment;
- " National Grid's System Operator incentives for 2010/11 and 2011/12; and
- " Proposed extension of offshore transmission charging methodology to island links.

The Pace of Change in Great Britain

This monthly briefing paper from IPA Energy + Water Economics provides a brief update of the major consultations and announcements that impact on the development of the Great Britain wholesale electricity.

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If readers need further information on any of the issues raised in this newsletter, or would like advice on how these changes and other market developments might affect your company, please contact IPA Energy + Water Economics on +44 (0)131 240 0840 or via email at contact@ipaeconomics.com.

We are continually looking for ways to make this newsletter more useful for our readers, and would welcome comments and suggestions on any changes which might be helpful.

Disclaimer

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DEPARTMENT OF ENERGY AND CLIMATE CHANGE (DECC)

Title: Peterborough Clean Energy Plant Gets Green Light

[\(link\)](#)

Published: 4 November

Response due: N/A

DECC has announced the granting of Section 36 consent for an 80 MW energy-from-waste and biomass-fuelled power station at Storey's Bar Gate, Peterborough.

Issue: National Policy Statements for Energy

Title: Miliband Sets Strategic Direction for Overhaul of Energy System

[\(link\)](#) [\(Commons statement\)](#)

[\(consultation\)](#) [\(clean coal framework\)](#)

Published: 9 November

Response due: 22 February 2010

DECC has issued a press release, incorporating a video by Ed Miliband, announcing the publication of six new draft National Policy Statements – one overarching and one each for fossil fuels, nuclear, renewables, transmission networks, and oil and gas pipelines – and the Government's final framework for the development of clean coal. It has also published Ed Miliband's statement to the House of Commons.

The draft nuclear NPS names ten sites as being suitable for future new nuclear: Bradwell; Braystones; Hartlepool; Heysham; Hinkley Point; Kirksanton; Oldbury; Sellafield; Sizewell; and Wylfa.

The framework for new coal confirms:

"No new coal without Carbon Capture and Storage (CCS):

With immediate effect, to gain development consent all new coal plant will have to show that they will demonstrate the full CCS chain (capture, transport and storage) from the outset on at least 300 MW net of their total output.

A programme of up to four commercial-scale CCS demonstrations, including both pre-combustion and post-combustion capture technologies, will be funded by a new CCS Incentive. Legislation to introduce this has been proposed for the forthcoming Parliamentary session.

A long term transition to clean coal:

We expect the demonstration plants will retrofit CCS to their full capacity by 2025, with the CCS Incentive able to provide financial support for their retrofit.

A rolling review process, which is planned to report by 2018, will consider the case for new regulatory and financial measures to further drive the move to clean coal. In the event that CCS is evidently not going to become a viable technology option, an appropriate regulatory approach for managing emissions from coal power stations will be needed."

The press release also states that:

"... Government has received two bids – from E.ON and Scottish Power – to proceed to the next stage of the current CCS demonstration competition. It is expected that contracts for the detailed design stage will be concluded early next year," and

"... the European Commission has provisionally selected Powerfuel to receive €180m to develop a pre-combustion CCS power station at Hatfield. The Commission and Powerfuel are now negotiating the terms of the funding."



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Title: Consultation on Proposed Regulatory Justification Decisions on New Nuclear Power Stations (AP1000 and EPR) [\(link\)](#)

Published: 9 November
Response due: 22 February 2010

DECC has published a three part consultation on the Secretary of State's "proposed decisions" that two new nuclear power station designs, Westinghouse's AP1000 and Areva's EPR, are "... justified under the Justification of Practices Involving Ionising Radiation Regulations 2004." Both are PWRs (Pressurised Water Reactors).

The consultation follows an application for a "Regulatory Justification decision" for four new reactor designs. The consultation indicates that the Secretary of State has decided to consider the AP1000 and EPR initially in order to "... concentrate attention on those reactor designs for which, in the Secretary of State's view, applications to build and operate in the UK are at present most likely to be made in the near future."

Title: Draft Supplementary Guidance for Section 36 Electricity Act 1989 Consent Applicants for Coal Power Stations: A Consultation [\(link\)](#)

Published: 9 November
Response due: 1 February 2010

DECC has published a consultation on the draft guidance on the new carbon capture and storage requirements, introduced by the framework for clean coal, for companies seeking consent to build new coal stations, or to install to fit super-critical coal-fired boilers in existing plant, of greater than 50 MWe.

Title: New Energy Bill to Protect the Consumer [\(link\)](#)

Published: 19 November
Response due: N/A

DECC has issued a press release on the scope of the proposed new Energy Bill, detailing its consumer protection provisions and the new CCS incentive:

"Protect vulnerable households

- *By providing mandatory social price support, such as in the form of an electricity bill rebate. This builds on the success of the voluntary agreement with energy companies which ends in 2011 and has helped reduce the fuel bills of more than one million vulnerable customer accounts. The level of support to be provided through the new mandated scheme will be greater than the £150m committed by suppliers in the final year of the agreement.*
- *Making absolutely clear that Ofgem, the energy market regulator, must:*
 - *include the reduction of carbon emissions and the delivery of secure energy supplies in their assessment of the interests of consumers*
 - *step in proactively to protect consumers as well as considering longer term actions to promote competition.*
- *Giving Ofgem additional powers to tackle market exploitation where companies might take advantage of constraints in the electricity transmission grid.*
- *Strengthening the deterrent nature of Ofgem's powers by extending the time limit from 12 months to 5 years within which Ofgem can impose financial penalties for breaches of licence conditions.*

Put UK at the forefront of developing CCS technology

- *The new CCS Incentive will support the construction of up to four commercial-scale CCS demonstration projects in the UK.*
 - *The CCS Incentive could also provide funding for the retrofit of demonstration projects to their full capacity, should it be required in future."*
-



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Title: *Government Response (including Summary of Responses) to the Public Consultation on Revised Social and Environmental Guidance to the Gas and Electricity Markets Authority*

[\(link\)](#)

Published: 20 November
Response due: N/A

Government has published a summary of the responses it received to BERR's consultation (held in June to September 2008) on revisions to the Social and Environmental Guidance to the Authority, together with its response to these comments. The new Guidance has now been laid before Parliament.

Title: *DECC Invites Applicants for £1.5 million Bio-Energy Infrastructure Grants*

[\(link\)](#)

Published: 23 November
Response due: 26 February 2010

DECC has announced the availability of £1.5m in grants for small and medium-sized enterprises developing new biomass supply chain projects through round three of the Bio-energy Infrastructure Scheme.

The closing date for applications is 26 February 2010, with grants available for projects which complete by the end of March 2011.

Issue: Guides to the Non-Competitive EU ETS Auctions

Titles: *Non-Competitive Auctions Bidding Guide*

[\(link\)](#)

Non-Competitive Auctions Registration Guide

[\(link\)](#)

Published: 27 November
First auction: 7 January 2010

DECC has published documents providing guidance on the Bidding and Registration arrangements for the "non-competitive auctions", aimed at smaller compliance buyers, for EU ETS allowances. The first auction will be held on 7 January 2010.

DECC has appointed Computershare to manage the registration process and the administrative functions relating to the non-competitive bidding facility.



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ENERGY AND CLIMATE CHANGE COMMITTEE

Title: *Committee Launches Parliamentary Scrutiny of the Proposals for Energy National Policy Statements*

[\(link\)](#)

Published: 11 November

Response due: 15 January 2010

The Energy and Climate Change Committee has issued a call for written evidence for its inquiry into the proposals for energy national policy statements (NPSs), the objective of which is to:

“... determine whether the energy NPSs provide a coherent and practical framework within which the Infrastructure Planning Commission can assess future planning applications for energy infrastructure.”

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OFGEM

Title: *Transmission Access Review – Enhanced Transmission Investment Incentives: Initial Proposals*

[\(link\)](#) [\(press release\)](#)

Published: 3 November
Response due: 1 December

Ofgem has published its initial proposals for funding the cost of critical investments by Transmission Operators under the current price control (to 31 March 2012); proposing that it allows the recovery of efficiently incurred costs for pre-construction work for all projects and construction work for specific projects. Ofgem states that it will:

“... identify these projects based on criteria including the strength of the needs case and the readiness of the TOs to take forward the planned work.”

The cost is estimated to be up to £1 billion of investment in the period to 1 April 2012. The accompanying press release states that:

- *“Ofgem proposes a common sense approach to ensure investment to support emission reduction plans while shielding customers from unnecessary costs.*
- *By 2012, funding could deliver about 20 per cent of a ten-year investment programme.*
- *Over 70 per cent of this investment by 2012 is targeted in Scotland.”*

Title: *Application by Energetics Electricity Ltd (“the Licensee”) to Vary Alternative Credit Rating Arrangements – the Gas and Electricity Markets Authority’s Decision*

[\(link\)](#)

Published: 4 November
Response due: N/A

Ofgem has published its letter to Energetics Electricity Ltd, giving its decision that the Company may vary its credit arrangements and setting out the revised arrangements.

Title: *Offshore Electricity Transmission: An Open Letter on the Enduring Regime*

[\(link\)](#)

Published: 5 November
Response due: 27 November

Ofgem has published an open letter in which it provides advance notice of its proposed consultation (due in mid December) on the enduring offshore transmission access regime, and invites views to inform the consultation.

The letter indicates that it:

- *“Sets the scope and timing of Ofgem’s enduring tenders consultation process;*
- *Provides a brief background to the development of the overarching regulatory framework for Offshore Electricity Transmission;*
- *Highlights a number of relevant developments which have been announced since “Go Active” which may have implications for the enduring tender process; and*
- *Explains the key themes that we propose to consult on in relation to the enduring tender processes - these include:*
 - *Early or late OFTO appointment,*
 - *Treatment of pre-construction costs and tender information,*
 - *Treatment of future capacity increases,*
 - *Risk Management, Refinancing and Incentives,*
 - *The Role of the NETSO,*
 - *Qualifying Project Pre-Conditions and Tender Entry Criteria,*
 - *Stages and Timing of the Tender Process,*
 - *Assessment of the Tender Process (including treatment of losses),*
 - *Supply Chain and Competition.”*



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Title: Assessment of the Potential Impact on Consumers of Connect and Manage Access Proposals

[\(link\)](#) [\(cover letter\)](#)

Published: 6 November
Response due: N/A

Ofgem has published a report it commissioned from Frontier Economics, on the impact that transmission access arrangements based on a “connect and manage” approach (as advocated by DECC) would have on constraint costs. The report states that:

“... outturn levels of congestion and wholesale prices will depend on a range of inputs. However, this analysis makes clear that the potential sums at stake are significant, and there are possible scenarios under which a “connect and manage” regime will result in customers bearing a significant additional burden. Careful consideration should clearly be given to any move towards a “connect and manage” policy. The detailed specification of the regime will be critical if the risk of certain generators securing significant benefit at the expense of customers is to be avoided.”

Title: EDF Energy Networks’ Compliance with Obligations on Timescales for Connection Offers – Final Penalty Notice

[\(link\)](#)

Published: 6 November
Response due: N/A

Link:

Ofgem has published a Statutory Notice imposing a £2m penalty on EDF Energy Networks for its failure to provide connection offers within the timescale stipulated within its licence.

Issue: Target Costs in National Grid’s GB SO Balancing Services Incentive

Title: Direction Issued to NGET Pursuant to Paragraph B1(b) of Part B of Schedule A to Special Condition AA5A (Balancing Services Activity Revenue Restriction) of NGET’s Electricity Transmission Licence

[\(link\)](#)

Published: 10 November
Effective from: 1 April 2009

Ofgem has published a direction changing the target costs within National Grid’s SO incentive following application by National Grid for a reduction in the target costs of £13.57m in accordance with the automatic adjustment provisions within the agreed incentive scheme.

Title: Project Discovery Seminar

[\(link\)](#)

Published: 13 November
Seminar date: 12 November

Ofgem has published the materials from its Project Discovery seminar held on 12 November.

Title: TO Incentives: Stakeholder Workshop

[\(link\)](#)

Published: 13 November
Response due: N/A

Ofgem has issued an invitation to a TO Incentives Stakeholders Workshop to be held on 7 December at which the Transmission Owners will present their proposals and Ofgem’s consultants will present the results of their assessments of these proposals.



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Issue: Constraint Costs Forecasts

Title: Information Provision for System Operator Incentive Scheme from April 2010: Formal Information Request under Paragraph 14 of Standard Condition C16 of NGET's Transmission Licence

[\(link\)](#)

Published: 16 November (dated 13 November)
National Grid is required to provide this information by: 11 December

Ofgem has published a letter to National Grid (NGET) following publication of its initial proposals for its next GB SO incentive (published 5 Nov – see GB SO section below).

In the letter Ofgem restates its expectation that it should be a two year scheme (whereas National Grid propose a one year scheme for constraint costs and a two year scheme for all other costs) and that Ofgem is:

"... therefore disappointed that your proposals for a two year incentive scheme contained in your Initial Proposals Consultation document published on 5 November are incomplete."

Ofgem have therefore made a formal request (under Standard Condition 16) requiring NGET to:

"... Provide its best estimates of the following in respect of constraint costs:

- *A forecast of within Scotland constraint costs for the period 1 April 2011 to 31 March 2012;*
- *A forecast of Cheviot constraint costs for the period 1 April 2011 to 31 March 2012; and*
- *A forecast of England and Wales constraint costs for the period 1 April 2011 to 31 March 2012"*

Including:

- *"clear information regarding the relevant and potential cost drivers associated with different system operation activities as well as other factors that could materially impact on the costs in the near future; and*
- *clear information regarding the key assumptions/scenarios that have been considered and how these influence the results/conclusions."*

See also Ofgem letter (30 November, below) giving Ofgem's initial views.

Title: The Renewables Obligation Late Payment Fund (2008-2009)

[\(link\)](#)

Published: 16 November

Response due: N/A

Ofgem has published figures for amounts redistributed from the Renewables Obligation (RO) late payment funds for 2008-09.

"A total of 18,948,878 ROCs were correctly submitted by suppliers to Ofgem for the 2008-2009 RO year. The three main buy-out funds were redistributed on 30 September 2009 and the three late payment funds were redistributed on 12 November 2009. The amounts (including interest) redistributed from the late payment funds totalled £1,173,496. These were redistributed to all suppliers that had fully complied with their renewables obligations, in the proportions previously published. The total amount of the buy-out fund redistributed for 2008-09, the seventh year of the obligation, was £352,651,576 (including interest). This equates to £18.61 for each ROC presented."

Title: Community Energy Saving Programme 2009-2012 Generator and Supplier Guidance

[\(link\)](#) [\(consultation responses\)](#)

Published: 19 & 23 November (pro-forma)

Response due: N/A

Ofgem has published its Guidance on the CESP (Community Energy Savings Programme – the obligation on certain electricity suppliers and generators to deliver community based carbon savings); the Guidance covers how Ofgem E-Serve will discharge its functions, under the Electricity and Gas (Community Energy Saving Programme) Order 2009, in administering CESP and what the generators and suppliers subject to the CESP requirements need to do in order to demonstrate they meet their obligations.

It has also published the CESP pro-forma for completion by obligated licensees which can be found [here](#).



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Title: Sustainable Development Report 2008/09
([link](#))

Published: 20 November
Response due: N/A

Ofgem has published its annual report on its contribution to the achievement of sustainable development.

Title: Consumer First – Giving Energy Consumers a Voice
([link](#))

Published: 24 November
Response due: N/A

Ofgem has published a factsheet on its “Consumer First” programme which aims to enable the regulator to improve its understanding of the needs and concerns of ordinary energy users.

Title: Ofgem Freedom of Information (FOI) Disclosure Log 2009
([link](#))

Published: 25 November
Response due: N/A

Title: Minutes of the Gas and Electricity Markets Authority (GEMA); 15 October 2009
([link](#))

Published: 25 November
Response due: N/A

Title: Ofgem’s Initial Comments on National Grid System Operator Incentives from April 2010
([link](#))

Published: 30 November
Response due: N/A

Ofgem has published its initial, high level, thoughts on National Grid’s initial proposals for its GB SO incentive schemes in an open letter. In respect of the electricity proposals, Ofgem states that the letter:

- *“reiterates our preference to move away from an annual incentive scheme;*
 - *sets out that we are currently unconvinced that we should move away from a bundled scheme; and*
 - *highlights our concerns regarding the level of costs forecast by NGET.”*
-

Title: Ofgem – Framework for Investment & Banking Advisers
([link](#))

Published: 30 November
Response due: N/A

Ofgem has published a document indicating that Ofgem e-serve is looking to establish framework agreements for “banking and advisory support” to support its work on projects such as like competitive tenders for offshore transmission, the roll out of smart meters, the proposed carbon capture and storage scheme and feed-in tariffs.

Ofgem states that:

“... Successful Investment and Banking Advisers will be selected to the framework based on their experience and innovation coupled with a proven track record with providing relevant infrastructure investment and banking services which will generate an economic and efficient service for use by Ofgem.”

Ofgem also indicate that:

“... We expect the value of the services procured via this framework to be up to £5 million annually, and the framework will be in place for 4 years from the date of award.”



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Title: *Helping Small Business Get the Most Out of the Market*

[\(link\)](#)

Published: 30 November

Response due: N/A

Ofgem has published a factsheet aimed at providing small business with information on the new rules that were introduced, following the supply probe, to give small businesses better protection in the energy market.

Issue: Network Output Measures

Title: *Extension Regarding Electricity Transmission Standard Licence Condition B17 (Network Output Measures) ('SLC B17'), Part B*

[\(link\)](#)

Published: 30 November

Response due: N/A

Ofgem has published an open letter which sets out its decision to extend its conditional approval of the Transmission Licensees' "network output measures methodology" to 31 March 2010 to allow Ofgem time to assess the amendments put forward by the licensees to address the issues raised at the time Ofgem gave its original conditional approval (in December 2008).

Ofgem states that it expects to give its decision on the amended network output measures "*on or before 31 March 2010.*"

Network Output Measures indicate the transmission systems network condition, risk and performance and are intended to assist Ofgem to assess "*the efficiency of historic capital expenditure by the licensees.*"



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OFGEM – RPI-X@20 REVIEW

Title: *City Briefing*

[\(link\)](#)

Published: 4 November

Response due: N/A

Ofgem has published the slides it used at its “City Briefing” on 4 November.

Title: *Where Should RPI-X@20 Be Heading?*

[\(link\)](#)

Published by Ofgem: 16 November

Response due: N/A

Ofgem has published a paper, submitted by the Energy Networks Association, on the ideas suggested in the RPI-X@20 working papers and consultant reports and which sets out what the ENA considers the focus of the RPI – X@20 project should be through 2010.

Title: *Concerning “Fundamental Flaws in the Current Cost Regulatory Capital Value Method of Utility Pricing” by Dr and Mrs Cuthbert*

[\(link\)](#) [\(spreadsheet\)](#)

[\(cover letter\)](#) [\(original paper\)](#)

Published: 16 November

Response due: N/A

Ofgem has published a paper, by National Grid, that responds to the issues raised in a paper by Dr. and Mrs. Cuthbert (on water price controls) that they had submitted to the RPI-X@20 project (published by Ofgem in October) citing parallels between the industries.

The paper sets out National Grid's views on the suggestion that there are *“some very substantial excess revenues being allowed to regulated companies as a result of fundamental flaws in the current cost regulatory capital value (regulatory asset value) method used by regulators like Ofgem to set price controls.”*

Noting that it considers that:

“... such excess revenues have not been apparent to National Grid and, to the contrary, we have concerns that the current cost approach may heighten financing issues during a period when increased investment is needed,”

National Grid state that:

“... In summary, we find the difference between financing allowances derived from the current cost and historic cost approaches for the steady state condition to be much smaller than reported in the paper and find that the present value of this difference over the life of each asset is zero so no excess revenues exist in total.”



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LICENCES

Electricity Licence Applications in November 2009

Company: Esso Petroleum Company Limited
Licence: Generation

Applied: 4 November
Published on: 4 November
([link](#))

Company: McMillian Limited
Licence: Supply (Non-Domestic)

Applied: 11 November
Published on: 13 November
([link](#))

Company: UK Healthcare Corporation Limited t/a D-ENERGi
Licence: Supply (Domestic and Non-Domestic)

Applied: 17 November
Published on: 17 November
([link](#))

Company: AMRECS LLC
Licence: Supply (Non Domestic)

Applied: 13 November
Published on: 20 November
([link](#))

Company: Winnington Networks Limited
Licence: Supply (Non-Domestic)

Applied: 17 November
Published on: 26 November
([link](#))



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Electricity Licences Issued in November 2009

Company: S. C. Isramart SRL
Licence: Supply (Non-Domestic)

Published on: 3 November
Effective from: 20 October
([link](#))

Company: Finotec Trading (Cyprus) Limited
Licence: Supply (Non-Domestic)

Published on: 3 November
Effective from: 29 October
([link](#))

Company: Finotec Trading UK Limited
Licence: Supply (Non-Domestic)

Published on: 3 November
Effective from: 29 October
([link](#))

Company: Volt Energy Supply Limited
Licence: Supply (Non-Domestic)

Published on: 10 November
Effective from: 4 November
([link](#))

Company: Lumen Energy Supply Limited
Licence: Supply (Any Premises)

Published on: 10 November
Effective from: 4 November
([link](#))

Company: Candela Energy Supply Limited
Licence: Supply (Any Premises)

Published on: 10 November
Effective from: 4 November
([link](#))

Company: Better Business Energy Limited
Licence: Supply (Any Premises)

Published on: 20 November
Effective from: 5 November
([link](#))



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GB SYSTEM OPERATOR (SO)

Issue: BSAD and SMAF Methodology

Title: *Direction Issued by the Gas and Electricity Markets Authority under Paragraph 8(B)(I) of Standard Licence Condition C16 of the Electricity Transmission Licence*
Direction Issued by the Gas and Electricity Markets Authority Under Paragraph 6a(C) of Standard Licence Condition C16 of the Electricity Transmission Licence
([link](#))

Published: 4 November
Effective from (00:00) 5 November

Ofgem has published its letter setting out its approval of National Grid's proposal to change its BSAD methodology and introduce a new SMAF (Systems Management Actions Flagging) methodology. The changes support the implementation of P217A and additional changes proposed by National Grid following its review of balancing services included in cash-out, to introduce two new services – Emergency Deenergisation Instructions and Commercial Intertrips.

Title: *National Grid Electricity Transmission System Operator (SO) Incentives for 1 April 2010 Initial Proposals Consultation*
([link](#))

Published: 5 November
Response due: 16 December

National Grid summarise the key themes of its proposals as being:

- *“National Grid’s preferred scheme for implementation on 1st April 2010 is a:*
 - *single year unbundled constraints incentive scheme*
 - *two year scheme for the remaining bundled cost components with current NIA methodology and reactive power default price adjustment**We present our reasoning for this in section 4*
- *We forecast incentivised costs, excluding constraints, to total £485.4m for 2010/11 and £524.8m for 2011/12*
- *We propose creating a term to index the price of reactive power in line with the CUSC formulation for default reactive prices. This would reduce the central forecast of*

incentivised costs to £439.2m for 2010/11 and £473.5m for 2011/12.

- *We set out the drivers and assumptions made in reaching these forecasts and seek comments of these.*
- *We forecast constraint costs to total £477m for 2010/11. Due to the lack of certainty of transmission and generation outages and other driving factors beyond 2011, it is very challenging to forecast constraint costs for 2011/12 with any reasonable degree of certainty. We explore how these issues can be addressed to realise longer term constraints incentives.*
- *With the above values, BSUoS is forecast to total £1262.2m for 2010/11. As we have not forecast constraint costs for 2011/12, a BSUoS value can not be given for this year.*
- *Finally, we examine the impact on IS systems of the proposed scheme designs and seek views from industry participants as to the impact on their systems.”*

In Summary:

£m	2010/11	2011/12
IBC (excl. Constraints)	485.4	524.8
IBC (excl. Constraints) + Reactive Incentive Adjustment	439.2	473.5
Constraints	477	not available
BSUoS	1,262.2	not available

See also Ofgem section (16 November and 30 November) for Ofgem's views.

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Title: Conclusions Report for Locational BSUoS GB ECM-18 Resubmission with Supplementary Addendum

[\(link\)](#) [\(addendum\)](#)

[\(original report vol 1\)](#) [\(original report vol 2\)](#)

Published: 16 November

Response due: requires Authority decision

National Grid has resubmitted its conclusions report on location BSUoS to the Authority for decision. The original report was withdrawn in June, at Ofgem's request, in order to undertake additional analysis.

The cover letter notes that the report is unchanged and the Addendum covers the additional analysis that Ofgem requested to assist it to produce a Regulatory Impact Assessment.

Issue: Charging Methodology for Island Links

Title: GB ECM-20 "Charging for Island Connections"

[\(link\)](#)

Published: 27 November

Response due: 15 January 2010

National Grid is seeking views on its proposal that the existing offshore tariff calculation methodology is extended to cover transmission links to islands to allow for the recovery of the cost of transmission links to islands through TNUoS and connection charges.

National Grid note that:

"... The main area of uncertainty for National Grid with extending the existing charging methodology is the different potential methods for the determination of recoverable revenue from the island links. The method used will be dependent upon Ofgem's decision on whether it is more economic to introduce competition in the provision of future links or allow existing TOs to fund them through their price controls, however this will not impact on end consumer charges and National Grid believes that both paradigms would be adequately catered for within the current methodology."

National Grid is therefore proposing to modify the Statement of the Use of System Charging Methodology to extend the existing arrangements for determining TNUoS offshore tariffs to include transmission links to island users.



DISTRIBUTION NETWORK OPERATOR (DNO)

Title: *Open Letter on Ofgem's Proposals to Introduce New Connections Standards of Performance and Revise Existing Standards of Performance for Electricity Distributors*

[\(link\)](#)

Published: 5 November
Response due: 26 November

Ofgem has published an open letter seeking views on its proposals to introduce new connections standards of performance for metered and unmetered connections services provided by all licensed DNOs which it is proposing to introduce via a new Statutory Instrument to be called the Electricity (Connection Standards of Performance) Regulations 2010.

Distribution Price Control 5

Title: *Update of Input Price Inflation Forecasts for DPCR5*

[\(link\)](#)

Published: 6 November
Response due: N/A

Ofgem has published an update on input price inflation forecasts.

Charging Methodology Decisions

Title: *Authority Decision on EDF Energy (IDNO) Ltd's Proposed Use of System Charging Methodology*

[\(link\)](#)

Decision: APPROVE
Published: 9 November

Title: *Electricity Distribution Structure of Charges: The Common Distribution Charging Methodology at Lower Voltages*

[\(link\)](#)

Published: 20 November
Effective from: 31 December; new charges will apply from 1 April 2010

This publication sets out Ofgem's decision on the DNOs' proposals for a common charging methodology at lower voltages. Ofgem gives its approval to the DNOs' proposal, with effect from 31 December subject to a number of conditions.



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BALANCING AND SETTLEMENT CODE (BSC)

Joiners

BES Commercial Electricity Limited

Party ID: EBEA
Supplier & ECVNA

Candela Energy Supply Ltd

Party ID: CNDA
Supplier & ECVNA

Crystal Rig II Limited

Party ID: CR2LTD
Generator

Dong Naturgas A/S

Party ID: DEEM1000/DEEMPA
MVRNA

Energy 2 Sell Limited

Party ID: ENERSELL
Supplier

KOCH Commodities Europe Limited

Party ID: KCEL
Non Physical Trader & ECVNA

Lumen Energy Supply Ltd

Party ID: LUMA
Supplier & ECVNA

NASDAQ OMX Stockholm AB

Party ID: N2EX
ECVNA & Non Physical Trader

Severn Power Limited

Party ID: DONGSVR
Generator

Volt Energy Supply Ltd

Party ID: VOLA
Supplier & ECVNA

Leavers

Greenwich Energy Trading Ltd**Zest 4 Electricity Ltd****Susquehanna Ireland Limited**

BSC Consultations

Title: *Credit Assessment Price (CAP) Review: Consultation on a Decrease in CAP to £38/MWh*
([link](#))

Published: 30 November
Response due: 7 December

ELEXON has issued a consultation proposing that the Credit Assessment Price (CAP) is reduced to £38/MWh.



Modification Decisions

P237 Standard BM Unit Configuration of Offshore Power Park Module

[\(link\)](#)

Decision: **APPROVE**

Decision date: 12 November

Implementation date: 5 working days after approval

Panel Recommendation: Approve

The change will give offshore generators the option of registering a single BM Unit for all their offshore Power Park Modules (PPMs), instead of requiring them to have a single BM Unit for each individual PPM, subject to the GB SO's agreement.

P238 Removal of the Requirement to Meter Each Boundary Point for Offshore Power Park Modules

[\(link\)](#)

Decision: **APPROVE**

Decision date: 12 November

Implementation date: 5 working days after approval

Panel Recommendation: Approve

The change will allow all Exports and Imports at each "Offshore Power Park Module" to be treated as a single Export or Import thereby avoiding the need for separate metering for every Boundary Point/Offshore Power Park Module.

P230 Enabling Interoperability Through the Use of CoP10 and CoP5 Metering

[\(link\)](#)

Decision: **APPROVE**

Decision date: 25 November

Implementation date: 26 November

Panel recommendation: Approve

The change makes it mandatory for suppliers to, as a minimum, meet CoP5 or CoP10 requirements when installing advanced meters in accordance with the new licence condition.

Modification Proposals

P246 Reporting to LDSOs of Aggregated Metering Data for Embedded Networks

Proposed by: The Electricity Network Company

Proposed on: 30 November

Urgent status requested

The Modification seeks to change the BSC to support the requirement on LDSOs to get aggregated metering data for all of the embedded Distribution Systems connected to their networks as part of the "portfolio billing" arrangements to be introduced as part of the Common Distribution Charging Methodology on 1 April 2010 (approved by Ofgem on 20 November).

The Electricity Network Company has also proposed that the Modification be processed under the "Urgent Modification" arrangements because of the tight timescales for implementing the CDCM arrangements and because of the commercial implications, for Distributors, of not being able to implement the "portfolio billing" arrangements within the CDCM in the intended way.



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CONNECTION AND USE OF SYSTEM CODE (CUSC)

CUSC Amendment Proposal Decisions

CAP173 Reactive Power Market Tender Process

[\(link\)](#)

Decision: **APPROVE**

Decision date: 19 November

Implementation date: 1 April 2010

Panel recommendation: Approve

The CAP condenses the Reactive Power market tender process timescales.

CAP174 Amendment to Exhibit B to Require Provision of Location of Proposed Offshore Connection Site

[\(link\)](#)

Decision: **APPROVE**

Decision date: 19 November

Implementation date: to be determined by NGC

Panel recommendation: Approve

The CAP allows applicants for offshore generation connections to identify the location of the proposed generator by specifying the latitude and longitude (or a corresponding equivalent) for the proposed offshore generator.



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EUROPEAN UNION AND EUROPEAN REGULATORS GROUP FOR ELECTRICITY AND GAS (TITLES AND LINKS ONLY)

Title: *Climate Change: Progress Report Shows EU on Track to meet or Over-Achieve Kyoto Emissions Target*

[\(link\)](#)

Published: 12 November

Title: *IEA's World Energy Outlook 2009 Confirms EU Energy and Climate Policies are on the Right Track*

[\(link\)](#)

Published: 13 November

Title: *Strategic Vision Needed to Deliver a More Integrated EU Energy Market*

[\(link\)](#)

Published: 17 November



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SUMMARY OF CONSULTATIONS/PUBLICATIONS AND BSC/CUSC MODIFICATIONS AND DECISIONS

Please note that whilst considerable effort is made to keep this up to date some, possibly important, consultations and announcements will inevitably have been missed. Readers should also refer to the relevant documents to confirm response dates.

Consultations Carried Over from Previous Months

Issuer	Title / Link	Date	Response Due
DECC	<i>Consultation on the Proposed Offshore Carbon Dioxide Storage Licensing Regime</i> (link)	25 Sep	30 Dec
Ofgem	<i>Codes Governance Review Initial Proposals – Illustrative Licence Modification Drafting</i> (link)	27 Oct	8 Dec
Ofgem	<i>Consultation on IDNO/DNO Boundary Equipment and Which Parties Should Fund this Equipment</i> (link)	30 Oct	11 Dec

New Consultations/Publications

Issuer	Title / Link	Date	Response Due
Ofgem	<i>Transmission Access Review – Enhanced Transmission Investment Incentives: Initial Proposals</i> (link) (press release)	3 Nov	1 Dec
GB SO		3 Nov	N/A
Ofgem	<i>Application by Energetics Electricity Ltd (“the Licensee”) to Vary Alternative Credit Rating Arrangements – the Gas and Electricity Markets Authority’s Decision</i> (link)	4 Nov	N/A
DECC	<i>Peterborough Clean Energy Plant Gets Green Light</i> (link)	4 Nov	N/A
Ofgem	<i>City Briefing</i> (link)	4 Nov	N/A
Ofgem	<i>Direction Issued by the Gas and Electricity Markets Authority under Paragraph 8(B)(I) of Standard Licence Condition C16 of the Electricity Transmission Licence</i> <i>Direction Issued by the Gas and Electricity Markets Authority Under Paragraph 6a(C) of Standard Licence Condition C16 of the Electricity Transmission Licence</i> (link)	4 Nov	effective 5 Nov
Ofgem	<i>Offshore Electricity Transmission: An Open Letter on the Enduring Regime</i> (link)	5 Nov	27 Nov



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Issuer	Title / Link	Date	Response Due
GB SO	National Grid Electricity Transmission System Operator (SO) Incentives for 1 April 2010 Initial Proposals Consultation (link)	5 Nov	16 Dec
Ofgem	Open Letter on Ofgem's Proposals to Introduce New Connections Standards of Performance and Revise Existing Standards of Performance for Electricity Distributors (link)	5 Nov	26 Nov
Ofgem	Assessment of the Potential Impact on Consumers of Connect and Manage Access Proposals (link) (cover letter)	6 Nov	N/A
Ofgem	EDF Energy Networks' Compliance with Obligations on Timescales for Connection Offers – Final Penalty Notice (link)	6 Nov	N/A
Ofgem	Update of Input Price Inflation Forecasts for DPCR5 (link)	6 Nov	N/A
DECC	Miliband Sets Strategic Direction for Overhaul of Energy System (link) (Commons statement) (consultation) (clean coal framework)	9 Nov	22 Feb 2010
DECC	Consultation on Proposed Regulatory Justification Decisions on New Nuclear Power Stations (AP1000 and EPR) (link)	9 Nov	22 Feb 2010
DECC	Draft Supplementary Guidance for Section 36 Electricity Act 1989 Consent Applicants for Coal Power Stations: A Consultation (link)	9 Nov	1 Feb 2010
Ofgem	Authority Decision on EDF Energy (IDNO) Ltd's Proposed Use of System Charging Methodology (link)	9 Nov	N/A
Ofgem	Direction Issued to NGET Pursuant to Paragraph B1(b) of Part B of Schedule A to Special Condition AA5A (Balancing Services Activity Revenue Restriction) of NGET's Electricity Transmission Licence (link)	10 Nov	effective 1 April 2009
Energy and Climate Change Committee	Committee Launches Parliamentary Scrutiny of the Proposals for Energy National Policy Statements (link)	11 Nov	15 Jan 2010
Ofgem	Project Discovery Seminar (link)	13 Nov	N/A
Ofgem	TO Incentives: Stakeholder Workshop (link)	13 Nov	N/A



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Issuer	Title / Link	Date	Response Due
Ofgem	Information Provision for System Operator Incentive Scheme from April 2010: Formal Information Request under Paragraph 14 of Standard Condition C16 of NGET's Transmission Licence (link)	16 Nov	N/A
Ofgem	The Renewables Obligation Late Payment Fund (2008-2009) (link)	16 Nov	N/A
Ofgem (Energy Networks Association)	Where Should RPI-X@20 Be Heading? (link)	16 Nov	N/A
Ofgem (National Grid)	Concerning "Fundamental Flaws in the Current Cost Regulatory Capital Value Method of Utility Pricing" by Dr and Mrs Cuthbert (link) (spreadsheet) (cover letter) (original paper)	16 Nov	N/A
GB SO	Conclusions Report for Locational BSUoS GB ECM-18 Resubmission with Supplementary Addendum (link) (addendum) (original report vol 1) (original report vol 2)	16 Nov	N/A
Ofgem	Community Energy Saving Programme 2009-2012 Generator and Supplier Guidance (link) (consultation responses) (pro-forma)	19 & 23 Nov	N/A
DECC	New Energy Bill to Protect the Consumer (link)	19 Nov	N/A
DECC	Government Response (including Summary of Responses) to the Public Consultation on Revised Social and Environmental Guidance to the Gas and Electricity Markets Authority (link)	20 Nov	N/A
Ofgem	Sustainable Development Report 2008/09 (link)	20 Nov	N/A
Ofgem	Electricity Distribution Structure of Charges: The Common Distribution Charging Methodology at Lower Voltages (link)	20 Nov	effective 31 Dec
DECC	DECC Invites Applicants for £1.5 million Bio-Energy Infrastructure Grants (link)	23 Nov	26 Feb 2010
Ofgem	Consumer First – Giving Energy Consumers a Voice (link)	24 Nov	N/A
Ofgem	Ofgem Freedom of Information (FOI) Disclosure Log 2009 (link)	25 Nov	N/A
Ofgem	Minutes of the Gas and Electricity Markets Authority (GEMA); 15 October 2009 (link)	25 Nov	N/A



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Issuer	Title / Link	Date	Response Due
GB SO	<i>GB ECM-20 "Charging for Island Connections"</i> (link)	27 Nov	15 Jan 2010
DECC	<i>Non-Competitive Auctions Bidding Guide</i> (link) <i>Non-Competitive Auctions Registration Guide</i> (link)	27 Nov	first auction 7 Jan 2010
Ofgem	<i>Ofgem's Initial Comments on National Grid System Operator Incentives from April 2010</i> (link)	30 Nov	N/A
Ofgem	<i>Ofgem – Framework for Investment & Banking Advisers</i> (link)	30 Nov	N/A
Ofgem	<i>Helping Small Business Get the Most Out of the Market</i> (link)	30 Nov	N/A
Ofgem	<i>Extension Regarding Electricity Transmission Standard Licence Condition B17 (Network Output Measures) ('SLC B17'), Part B</i> (link)	30 Nov	N/A
ELEXON	<i>Credit Assessment Price (CAP) Review: Consultation on a Decrease in CAP to £38/MWh</i> (link)	30 Nov	7 Dec



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New BSC Modifications

Number	Title / Link	Raised By	Date
P246	<i>Reporting to LDSOs of Aggregated Metering Data for Embedded Networks</i>	The Electricity Network Company	30 Nov

BSC Modification Decisions

Number	Title / Link	Decision	Implementation Date
P237	<i>Standard BM Unit Configuration of Offshore Power Park Module</i> (link)	APPROVE	19 Nov
P238	<i>Removal of the Requirement to Meter Each Boundary Point for Offshore Power Park Modules</i> (link)	APPROVE	19 Nov
P230	<i>Enabling Interoperability Through the Use of CoP10 and CoP5 Metering</i> (link)	APPROVE	26 Nov

CUSC Amendment Proposal Decisions

Number	Title / Link	Decision	Implementation Date
CAP173	<i>Reactive Power Market Tender Process</i> (link)	APPROVE	1 Apr 2010
CAP174	<i>Amendment to Exhibit B to Require Provision of Location of Proposed Offshore Connection Site</i> (link)	APPROVE	tbd by NGC

