

# The Pace of Change in Great Britain

This newsletter provides a brief update of the key wholesale electricity market design changes currently being progressed within Great Britain, focusing on January 2007.

The newsletter aims to assist electricity market participants who already have a good broad understanding of the GB electricity trading arrangements, and the key documents that underpin them, to keep track of the major consultations that affect the development of the wholesale electricity market. A number of other consultations/decisions that may be relevant are also noted.

This issue covers: Ofgem consultations; publications/announcements by a number of government and other bodies; the EU Emissions Trading Scheme; consultations and reports by National Grid (NGET), and new BSC and CUSC Modifications, decisions, and related matters. This edition also identifies press releases from the EU that may be relevant to the British electricity wholesale sector.

If readers need further information on any of the issues raised in this briefing note, or would like advice on how these changes and other market developments might affect their company, please contact IPA Energy + Water Consulting on 0131 240 0840.

## HEADLINES

- Ofgem has expressed its opposition to the DTI's proposed changes to the RO and instead advocates more fundamental reform that would see renewable electricity producers bidding for CfDs that deliver a long term fixed price for renewable electricity (through payment of the difference between the contract price and the market price for electricity). Ofgem also advocates full grandfathering of value for existing generators. The cost of the new contracts would fall on suppliers.
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- The EC has given conditional approval to another two NAPs (Holland and Belgium). Both countries are required to cut their allowances.
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- The EC has published a package of Energy Policy proposals to tackle climate change and boost energy security and competitiveness. The proposals include targets on greenhouse gas emissions (at least 20% by 2020; 30% if global agreement can be reached on reductions post 2012) and renewable energy (also 20% by 2020). The proposals also envisage setting a date by which all new coal and gas plant must include carbon capture and storage – current thinking is 2020 for new coal plant.
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- Transmission licensees have accepted, in principle, the proposed new price controls due to come into effect on 1 April 2007.



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## Ofgem Issues and Consultations

**Issue:** Changes to DNO licence following removal of metering obligations from April 2007.

**Title:** Proposed Amendments to the Distribution Licence in Light of Removal of Electricity Metering Obligations

Issued: published 4 January (dated 20 December)  
Response due: DNOs to respond by 15 January

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18250\\_207.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18250_207.pdf)

Ofgem has published an open letter setting out its proposals to make a number of changes to the DNO licence to clarify DNO obligations when the requirement to provide new meters falls away from April 2007. The changes include a requirement for DNOs who wish to continue to provide new/replacement meters and meter operation (MOP) services to do so via separate subsidiaries. DNOs are asked to advise Ofgem of any initial concerns by 15 January (in particular whether this is feasible by 31 March) – otherwise Ofgem proposes to progress the amendments to a timetable that would allow them to make the changes by 31 March 2007.

**Issue:** delay to approval of BritNed application for an Interconnector licence

**Title:** Regulatory arrangements for the new Dutch-GB electricity interconnector: the BritNed interconnector

Issued: 5 January  
Response due: n/a

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18258\\_BritNed\\_Status\\_letter\\_final.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18258_BritNed_Status_letter_final.pdf)

Ofgem has published an open letter indicating that it is not yet in a position to determine whether the Britned interconnector has met the criteria necessary to allow Ofgem to issue the requested interconnector licence and exemption from provisions of the licence which relate to regulated third party access and the EC Regulation 1228/2003 (use of revenues from the interconnector). The letter states that the Dutch are waiting for further information from Britned to evaluate

whether the application has met all conditions (from the Dutch market perspective) and Ofgem cannot give its decision until Britned has met the requirements of both markets.

**Issue:** Recovery of costs following early replacement of pre-payment meters (PPMs)

**Title:** Re: Licence Amendments Relating to PPM Premature Replacement and Removal of Electricity Metering Obligations – Update

Issued: 11 January

Response due: 26 January for response to open letter; 2 February for comments on early draft licence amendments

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18288\\_04\\_07.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18288_04_07.pdf)

Link to early draft of the licence amendments:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18413\\_14\\_07.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18413_14_07.pdf)

Ofgem has published an open letter setting out a summary of its proposed approach, and seeking views, on the treatment of PPMs that are replaced early. Draft licence modifications to give effect to these proposals were published on 23 January – comments were requested by 2 February.

**Issue:** Advert for Ofgem seminar on consumer interests

**Title:** Consuming interests: priorities for the energy consumer

Issued: 11 January for 17 January debate  
Response due: n/a

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18289\\_consuminginterestsagenda.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18289_consuminginterestsagenda.pdf)

Ofgem published the flyer for a debate on consumer interests. The meeting was chaired by Sir John Mogg and the speakers were: Dr Elizabeth France CBE (Energy Ombudsman); Lord Whitty (Chair, national Consumer Council); John Howard (Council Member, energywatch); Peter Hofman (Director Sustainable Future, EdF Energy).



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**Issue:** Publication of Ofgem's 5 year strategy and plan

**Title:** Proposed Corporate Strategy and Plan 2007 - 2012

Issued: 12 January  
Response due: 26 February  
Open meeting 21 June

Link to cover letter:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18307\\_6\\_07.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18307_6_07.pdf)

Link to Plan:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18295\\_6\\_07b.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18295_6_07b.pdf)

Ofgem has published its 5 year corporate strategy together with a cover letter that includes an invitation to an open meeting on 21 June, and to the Ofgem "Powering the Energy Debate events" held over the year. The cover letter indicates that the proposed strategy continues and updates Ofgem's seven themes (Creating and sustaining competition; regulating networks effectively; Helping to protect the security of Britain's energy supplies; A leading voice in Europe; helping to achieve sustainable development; helping to tackle fuel poverty; and Better regulation).

The plan and budget will be finalised in March but may be updated later in the year to take account of further developments in the energy sector.

**Issue:** Customer switching statistics in the first ten months of 2006

**Title:** Over Four Million Customers Switched Supplier

Issued: 17 January  
Response due: n/a

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18321\\_Ofgem4.pdf?wtfrom=/ofgem/press/pressreleas e-list.jsp](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18321_Ofgem4.pdf?wtfrom=/ofgem/press/pressreleas e-list.jsp)

Ofgem has issued a press release on switching levels in the supply market. The PR states that more than over four millions customers switched supplier in the first ten months of 2006 and that, in some areas, former monopoly electricity suppliers now account for

below 50% of the local market.

**Issue/Title:** Transmission price control review: Draft licence conditions (electricity) - second informal consultation

Issued: 19 January  
Response due: 16 February

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18368\\_10\\_07.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/transpcr](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18368_10_07.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/transpcr)

Appendix 6:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18351\\_10a07.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18351_10a07.pdf)

Appendix 7:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18352\\_10b07.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18352_10b07.pdf)

Appendix 8:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18353\\_10c07.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18353_10c07.pdf)

Appendix 9:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18354\\_10d07.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18354_10d07.pdf)

Ofgem has published a second "informal" consultation on the licence conditions it is proposing for electricity licensees to give effect to the proposed new price controls that come into effect on 1 April 2007. The document indicates that the price control proposals have been accepted, in principle, by the transmission companies.

Formal licence change notifications will follow in February.

**Issue:** Ofgem's response to the DTI's RO reform proposals

**Title:** Reform of the Renewables Obligation 2006: Ofgem's response

Issued: 22 January  
Response due: n/a

Link to response:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18363\\_ROrespJan.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18363_ROrespJan.pdf)

Link to Press release:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18369\\_R5.pdf?wtfrom=/ofgem/press/pressrelease-](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18369_R5.pdf?wtfrom=/ofgem/press/pressrelease-)



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Ofgem has published the response it submitted to the DTI's consultation on the long term changes being proposed for the RO.

In its response, Ofgem is critical of many of the DTI's proposals including the banding and ski slope mechanism; it also notes that, should these proposals be implemented, DTI should appoint an independent body to determine what the individual band values should be.

Ofgem is also critical of the current RO suggesting that although it has been successful in bringing forward some investment in renewables:

- it has not delivered the target level of renewable generation;
- the cost of carbon abatement (to customers and business) has been higher than under other mechanisms;
- investment has been limited to the lower cost technologies, some of which may not have needed support with current wholesale prices; and
- it has not brought forward higher cost less mature technologies.

There is also a suggestion that the changes may not be consistent with EU Competition law and State Aid rules and so may be open to challenge.

Ofgem considers that DTI should initiate a more fundamental review of possible alternatives to the RO and puts forward a suggested approach based on the auctioning of long term CfDs. The CfDs would be firm contracts that pay a premium for electricity that is the difference between the contract price and wholesale price of electricity – funded by suppliers.

Ofgem acknowledge that the proposed model has similarities with the old NFFO contracts but suggests there are two fundamental differences:

- no central purchasing authority (but presumably a body would be needed to manage the auctions); and
- more stringent obligations to ensure that projects do come forward.

Another difference not raised in the response is that whilst separate auctions could be held for different technologies (yielding different market prices) Ofgem are not advocating this approach.

Issue: Ofgem confirmation that NGET has met two of the conditions imposed on it when Ofgem approved its first GB charging methodologies for BETTA (the treatment of intermittent generation in the GB charging methodology and long term fixed price products).

Titles:

Fulfillment of conditions attached to the Authority's approval of the GB transmission charging methodologies – GB charging condition 2

Fulfillment of conditions attached to the Authority's approval of the GB transmission charging methodologies – GB charging condition 4

Issued: 22 January

Response due: n/a

Link (Condition 2):

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18371\\_12\\_07.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18371_12_07.pdf)

Link (Condition 4):

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18372\\_13\\_07.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18372_13_07.pdf)

Ofgem has published letters to NGET confirming that, in Ofgem's view, NGET has met the requirements of two of the charging conditions. These are Condition 2 (the treatment of intermittent generation in the GB charging methodology) and Condition 4 (long term fixed price products).

Issue: Supporting information for the development of the transmission companies' price controls: Financial Model

Title: Transmission Price Control Review Documentation on the Financial Model

Published 23 January (dated Dec 2006):

Response due: n/a

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18382\\_TPCR\\_Models\\_Manual\\_Final\\_070119.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/transpcr](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18382_TPCR_Models_Manual_Final_070119.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/transpcr)



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Ofgem has published the details of the financial models it used to perform the calculations necessary for setting transmission companies' price controls (one for gas one for electricity).

**Issue:** Annual report on DNOs' revenue and capital expenditure

**Title:** Electricity Distribution Cost Review 2005-2006  
January 2007

Issued: 31 January  
Response due:

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18584\\_1807.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18584_1807.pdf)

Ofgem has published its second annual report on the operating cost and capital expenditure data for the 14 electricity distribution network operators (DNO); this report covers financial year 2005/06.

## Electricity Licences and Licence Modifications

### NOTICES OF LICENCE APPLICATIONS IN JANUARY

On 2 January, Imera Power Limited applied for an electricity interconnector licence to allow it to participate in the operation of East-West One Interconnector (connecting Pentir in Wales to Arklow in the republic of Ireland) and East-West Two interconnector (connecting Pembroke Substation in Wales to Wexford in the Republic of Ireland).

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18242\\_Imera\\_Power\\_Notice.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/licensing/licensingapplicationnotices](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18242_Imera_Power_Notice.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/licensing/licensingapplicationnotices)

On 31 January Scira Offshore Energy Limited applied for an electricity generation licence.

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18588\\_Scira\\_application\\_notice.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/licensing/licensingapplicationnotices](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18588_Scira_application_notice.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/licensing/licensingapplicationnotices)

## DTI

**Issue:** Quarterly publication of energy statistics

**Title:** Energy Statistics

Issued: 5 January  
Response due: n/a

Link:  
<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=254155&NewsAreaID=2>

DTI has published its Energy Trends and Quarterly energy statistics publications.

**Issue:** DTI/DEFRA press release on EU energy/climate change proposals published on 10 January

**Title:** Consumers and environment benefit from EU energy action

Issued: 10 January  
Response due: n/a

Link:  
<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=255461&NewsAreaID=2>

DTI has issued a press release welcoming the Commission's new energy proposals for tackling climate change and curbing single market failures, supporting, amongst other things, the proposal for a unilateral EU commitment to a 20% EU reduction in greenhouse gases by 2020 (prior to International agreement).

## DEFRA

**Issue:**

**Title:** Energy, cost and carbon saving calculations for the draft EEC 2008-11 illustrative mix: Energy Efficiency Commitment 2008-11

Issued: 10 January  
Response due: 12 February

Link: <http://www.defra.gov.uk/corporate/consult/eec3->



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[2007/index.htm](http://2007/index.htm)

DEFRA has published a draft of the average scores DEFRA is proposing to use for the "illustrative mix" of measures that suppliers might use under EEC3 showing the assessed cost and carbon savings of different measures. It does not cover all possible measures only those commonly used under EEC 1 & 2.

Issue: Climate change statistics

Title: Greenhouse gas statistic show UK on track to double Kyoto target

Issued: 31 January  
Response due: n/a

Link: <http://www.defra.gov.uk/corporate/consult/eec3-2007/index.htm>  
<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=260738&NewsAreaID=2>

DFRA has issued a PR reporting that UK is on track to deliver almost double its Kyoto commitment reduction in green house gases.

David Miliband is reported as saying ...

"These figures confirm that we are on track to meet and exceed our Kyoto target. Based on these figures, our greenhouse gas emissions are 15.3 per cent below 1990 levels - 18.8 per cent when the effect of the EU Emissions Trading Scheme is taken into account. That's already better than our Kyoto commitment of 12.5 per cent,"

## NFPA

Title of PR: e-ROC Auction of Renewable Obligation Certificates

Issued: 23 January  
Response due: n/a

The NFPA has issued a press release quoting prices at the latest e-ROC Auction of Renewable Obligation Certificates (ROCs) which took place on 23 January 2007. Almost 50,000 ROCs were purchased. The PR states that the average price, excluding co-fired ROCs, was £46.18 (compared with an average of £44.81 in October 2006). The average price of co-fired ROCs was £35.50 compared with an average of £20.82 in the

October 2006 auction.

## EU ETS

Issue: Conditional approval of Dutch and Belgian NAPs

Titles:

Emissions trading: Commission decides on second set of national allocation plans for the 2008-2012 trading period

Issued: 16 January  
Response due: n/a

Links:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/51&format=HTML&aged=0&language=EN&guiLanguage=en>

The EC has given conditional approval to a further two NAPs (those for Holland and Belgium). A number of changes are proposed for both plans including reducing the number of allowances to be issued and, for Holland, limiting the use of JI&CDM mechanisms to 10%.

The table in the memo showing proposed and actual allowances for the 12 NAPs that have secured conditional approval is reproduced below.

Member State	1 <sup>st</sup> period cap	2005 verified emissions	Proposed cap 2008-2012	Cap allowed 2008-2012
Belgium	62.08	55.58 <sup>[4]</sup>	63.33	58.5
Germany	499	474	482	453.1
Greece	74.4	71.3	75.5	69.1
Ireland	22.3	22.4	22.6	21.15
Latvia	4.6	2.9	7.7	3.3
Lithuania	12.3	6.6	16.6	8.8
Luxembourg	3.4	2.6	3.95	2.7
Malta	2.9	1.98	2.96	2.1
Netherlands	95.3	80.35 <sup>[5]</sup>	90.4	85.8
Slovakia	30.5	25.2	41.3	30.9
Sweden	22.9	19.3	25.2	22.8
UK	245.3	242.4 <sup>[6]</sup>	246.2	246.2



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## The European Union

### The European Union - Electricity industry related press releases (titles & links only)

Brussels, 8 December 2006

Commissioner Piebalgs welcomes Energy Regulators report on the Development of the EU Energy Markets in 2006

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1718&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 10 January 2007

Commission proposes an integrated energy and climate change package to cut emissions for the 21<sup>st</sup> Century

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/29&format=HTML&aged=0&language=EN&guiLanguage=en>

The documents (and layman's guides) can be found at: [http://ec.europa.eu/energy/energy\\_policy/index\\_en.htm](http://ec.europa.eu/energy/energy_policy/index_en.htm)

Brussels, 10 January 2007

EU almost on track in reaching its 2010 renewable electricity target

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/12&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 10 January 2007

An energy policy for Europe: Commission steps up to the energy challenges of the 21<sup>st</sup> Century

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/7&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 10 January 2007

A Renewable Energy Roadmap: paving the way towards a 20% share of renewables in the EU's energy mix by 2020

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/13&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 10 January 2007

European Commission sets out a new impetus for the internal energy market

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/9&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 10 January 2007

European electricity and gas networks: European Commission calls for urgent improvements

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/11&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 10 January 2007

A European approach to nuclear power, safety and security

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/10&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 10 January 2007

Aiming towards a low CO<sub>2</sub> fossil fuel future

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/8&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 10 January 2007

Energy Technology for cheaper renewables, greater efficiency and global leadership of the European industry

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/14&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 10<sup>th</sup> January 2007

Competition: Commission energy sector inquiry confirms serious competition problems

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/26&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 10<sup>th</sup> January 2007



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Energy sector competition inquiry – final report – frequently asked questions and graphics

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/15&format=HTML&aged=0&language=EN&guiLanguage=fr>

Brussels, 10 January 2007

Limiting Global Climate Change to 2 degrees Celsius

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/16&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 15 January 2007

Second set of decisions on national allocation

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/46&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 16 January 2007

Emissions trading: Commission decides on second set of national allocation plans for the 2008-2012 trading period

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/51&format=HTML&aged=0&language=EN&guiLanguage=en>

## GB SO REPORTS AND CONSULTATIONS

**Issue:** Changes to licence documents to reflect the new Short Term Operating Reserve Contract (STOR)

**Title:** Licence Condition 16 Consultation – PGs, BPS, BSAD Methodology Statement and ABSVD Methodology Statement

Issued: 22 January

Response due: 5:00pm 19 February

Link to this consultation and other related documents:  
<http://www.nationalgrid.com/uk/Electricity/Balancing/consultations/>

National Grid has issued a consultation on changes it is proposing to the Procurement

Guidelines (PGs), the Balancing Principles Statement (BPS), the Balancing Services Adjustment Data (BSAD) Methodology Statement and the Applicable Balancing Services Volume Data (ABSVD) Methodology Statement following the replacement of the current arrangements for Standing Reserve and Supplemental Standing Reserve with the new Short Term Operating Reserve (STOR). The changes also cover the intention to periodically update the STOR weighting factors and publish them on National Grid's website.

**Issue:** Changes to National Grid's Charging Methodology Statement to allow for changes to generation connection dates

**Title:** CONCLUSIONS REPORT GB ECM-07 Adjustment of Seven Year Statement Transmission Entry Capacity Data for Calculating 2007/8 TNUoS Tariffs

Issued: 24 January

Ofgem decision: within 28 days (the decision to approve was given on 26 January)

Link to report:

<http://www.nationalgrid.com/NR/rdonlyres/9BA4990F-2317-444E-978B-529E3915B23B/14601/GBECM07ConclusionReport.pdf>

National Grid has published its final report proposing changes to the Use of System charging methodology to allow it to use updated data (reflecting generator decisions to delay connections), in the calculation of 2007/08 charges. Further work is foreshadowed to develop an enduring solution.

**Issue/Title:** 2007/8 Charging Methodology Statements

Issued: 31 January

Response due: 28 February

Link:

<http://www.nationalgrid.com:80/uk/Electricity/Charges/chargingstatementsapproval/>

Draft Statements of Connection and Use of System Charging Methodologies for 2007/08 have been posted on National Grid's charging website at



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<http://www.nationalgrid.com/uk/Electricity/Charges/chargingstatementsapproval/>

National Grid has published two versions of the Use of system charging methodologies for 2007/08; one assuming that the Authority does veto change proposal ECM-06 (charging arrangements for SQSS Design Variations) and one assuming it does not veto the change.

Any comments on the draft methodologies are welcome by close of play on Wednesday 28th February, 2007.

## THE BSC AND CUSC

### New Ofgem lead on Industry Codes and Licensing

Mark Feather took over from Nick Simpson, on 15 January, leading the Industry Codes and licensing team in Ofgem.

### The BSC

#### Joiners and leavers

The following BSC Parties have withdrawn from the BSC in January:

Midlands Gas Limited (Party ID: MGAS)  
Western Gas Limited (Party ID: WGAS)  
TXU Europe (AH Online) Limited (Party ID:AGSS)  
Shell Gas Direct Limited (No Party ID registered)

and the following Party has joined.....

Calyon (PARTY ID: CALYON) in the role of Non Physical Trader and Energy Contract Volume Notification Agent (ECVNA)

#### BSC Consultations

Title: Credit Assessment Price Consultation 24 January 2007

Issued: 24 January  
Response due: by 5pm on Tuesday 06 February 2007

Link:  
[http://www.elexon.co.uk/documents/circulars/Elexon\\_Circular/EL01438.pdf](http://www.elexon.co.uk/documents/circulars/Elexon_Circular/EL01438.pdf)

ELEXON has issued a consultation on behalf of the ISG (Imbalance Settlement Group) proposing a reduction in CAP (the credit assessment price – used in the assessment of the amount of credit cover parties have to provide). The change would reduce CAP to £37.00/MWh, from its current level of £64.00/MWh.

#### New Modifications

- P209 (Housekeeping Modification - Change of Code references from BSCP531 to BSCP537)

Raised by: the BSC Panel on advice from ELEXON.

#### Approved Modification Proposals

- P208 (Housekeeping Modification)

Date alternative approved: 16 January  
Implementation date: 22 February 2007

Panel recommendation: Approve

The Modification makes a number of “non material” housekeeping changes to the BSC.

- Alternative to P206 (Publication of BSC Panel Election Results)

Date alternative approved: 24 January  
Implementation date: 31 January 2007

Panel recommendation: Approve alternative

The change will mean that ELEXON will publish results on votes cast for candidates in all future elections for BSC Panel members.

## CUSC

#### New CAPs

- CAP144 (Emergency Instruction to deenergise)

Raised by: National Grid

The CAP proposes extending the provisions in the CUSC that were introduced by CAP048 (Firm Access and Temporary Physical Disconnection) to include the event when a Generator is exporting but is required to deenergise / disconnect from the Transmission System in an emergency via an Emergency Instruction (EI) issued



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by National Grid in Balancing Mechanism timescales in accordance with the Grid Code.

The change proposes treating this type of event as an emergency disconnection event (as per the provisions for unplanned interruptions) rather than a Bid-Offer Acceptance.

- CAP145 (Embedded Generator MW Register)

Raised by: National Grid

The CAP proposes to change the CUSC to specify the publication of additional information on capacity requirements of Embedded Generator's with BELLA's, Relevant Medium Power Stations and Relevant Small Power Stations via a new register (similar to the Transmission Entry Capacity Register).

- CAP146 (Responsibilities and liabilities associated with Third Party Works and Modifications made by Modification Affected Users)

Raised by: E.ON UK plc

The CAP proposes changing the CUSC where works are required by third parties in order to accommodate infrastructure investment on the transmission system and where National Grid currently requires parties requesting changes to cover the cost of the third party works proposing, instead, that National Grid should cover these costs. The two changes that are proposed described below.

To clarify that National Grid is responsible for arranging and paying for all Third Party Works listed in Appendix N of all relevant Construction Agreements.

To change the provisions in Section 6 of the CUSC relating to Modifications made by Modification Affected Users so that National Grid is responsible for paying the costs of all such Modifications.

Approved CAPs

- CAP 125 (Revisions Resulting from Interconnector Separation)

Date approved: 10 January

Implementation date: 23 January 2007

Panel recommendation: approve

The CAP changes the CUSC so that rights and/or

obligations accruing to the new company National Grid Interconnectors Ltd (NGIL) as operator of the French Interconnector, under the CUSC, can not be construed as the rights and obligations of NGET.

- CAP129 (Removal of Section B from Exhibit F and amend 6.17)

Date approved: 8 January

Implementation date: 22 January 2007

Panel recommendation: approve

The CAP removes CUSC provisions 6.17 and Section B from Exhibit F which have been reported as causing confusion when new applicants apply to National Grid Electricity Transmission for Use of System Application under Exhibit F.

## IPA News....

IPA's Michael Wagner will talk about Carbon Trading at the Sustainability afternoon of Think 07, which takes place 1-3 May 2007 at ExCel, London. For more information follow this hyperlink <http://www.think07.co.uk/>.

And, at The British Expertise Seminar "Renewable Energy: Saving the Planet?" on the Mar 01 2007, IPA's Gareth Swales will discuss the key drivers behind the growth in renewable energy and how each of the different types are progressing. Find out more at [http://form.bccb.org.uk/bccb/bccb\\_directory/bulletin\\_annex\\_form.asp?Annex\\_ID=1137](http://form.bccb.org.uk/bccb/bccb_directory/bulletin_annex_form.asp?Annex_ID=1137)

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## SUMMARY OF JANUARY 2007 CONSULTATIONS & NEW BSC AND CUSC MODS 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.

CARRIED FORWARD FROM LAST EDITION...		Issued	Response Due
Ofgem/ NGET	Title: Winter 2006/07 Consultation Report  Links: Consultation: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16803_168_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16803_168_06.pdf</a> Ofgem cover letter: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16799_168_06_covering_letter.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16799_168_06_covering_letter.pdf</a>	21 September	On-going through winter 2006/07
Ofgem	Title: Sustainable Development Report  Link to report: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17344_susdevbro06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17344_susdevbro06.pdf</a>	2 November	1 February 2007
DTI	Title: Energy billing and metering: changing customer behaviour - An Energy Review consultation  Link: <a href="http://www.dti.gov.uk/consultations/page35260.html">http://www.dti.gov.uk/consultations/page35260.html</a> press release: <a href="http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=241922&amp;NewsAreaID=2">http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=241922&amp;NewsAreaID=2</a>	14 November	16 February
Ofgem	Title: Supply Licence Review - Further Proposals  Link to report: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18155_217_06.pdf?wtfrom=/ofgem/index.jsp">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18155_217_06.pdf?wtfrom=/ofgem/index.jsp</a> Link to related appendices (including new standard conditions): <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18156_217_06app6.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18156_217_06app6.pdf</a> <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18157_217_06app7.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18157_217_06app7.pdf</a> <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18159_217_06app8.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18159_217_06app8.pdf</a> <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18158_217_06app9.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18158_217_06app9.pdf</a>	18 December	2 March
New in January... (this does not include all the details of licence notices/modifications/ applications/revocations/licences granted or EU press releases)			



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Ofgem	Title: Proposed Amendments to the Distribution Licence in Light of Removal of Electricity Metering Obligations  Link: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18250_207.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18250_207.pdf</a>	published 4 January (dated 20 December)	DNOs to respond by 15 January
Ofgem	Title: Regulatory arrangements for the new Dutch-GB electricity interconnector: the BritNed interconnector  Link: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18258_BritNed_Status_letter_final.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18258_BritNed_Status_letter_final.pdf</a>	5 Jan	n/a
DTI	Title: Energy Statistics  Link: <a href="http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=254155&amp;NewsAreaID=2">http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=254155&amp;NewsAreaID=2</a>	5 Jan	
DTI/DEFRA	Title: Consumers and environment benefit from EU energy action  Link: <a href="http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=255461&amp;NewsAreaID=2">http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=255461&amp;NewsAreaID=2</a>	10 Jan	
DEFRA	Title: Energy, cost and carbon saving calculations for the draft EEC 2008-11 illustrative mix: Energy Efficiency Commitment 2008-11  Link: <a href="http://www.defra.gov.uk/corporate/consult/eec3-2007/index.htm">http://www.defra.gov.uk/corporate/consult/eec3-2007/index.htm</a>	10 Jan	
Ofgem	Title: Re: Licence Amendments Relating to PPM Premature Replacement and Removal of Electricity Metering Obligations – Update  Link: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18288_04_07.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18288_04_07.pdf</a> Link to early draft of the licence amendments: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18413_14_07.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18413_14_07.pdf</a>	11 Jan  23 Jan licence amends	26 January for response to open letter 2 February for comments on early draft licence amend's
Ofgem	Title: Consuming interests: priorities for the energy consumer  Link: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18289_consuminginterestsagenda.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18289_consuminginterestsagenda.pdf</a>	11 January for 17 January debate Response due: n/a	



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Ofgem	<p>Title: Proposed Corporate Strategy and Plan 2007 - 2012</p> <p>Link to cover letter:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18307_6_07.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18307_6_07.pdf</a></p> <p>Link to Plan:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18295_6_07b.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18295_6_07b.pdf</a></p>	12 Jan	Response due: 26 February Open meeting 21 June
EU EU ETS)	<p>Titles: Emissions trading: Commission decides on second set of national allocation plans for the 2008-2012 trading period</p> <p>Links:  <a href="http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/51&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=en">http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/51&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=en</a></p>	16 January	
Ofgem	<p>Title: Over Four Million Customers Switched Supplier</p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18321_Ofgem4.pdf?wtfrom=/ofgem/press/pressrelease-list.jsp">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18321_Ofgem4.pdf?wtfrom=/ofgem/press/pressrelease-list.jsp</a></p>	17 Jan	n/a
Ofgem	<p>Title: Transmission price control review: Draft licence conditions (electricity) - second informal consultation</p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18368_10_07.pdf?wtfrom=/ofgem/work/index.jsp&amp;action=/areasofwork/transpcr">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18368_10_07.pdf?wtfrom=/ofgem/work/index.jsp&amp;action=/areasofwork/transpcr</a></p> <p>Appendix 6:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18351_10a07.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18351_10a07.pdf</a></p> <p>Appendix 7:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18352_10b07.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18352_10b07.pdf</a></p> <p>Appendix 8:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18353_10c07.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18353_10c07.pdf</a></p> <p>Appendix 9:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18354_10d07.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18354_10d07.pdf</a></p>	19 Jan	16 Feb
Ofgem	<p>Title: Reform of the Renewables Obligation 2006: Ofgem's response</p> <p>Link to response:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18363_ROrespJan.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18363_ROrespJan.pdf</a></p>	22 Jan	n/a



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Ofgem	<p>Titles:</p> <p>Fulfillment of conditions attached to the Authority's approval of the GB transmission charging methodologies – GB charging condition 2</p> <p>Fulfillment of conditions attached to the Authority's approval of the GB transmission charging methodologies – GB charging condition 4</p> <p>Link (Condition 2):  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18371_12_07.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18371_12_07.pdf</a></p> <p>Link (Condition 4):  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18372_13_07.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18372_13_07.pdf</a></p>	22 Jan	n/a
NGET	<p>Title: Licence Condition 16 Consultation – PGs, BPS, BSAD Methodology Statement and ABSVD Methodology Statement</p> <p>Link to this consultation and other related documents:  <a href="http://www.nationalgrid.com/uk/Electricity/Balancing/consultations/">http://www.nationalgrid.com/uk/Electricity/Balancing/consultations/</a></p>	22 Jan	19 Feb
Ofgem	<p>Title: Transmission Price Control Review Documentation on the Financial Model</p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18382_TPCR_Models_Manual_Final_070119.pdf?wtfrom=/ofgem/work/index.jsp&amp;section=/areasofwork/transpccr">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18382_TPCR_Models_Manual_Final_070119.pdf?wtfrom=/ofgem/work/index.jsp&amp;section=/areasofwork/transpccr</a></p>	23 Jan	n/a
NFPA	<p>Title of PR: e-ROC Auction of Renewable Obligation Certificates</p>	23 Jan	
NGET	<p>Title: CONCLUSIONS REPORT GB ECM-07 Adjustment of Seven Year Statement Transmission Entry Capacity Data for Calculating 2007/8 TNUoS Tariffs</p> <p>Link to report:  <a href="http://www.nationalgrid.com/NR/rdonlyres/9BA4990F-2317-444E-978B-529E3915B23B/14601/GBECM07ConclusionReport.pdf">http://www.nationalgrid.com/NR/rdonlyres/9BA4990F-2317-444E-978B-529E3915B23B/14601/GBECM07ConclusionReport.pdf</a></p>	24 Jan (decision 26 Jan)	
ELEXON	<p>Title: Credit Assessment Price Consultation 24 January 2007</p> <p>Link:  <a href="http://www.elexon.co.uk/documents/circulars/Elexon_Circular/EL01438.pdf">http://www.elexon.co.uk/documents/circulars/Elexon_Circular/EL01438.pdf</a></p>	24 Jan	6 Feb



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DEFRA	Title: Greenhouse gas statistic show UK on track to double Kyoto target  Link: <a href="http://www.defra.gov.uk/corporate/consult/eec3-2007/index.htm">http://www.defra.gov.uk/corporate/consult/eec3-2007/index.htm</a> <a href="http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=260738&amp;NewsAreaID=2">http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=260738&amp;NewsAreaID=2</a>	31 Jan	
NGET	Issue/Title: 2007/8 Charging Methodology Statements  Link: <a href="http://www.nationalgrid.com:80/uk/Electricity/Charges/chargingstatementsapproval/">http://www.nationalgrid.com:80/uk/Electricity/Charges/chargingstatementsapproval/</a>  Draft Statements of Connection and Use of System Charging Methodologies for 2007/8 have been posted on National Grid's charging website at: <a href="http://www.nationalgrid.com/uk/Electricity/Charges/chargingstatementsapproval/">http://www.nationalgrid.com/uk/Electricity/Charges/chargingstatementsapproval/</a>	31 January	28 February

BSC Modifications January 2007.....			
BSC Decisions			
	Approved Modifications	Approved on:	Effective from:
P208	Housekeeping Modification  Panel recommendation: Approve	16 January	22 February
Alt P206	Publication of BSC Panel Election Results  Panel recommendation: Approve alternative	24 January	31 January
New Mods			
	proposal	Raised by	Raised on:
P209	Housekeeping Modification - Change of Code references from BSCP531 to BSCP537	BSC Panel	
CUSC Amendments January 2007.....			
CAP Decisions			
	Approved Amendments	Approved on:	Effective from:
CAP 129	(Removal of Section B from Exhibit F and amend 6.17)  Panel recommendation: approve	8 January	22 January



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CAP 125	Revisions Resulting from Interconnector Separation  Panel recommendation: approve	10 January	23 January
New CAPs			
	proposal	Raised by	
CAP 144	Emergency Instruction to deenergise	National Grid	
CAP 145	Embedded Generator MW Register	National Grid	
CAP146	Responsibilities and liabilities associated with Third Party Works and Modifications made by Modification Affected Users	E.ON UK plc	

