



# The Pace of Change in Great Britain

AN UPDATE FROM IPA ENERGY CONSULTING

## Inside this issue...

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- A further zonal losses modification proposal has also been raised
- The Climate Change and Sustainable Energy Bill completed its passage through the House of Lords earlier this month without amendment and passed into law
- ELEXON has issued a call for nominations for industry members of the BSC Panel
- Ofgem has published its "Initial Proposals" for the new (gas and electricity) transmission price controls that are due to come into effect in April 2007
- David Miliband (DEFRA Secretary of State) has announced a number of the key decisions for Phase 2 of the EUETS

# 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 June 2006.

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 Consulting on 0131 240 0840.

## HEADLINES

A second BSC modification proposing a “tolerance band” to help small players manage the risk of imbalance prices in an illiquid market has been raised (P202). Both modifications (P201 and P202) are now being processed as “Urgent” modifications.

A further zonal losses modification proposal has also been raised (P203). The new mod is based on P198 (zonal losses without phasing) but uses seasonal rather than annual loss factors, and proposes a later implementation date - April 2008 rather than April 2007.

The Climate Change and Sustainable Energy Bill completed its passage through the House of Lords earlier this month without amendment and passed into law. The Act introduces a number of measures to promote microgeneration and sustainable energy.

ELEXON has issued a call for nominations for industry members of the BSC Panel; nominations are requested by 14 July; the results of any election should be known by 14 August.

Ofgem has published its “Initial Proposals” for the new (gas and electricity) transmission price controls that are due to come into effect in April 2007. These include allowing a proposed real, post tax, return of 4.2% and increased use of revenue drivers/incentives.

David Miliband (DEFRA Secretary of State) has announced a number of the key decisions for Phase 2 of the EUETS.

- The cap will be set at 238 Mtonnes of CO<sub>2</sub> for installations covered by Phase 1 of the Scheme (differences in coverage between the two phases may lead to a slightly different total cap), 8 Mtonnes of carbon (~29Mtonnes of CO<sub>2</sub>) below the projected business as usual level. The shortfall is likely to be met by lower allocations in the electricity sector.
- The amount of allowances to be auctioned is set at 7% which, we understand, will be deducted from the generation sector’s allowances and is expected to raise a “substantial” amount.
- A new DEFRA/DTI Environmental Transformation Fund is to be established in 2008 for development of the low carbon/non nuclear and energy efficiency industry (details will be in the spending review).
- A per installation cap on use of JI/CDM credits up to 8% of allocations.

The statement also includes an expectation of more stringent caps being required in other Member States.



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## Ofgem Issues and Consultations

Issue/Title: Renewables Obligation: Guidance for licensed electricity suppliers (GB)

Issued: 5 June  
Response: n/a

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15246\\_Supplier\\_GB\\_guidelines\\_external\\_FINAL.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15246_Supplier_GB_guidelines_external_FINAL.pdf)

Ofgem has published a guidance document on the key requirements for suppliers under the Renewables Obligation. A separate document on Northern Ireland has also been published.

Issue: Revising the transmission charging arrangements to address concerns about the treatment of distributed generation

Title: Transmission Arrangements for Distributed Generation ("TADG") Working Group: Invitation and draft terms of reference and Transmission Arrangements for Distributed generation ("TADG") Working Group: Date of first meeting

Issued: 21 June/26 June  
Response due: by 30 June

**First meeting: 14 July**

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15486\\_Ofgem102.pdf?wtfrom=/ofgem/index.jsp](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15486_Ofgem102.pdf?wtfrom=/ofgem/index.jsp)  
Letter revising date of first meeting:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15521\\_10606.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15521_10606.pdf)

As foreshadowed in its "further thoughts" document last month, Ofgem has issued an invitation to the new industry group (the TADG) charged with taking forward proposals on developing straw men options for the enduring arrangements for transmission charging for distributed generation. The letter indicates that the group will meet monthly, with the first meeting originally taking place on 12 July – draft Terms of Reference are attached. However, Ofgem issued a subsequent letter indicating that the date of the first meeting had been

changed to **14 July** to avoid a clash with the ENA sponsored workshop on Distribution structure of charges.

Issue: Further development of the Transmission Price Controls for gas and electricity to take effect from 1 April 2007

Title: Transmission Price Control Review: Initial Proposals (and other attachments)

Issued: 26 June  
Response due: 24 July

Link to Initial Proposals:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15505\\_10406.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15505_10406.pdf)

Link to Analyst Presentation:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15503\\_10506.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15503_10506.pdf)

Links to other documents:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15500\\_060623\\_OfftakeAppendix\\_IA.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15500_060623_OfftakeAppendix_IA.pdf)  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15499\\_OfftakeAppendix\\_104c-06.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15499_OfftakeAppendix_104c-06.pdf)  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15498\\_060623\\_MainAppendices\\_final.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15498_060623_MainAppendices_final.pdf)

Ofgem has published its initial proposals for the transmission price controls for the three electricity transmission licence holders and National Grid Gas.

Headlines include:

- a proposed real, post tax, rate of return of 4.2%;
- a 65% increase in allowances for capital expenditure over the five year period (which could be higher if some currently "uncertain" investments also go ahead);
- proposed annual revenue allowances that imply a 4% reduction for 2007/08 against 2006/07 level.

The proposals also develop/discuss prospective mechanisms to automatically adjust allowances in response to changes in demand for electricity network capacity by users, and performance incentives, in three areas.

- changes in demand for network capacity (two part revenue driver, one for local works and one for deeper system reinforcement works)

The consultation also contemplates the use of a new



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re-opener, a “revenue driver adjusting event”, to cover circumstances where a network provider provides capacity beyond that required by a connecting user (or users) because of the lumpy nature of system developments. Links to the Scottish Islands would also need separate arrangements beyond the scope of the revenue driver (the consultation suggests that making these large investments open to competition may be an option).

- System performance

Proposals to retain a performance incentive based on current reliability measures and to develop new performance measures in time for the next price control review.

- Innovation

Along the lines of the innovation funding incentive developed for distribution network operators in the last distribution price control.

Further changes may arise as a result of other on-going developments in network access.

The consultation also indicates that Ofgem is contemplating measures that incentivise improved environmental performance.

## Issue/Title: Domestic Metering Innovation - Next Steps

Issued on: 30 June  
Response due: n/a

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15591\\_Metering\\_Innovation\\_Decision\\_document\\_final.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15591_Metering_Innovation_Decision_document_final.pdf)

Ofgem has published a further document on development of smart metering in the domestic sector. It concludes (amongst other things) that this is best done via the competitive market and sets out three areas of activity where it considers it can help. These include the possibility of removing the requirement, in the supply licence, for meters to be read every two years.

## Issue: A new Ofgem review of the compliance arrangements within the key gas and electricity regulated Codes

## Title: Industry Codes Compliance Review Consultation

Issued: 30 June  
Response due: 1 September

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15594\\_ICCR\\_Condoc\\_FINAL.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15594_ICCR_Condoc_FINAL.pdf)

Ofgem has launched a review of the compliance arrangements within the major gas and electricity Codes to determine whether some elements of compliance may be better dealt with through “Self governance” - incentives and sanctions for compliance rather than regulatory enforcement (i.e. for breach of licence for non compliance with a licence obligation to comply with the relevant code). The consultation document indicates that the review has been initiated following the review of the supply licence and concerns expressed by some suppliers that the potential for regulatory sanction for breach of licence for non-compliance with the Codes created uncertainty and increased regulatory risk.

The consultation states that review will require “*Ofgem and the industry to:*

- *Review the relevant compliance obligations within each of the licences,*
- *Examine the Codes and agreements listed in Appendix 1,*
- *Consider the need for Regulatory involvement in achieving compliance, and Determine the appropriate level and manner of Regulation”*

and that the review may require review of the governance arrangements. For electricity, the regulated Codes suggested as candidates for inclusion within the review are the: BSC; CUSC; Distribution Code; Grid Code; MRA; and STC. Five options for change are discussed ranging from do- nothing to a move to full Self governance without recourse to regulatory enforcement.

Ofgem is proposing to hold a seminar on the review in summer and will develop a detailed project plan for delivery of the project - it may also establish a steering group - there will also be further discussions and publications.



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## Title: Metering Price Control Review

Issued: 30 June

Response due: 11 August

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15593\\_metering\\_price\\_control\\_con\\_doc\\_V7-final.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15593_metering_price_control_con_doc_V7-final.pdf)

Ofgem has initiated a consultation on price controls for meters to come into effect when the current arrangements expire in April 2007. For electricity metering, the consultation indicates that Ofgem considers that that competitive pressures in certain market segments means that the current controls on the provision of new and replacement meters and on meter operation can be lifted; it proposes retaining controls on the rental charges for existing electricity meters with a review in 2010.

## Licences and Licence Modifications

### Application by Team GE Limited for a non-domestic electricity supply licence

On 14 June, Ofgem published an application from **Team GE Limited** for a **non-domestic electricity supply licence**.

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15343\\_Team\\_ge\\_esup\\_notice.pdf?wtfom=/ofgem/work/index.jsp&section=/areasofwork/licensing/licensingapplicationnotices](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15343_Team_ge_esup_notice.pdf?wtfom=/ofgem/work/index.jsp&section=/areasofwork/licensing/licensingapplicationnotices)

### Application by BritNed Development Limited for an electricity interconnector licence

On 26 June Ofgem published an application from **BritNed Development Limited** for an **electricity interconnector licence**.

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15520\\_Notice.pdf?wtfom=/ofgem/work/index.jsp&section=/areasofwork/licensing/licensingapplicationnotices](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15520_Notice.pdf?wtfom=/ofgem/work/index.jsp&section=/areasofwork/licensing/licensingapplicationnotices)

Issue: Changes to the Distribution Code and standard condition 5 of the electricity distribution licence, to replace standard ER P2/5 with ER P2/6 (which allows DNOs to take account of current

forms of distributed generation when assessing the security of the distribution system).

Title of formal notice: Modification of standard condition 5 of all the electricity distribution licences granted or treated as granted under section 6 (1) (c) of the Electricity Act 1989

Title of formal notice to amend Scottish Hydro Electric's DNO licence: Modification of amended standard condition 5 of the electricity distribution licence granted or treated as granted to Scottish Hydro-Electric Power Distribution Limited under section 6 (1) (c) of the Electricity Act 1989

Ofgem has issued a statutory notice modifying standard condition 5 (Distribution System Planning Standard and Quality of Service) of the electricity distribution licences, and the Distribution Code to replace (Engineering Recommendation) ER P2/5 with ER P2/6. The change to the Distribution Code also includes a change that has been made to Distribution Data Registration Code which will allow a DNO to request operational and outage data from generators of 1MW and above – the previous limit was 5MW and above.

Issued: 19 June

Effective from: 1 July 2006

Link licence change notice:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15427\\_9806.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15427_9806.pdf)

Link to change to Scottish Hydro Electric's licence:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15426\\_9706.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15426_9706.pdf)

Decision letter:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15428\\_9906.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15428_9906.pdf)

Issue: Changes to the Distribution Code to replace Recommendation G5/4 ("ER G5/4") with Engineering Recommendation G5/4-1 ("ER G5/4-1") – relating to the method by which the harmonic current emissions from equipment are calculated (described as a detailed technical change).

Title: Decision in relation to the introduction of Engineering Recommendation G5/4-1 and the consequential Distribution Code amendments



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Issued: 19 June  
Effective from: 1 July

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15429\\_10006.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15429_10006.pdf)

Ofgem has approved a change to the distribution code to replace ER G5/4 with ER G5/4-1. The decision letter states that the proposed change is “considered to be a detailed technical modification that has no downside for any party”.

## DTI

### Issue: Licences for existing Interconnectors

#### Title: Interconnector licensing: Conclusions drawn from the responses to the June 2005 Consultation

Issued on: 9 June 2006  
Response due: n/a

Link:  
<http://www.dti.gov.uk/consultations/page29818.html>

The DTI has now published its conclusions following its June 2005 consultation on the licences and exemption from licensing it proposed to issue for existing interconnectors following the changes introduced in the Energy Act 2004.

The responses to the 2005 consultation are not being published (although the conclusions document summarises the views expressed) because it appears that it is no longer DTI policy to publish responses.

### Issue/Title: Revisions to the Fuel Security Code – 19 July

Following the consultation in October 2005, the DTI has issued an invitation to BSC Parties to attend a workshop to discuss the Revised Fuel Security Code. The invitation states that a copy of the near final version of the Code will be sent to Parties responding to the invitation closer to the time of the workshop and there will be opportunity to comment at the workshop. There will then be a two-week consultation period (contact Renata Williams on 020 7215 0442 or email [renata.williams@dti.gsi.gov.uk](mailto:renata.williams@dti.gsi.gov.uk)).

### Title: Guidance Relating to the Statutory

### Decommissioning Scheme for Offshore Renewable Energy Installations in the Energy Act 2004

Issued: 9 June 2006  
Response due: 1 September 2006

Link:  
<http://www.dti.gov.uk/consultations/page29978.html>

DTI has issued a consultation on proposed guidance for a decommissioning scheme for off-shore renewable installations that was introduced by the Energy Act 2004. The consultation applies to England, Scotland, Wales and Northern Ireland.

### Issue/Title: Publication of Energy Trends and Quarterly Energy Prices

Published: 29 June

Link:  
[http://www.wired.gov.net/EDP8203R7W/WGArticle.aspx?WCI=htmArticleView&WCU=ARTCL\\_PKEY%3d39828%2cALERT\\_TYPE%3d15](http://www.wired.gov.net/EDP8203R7W/WGArticle.aspx?WCI=htmArticleView&WCU=ARTCL_PKEY%3d39828%2cALERT_TYPE%3d15)

## Trade and Industry Committee

### The Government Energy Review: Extension of Committee's terms of reference

Press release: 16 May  
Responses requested by: 5 June

Link:  
[http://www.parliament.uk/parliamentary\\_committees/trade\\_and\\_industry/tisc\\_pn34\\_0506.cfm](http://www.parliament.uk/parliamentary_committees/trade_and_industry/tisc_pn34_0506.cfm)

The committee has issued a press release indicating that it is extending the terms of reference of its inquiry to encompass the implications of the increasing dependence on coal imports.

### Press Notice: Oral Evidence Sessions Energy - Tuesday 13 June 2006

Press release issued: 9 June

On 13 June, the Committee heard evidence from Dieter Helme and the Environment Agency and Health and Safety Executive on issues relating to new nuclear



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build and from ExxonMobil on UK dependency on gas imports.

Link:

[http://www.parliament.uk/parliamentary\\_committees/trade\\_and\\_industry/tisc\\_pn37\\_0506.cfm](http://www.parliament.uk/parliamentary_committees/trade_and_industry/tisc_pn37_0506.cfm)

**Issue: the passing of the Climate Change and Sustainable Energy Bill**

**Title: Earn money for your excess energy - Wicks welcomes green light for Climate Change Bill**

Issued: 21 June

Response: n/a

Link to press release:

[http://www.wired-gov.net/EDP8203R7W/WGLaunch.aspx?ARTCL=39709&ALERT\\_TYPE=15](http://www.wired-gov.net/EDP8203R7W/WGLaunch.aspx?ARTCL=39709&ALERT_TYPE=15)

Link to the Act:

[http://www.opsi.gov.uk/acts/acts2006/ukpga\\_20060019\\_en.pdf](http://www.opsi.gov.uk/acts/acts2006/ukpga_20060019_en.pdf)

The Climate Change and Sustainable Energy Bill has completed its passage through the House of Lords without amendment and passed into law on 21 June. The bill contains a range of measures intended to facilitate the development of microgeneration and sustainable energy.

The measures include (those likely to have the most material impact on electricity suppliers are shown in italics):

- a requirement for the Secretary of State to produce an annual report for Parliament on greenhouse gas emissions;
- a requirement for the Secretary of State to publish an "energy measures report" which deals with measures Local Authorities can use to improve energy efficiency and the use of clean fuels, reduce green house gas emissions, and reduce fuel poverty and which Local Authorities must have regard to;
- the right (but not the obligation) for the Secretary of State to set statutory targets for microgeneration in England & Wales and Scotland within a specified timetable;
- various changes to the Sustainable Energy Act to improve and widen reporting;
- *a time limited right (but not an obligation) for the*

*Secretary of State to impose licence modifications on suppliers requiring them to offer to buy export from microgeneration and on distribution network operators to require them to notify suppliers when microgeneration is connected and to support arrangements for suppliers acquiring exported energy (DTI has indicated in the Microgeneration Strategy that it will use these powers if suppliers do not come forward with satisfactory schemes for facilitating the sale of export);*

- extension of GEMA's functions under Section 47 of the Electricity Act to encompass microgeneration and energy exported from microgenerators;
- changes to the requirement for planning permission (via review and revision of the General Permitted Development Order – this review is already underway) and the ability to make changes to Building Regulations to incorporate microgeneration
- extension of the time limits for prosecutions under Part L of Buildings Regulations;
- a requirement for the Secretary of State to report on measures taken to improve compliance with building regs
- *changes to the Energy Efficiency Commitment that change the "energy efficiency target" into a "carbon emissions reduction target" and enable microgeneration (heat and power) to be promoted under this measure if specified within the relevant Order;*
- requirement for the Secretary to publish a report on the capability of dynamic demand technologies (automatic changes to consumption/microgeneration production in response to system frequency);
- a duty on the Secretary of State to promote community energy schemes;
- extension of parish council's ability to provide information on sustainable energy;
- a duty on the Secretary of State to promote renewable heat;
- measures to simplify the ability of microgenerators to access ROCs (Renewable Obligation Certificates); and
- extending the timescale for the cap on electricity transmission charges on the Scottish Islands to 2024.

## Environmental Audit Committee

**Issue/Title: Climate Change – The UK Programme 2006**



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Announced: 29 June  
Evidence Session: 5 July  
Link:

[http://www.parliament.uk/parliamentary\\_committees/environmental\\_audit\\_committee/eac\\_29\\_06\\_06.cfm](http://www.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_29_06_06.cfm)

The committee has issued a press release which states that the first evidence session into its inquiry into the Climate Change Programme will be held on 5 July with evidence being given by the CBI and the Corporate Leaders Group on Climate Change.

## Scotland

Issue: The Scottish Executive's response to the energy Review

Title: Future energy provision

Issued: 14 June  
Response due: n/a

Link:  
<http://www.scotland.gov.uk/News/Releases/2006/06/14144707>

The Scottish Executive has issued a press release indicating that it has published its formal response to the UK Energy Review. The press release indicates that its response "*focuses on diversity and security of supply issues, the promotion of renewables, as well as measures to help minimise fuel poverty.*"

## THE EU ETS

Issue/Title: Oral Statement by David Miliband, Secretary of State for Environment, Food and Rural Affairs, on EU Emissions Trading: Phase II cap

Issued: 29 June  
Response due: n/a

Link to press release:  
<http://www.defra.gov.uk/news/2006/060629a.htm>  
Link to statement:  
<http://www.defra.gov.uk/corporate/ministers/statements/dm060629.htm>

David Miliband (DEFRA Secretary of State) has made

an announcement on a number of the key decisions for Phase 2 of the EUETS.

- The cap will be set at 238 Mtonnes of CO<sub>2</sub> for installations covered by Phase 1 of the Scheme (differences in coverage between the two phases may lead to a slightly different total cap); 8 Mtonnes of carbon (~29Mtonnes of CO<sub>2</sub>) below the projected business as usual level. The shortfall is likely to be met by lower allocations in the electricity sector which could "be subject to auctioning".
- The amount of allowances to be auctioned is set at 7% which, we understand, will be deducted from the generation sector's allowances and is expected to raise a "substantial" amount.
- A new DEFRA/DTI Environmental Transformation Fund is to be established in 2008 for development of the low carbon/non nuclear and energy efficiency industry (details will be in the spending review).
- A per installation cap on use of JI/CDM credits up to 8% of allocations.
- The statement also includes an expectation of more stringent caps being required in other Member States.

## The European Union

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

A Sustainable Bio-Fuels Policy for the European Union (Speech Stavros Dimas Member of the European Commission, Responsible for Environment Goethe Institute, Brussels, 07 June 2006)

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/06/350&format=HTML&aged=0&language=EN&guiLanguage=en>

The World Gas Conference in Amsterdam - "An external EU energy policy cannot work without strong commitment to the internal market" (Andris Piebalgs, Energy Commissioner)



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<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/765&format=HTML&aged=0&language=EN&guiLanguage=en>

Ministers hail largest energy internal market in the world – Energy Community Treaty (Brussels, Energy Council 8 June 2006)

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/757&format=HTML&aged=0&language=EN&guiLanguage=en>

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/756&format=HTML&aged=0&language=EN&guiLanguage=en>

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/06/231&format=HTML&aged=0&language=EN&guiLanguage=en>

Recent EU developments on energy policy - Speech to the International Energy Agency Governing Board members (Andris Piebalgs, Energy Commissioner Paris, 13 June 2006)

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/06/375&format=HTML&aged=0&language=EN&guiLanguage=en>

Climate change: More effort needed to reverse EU's greenhouse gases emission trends (Brussels, 22 June 2006)

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/820&format=HTML&aged=0&language=EN&guiLanguage=en>

Recent EU developments on energy policy (Speech to the International Energy Agency Governing Board members (Andris Piebalgs Energy Commissioner, Paris, 13 June 2006)

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/06/375&format=HTML&aged=0&language=EN&guiLanguage=en>

## GB SO REPORTS AND CONSULTATIONS

Title: PRE-CONSULTATION DOCUMENT GB ECM-05 For the modification to the Use of System

charging methodology to cater for manifest data errors in the calculation of TNUoS tariffs

Published: 16 June  
Response: 14 July

Link:  
<http://www.nationalgrid.com/uk/Electricity/Charges/modifications/uscmc/>

NGET has published a “pre-consultation” document to elicit views on possible options for changing the TNUoS Methodology to include a mechanism to allow TNUoS charges to be reconciled if an error is identified. The need for such a mechanism has been identified following errors in the 2005/06 charges that arose as a result in errors in the underlying data used in the dclf (direct current load flow) model that were discovered after the charges had been published.

## THE BSC AND CUSC

### The BSC

#### The next BSC Panel

ELEXON has issued a call for nominations for industry BSC Panel Members. Nominations must be submitted by 17:00 on 14 July; votes should be cast by 17:00 on 9 August (if there are more nominations than seats); and the results will be announced by 14 August.

#### Transmission Losses Seminar - 5 July 2006

ELEXON is holding a transmission losses seminar on 5 July.

Topics to be covered include:

- an explanation of the current Transmission Losses Methodology;
- proposed Methodology for P198;
- reviewing the P198 Modification Group Assessment (eg Load Flow Modeling Results, Cost Benefit analysis, Alternative Proposal and Facilitating the BSC Objectives);
- proposed Methodology for P200 (looking at the hedging scheme, and main features of the proposal);
- looking at the Consultation Questions issued earlier that week.



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If you wish to attend, email [events@elexon.co.uk](mailto:events@elexon.co.uk).

## Consultation on the findings of the review of Continuous Acceptance Duration Limit

Issued: 27 June

Response due: 12:00 11 July

Link:

[http://www.elexon.co.uk/documents/circulars/Elexon\\_Circular/EL01384.pdf](http://www.elexon.co.uk/documents/circulars/Elexon_Circular/EL01384.pdf)

ELEXON has issued a consultation on the value of the Continuous Acceptance Duration Limit (CADL). On the basis of analysis and recommendations from the ISG (Imbalance Settlement Group) the consultation proposes that the value should remain unchanged at 15 minutes and that a further review should be initiated in two years time.

### Modification Decisions - Approved

- **P196** (Treatment of Long Term Vacant Sites in Settlement)

Approved on: 19 June

Effective From: 22 February 2007

The change will include a process within the BSC and BSC Procedure 504 which will allow suppliers to enter a zero EAC (Estimated Annual Consumption) into settlement for sites that are confirmed to be long term vacant.

The BSC Panel had recommended that the modification should **NOT** be made.

### BSC Modification Proposals

#### New Modifications

- **P202** (Energy Imbalance Incentive Band' – was submitted by Bizzenergy on 7 June 2006.

The Modification seeks to modify the BSC to introduce an “Energy Imbalance Tolerance Band” of 20MWh in each half hour for all Consumption (demand) energy accounts. Imbalances within this tolerance band would be subject to a “tolerance price” rather than the normal cashout price where both the BSC Party and the system are short of power and where both the BSC Party and the system are long. The tolerance price

would be the market price +10%.

The modification is essentially the same as that proposed under P201 except that it applies where the party (and system) is long as well as when both are short.

The Proposer requested that the modification is treated as Urgent; the BSC Panel disagreed (on the casting vote of the Chairman). Subsequent to this, the Proposer of P201 requested that this Modification should also be treated as Urgent – which was also agreed.

ELEXON also issued a consultation on implementation approaches for these two mods; the deadline for responses was **22 June**.

- **P203** (Introduction of a seasonal Zonal Transmission Losses scheme) was submitted by RWE Npower on 26 June.

The Modification is based on Modification P198 (raised by RWE in December 2005), which does not include phasing, but with seasonal, rather than annual loss factors and an **implementation date of April 2008** (rather than 2007 as proposed in P198).

### New BSC Standing Issues

**Issue 23 (Apparent Tendency for EAC Values to Under-Estimate Consumption)** was submitted by Central Networks on 7 June. The issue raises concerns that EACs (Estimated Annual Consumption) are systematically lower than actual annual consumption.

**Issue 24 (Impact of BSC on Reactive Power Charging)** was submitted by Gaz de France and circulated on 23 June. The issue relates to the restrictions within the BSC that prevent a licence exempt generator taking responsibility for any reactive energy they consume and, consequently, any associated reactive power charges.

### BSC – joiners and leavers

#### BSC Notices – Annual BSC Meeting – 13 July

The Annual BSC meeting will be held on 13 July and will be followed by July's BSC Panel meeting.

The agenda for the meeting includes:



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- the Annual Report of the BSC Panel for the period 1 April 2005 to 31 March 2006, including significant developments and achievements over the year such as the Audit Review and the PAF Review;
- ELEXON's performance against the Business Strategy for 2005-06;
- ELEXON's performance against the Annual Budget for 2005-06; and
- a presentation on the ELEXON Business Strategy and the Annual Budget for 2006-2009 (published in February).

The Annual BSC Report has been published ([http://www.elexon.co.uk/Documents/Publications/Corporate\\_and\\_Financial\\_-\\_Annual\\_BSC\\_Report\\_2005\\_-\\_2006/Annual\\_BSC\\_Report\\_online\\_version.pdf](http://www.elexon.co.uk/Documents/Publications/Corporate_and_Financial_-_Annual_BSC_Report_2005_-_2006/Annual_BSC_Report_online_version.pdf)) and ELEXON's financial results ([http://www.elexon.co.uk/Documents/Publications/Corporate\\_and\\_Financial\\_-\\_Annual\\_BSC\\_Report\\_2005\\_-\\_2006/Annual\\_BSC\\_Report\\_online\\_version.pdf](http://www.elexon.co.uk/Documents/Publications/Corporate_and_Financial_-_Annual_BSC_Report_2005_-_2006/Annual_BSC_Report_online_version.pdf))

## CUSC Amendment Proposals

### Approved Amendments

- **CAP097** (Revision to the contractual requirements for Small and Medium Embedded Power Stations under CUSC 6.5)

Approved on: 14 June  
Effective From: 14 July 2006

On 14 June, Ofgem APPROVED Consultation Alternative Amendment 2 to CAP 097 – the CUSC Panel had recommended that Alternative 1 be implemented.

The change seeks to clarify the process that DNOs and NGET follow prior to the energisation of Medium and (some) Small embedded power stations.

The change is effective from Friday, **14 July 2006**.

- **CAP123** (Quorum at Amendments Panel meetings held via teleconference).

Approved on: 23 June  
Effective From: 7 July 2006

The Amendment, which will allow Panel meetings to be held by teleconferencing without breaching the quoracy rules, was approved on 23 June and comes into effect on 7 July. The CUSC Amendments Panel had also supported the change.

- **CAP121** (Amendment to Outturn Reconciliation).

Approved on 27 June  
Effective from: 11 July

The change allows the User and NGET to agree a "reconciliation date" (the date at which the actual liability for connections charges are determined and compared with the estimated charges) should they wish to do so. The default date of one year remains if the parties do not wish to agree an alternative date.

## IPA News....

IPA are about to complete their most recent quarterly GB Power & ROC Price Forecast. For further details please contact Michael Wagner on [Michael.Wagner@ipaenergy.co.uk](mailto:Michael.Wagner@ipaenergy.co.uk).

## DISCLAIMER

IPA Energy cannot be held accountable for the accuracy of the information nor can IPA be held responsible for the consequences of any actions or decisions taken on the basis of the information published here. Parties must refer to the formal documents to confirm the official position.

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### SUMMARY OF JUNE 2006 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
<b>EAC</b>	<p><b>Issue: The EAC is seeking evidence to allow it to evaluate the 2006 update of the Climate Change Programme</b></p> <p><b>Title: Climate Change – The UK Programme 2006 (Evidence Sessions)</b></p> <p>Link: <a href="http://www.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_27_4_06a.cfm">http://www.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_27_4_06a.cfm</a></p>	27 April	Evidence to be submitted by 27 June (Hearings in June)
<b>Scottish Exec</b>	<p><b>Title: Supporting wave and tidal energy in Scotland - a consultation on amending the Renewables Obligation (Scotland) Order – 2006</b></p> <p>Link: <a href="http://www.scotland.gov.uk/Publications/2006/05/10153327/ConDocsHTML">http://www.scotland.gov.uk/Publications/2006/05/10153327/ConDocsHTML</a></p>	12 May	3 August
<b>New in June.....</b>			
<b>Ofgem</b>	<p><b>Issue/Title: Renewables Obligation: Guidance for licensed electricity suppliers (GB)</b></p> <p>Link: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15246_Supplier_GB_guidelines_external_FINAL.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15246_Supplier_GB_guidelines_external_FINAL.pdf</a></p>	5 June	n/a
<b>DTI</b>	<p><b>Title: Interconnector licensing: Conclusions drawn from the responses to the June 2005</b></p> <p>Link: <a href="http://www.dti.gov.uk/consultations/page29818.html">http://www.dti.gov.uk/consultations/page29818.html</a></p>	9 June	n/a
<b>DTI</b>	<p><b>Title: Guidance Relating to the Statutory Decommissioning Scheme for Offshore Renewable Energy Installations in the Energy Act 2004</b></p> <p>Link: <a href="http://www.dti.gov.uk/consultations/page29978.html">http://www.dti.gov.uk/consultations/page29978.html</a></p>	9 June	1 Sept

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<b>Scot Exec</b>	<b>The Scottish Executive's response to the energy Review: Future energy provision</b>  Link: <a href="http://www.scotland.gov.uk/News/Releases/2006/06/14144707">http://www.scotland.gov.uk/News/Releases/2006/06/14144707</a>	14 June	<b>n/a</b>
<b>NGET</b>	<b>Modification to the Use of System charging methodology to cater for manifest data errors in the calculation of TNUoS tariffs</b>  Link: <a href="http://www.nationalgrid.com/uk/Electricity/Charges/modifications/uscmc/">http://www.nationalgrid.com/uk/Electricity/Charges/modifications/uscmc/</a>	16 June	<b>14 July</b>
<b>Government</b>	<b>The Climate Change and Sustainable Energy Bill</b> <b>Title: Earn money for your excess energy - Wicks welcomes green light for Climate Change Bill</b>  <a href="http://www.wired-gov.net/EDP8203R7W/WGLaunch.aspx?ARTCL=39709&amp;ALERT_TYPE=15">Link to press release: http://www.wired-gov.net/EDP8203R7W/WGLaunch.aspx?ARTCL=39709&amp;ALERT_TYPE=15</a>  <a href="http://www.opsi.gov.uk/acts/acts2006/ukpga_20060019_en.pdf">Link to the Act: http://www.opsi.gov.uk/acts/acts2006/ukpga_20060019_en.pdf</a>	21 June	<b>n.a</b>
<b>Ofgem</b>	<b>Title: Transmission Arrangements for Distributed Generation ("TADG") Working Group: Invitation and draft terms of reference and Transmission Arrangements for Distributed generation ("TADG") Working Group: Date of first meeting</b>  Link: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15486_Ofgem102.pdf?wtfrom=/ofgem/index.jsp">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15486_Ofgem102.pdf?wtfrom=/ofgem/index.jsp</a> Letter revising date of first meeting: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15521_10606.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15521_10606.pdf</a>	21 June	<b>meeting 14 July</b>



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<b>Ofgem</b>	<p><b>Title: Transmission Price Control Review: Initial Proposals (and other attachments)</b></p> <p>Link to Initial Proposals:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15505_10406.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15505_10406.pdf</a></p> <p>Link to Analyst Presentation:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15503_10506.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15503_10506.pdf</a></p> <p>Links to other documents:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15500_060623_OfftakeAppendix_IA.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15500_060623_OfftakeAppendix_IA.pdf</a>  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15499_OfftakeAppendix_104c-06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15499_OfftakeAppendix_104c-06.pdf</a>  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15498_060623_MainAppendices_final.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15498_060623_MainAppendices_final.pdf</a></p>	26 June	<b>24 July</b>
<b>EU ETS</b>	<p><b>Issue/Title: Oral Statement by David Miliband, Secretary of State for Environment, Food and Rural Affairs, on EU Emissions Trading: Phase II cap</b></p> <p>Link to press release:  <a href="http://www.defra.gov.uk/news/2006/060629a.htm">http://www.defra.gov.uk/news/2006/060629a.htm</a></p> <p>Link to statement:  <a href="http://www.defra.gov.uk/corporate/ministers/statements/dm060629.htm">http://www.defra.gov.uk/corporate/ministers/statements/dm060629.htm</a></p>	29 June	<b>n/a</b>
<b>DTI</b>	<p><b>Issue/Title: Publication of Energy Trends and Quarterly Energy Prices</b></p> <p>Link: <a href="http://www.wired-gov.net/EDP8203R7W/WGArticle.aspx?WCI=htmArticleView&amp;WCU=ARTCL_PKEY%3d39828%2cALERT_TYPE%3d15">http://www.wired-gov.net/EDP8203R7W/WGArticle.aspx?WCI=htmArticleView&amp;WCU=ARTCL_PKEY%3d39828%2cALERT_TYPE%3d15</a></p>	29 June	<b>n/a</b>
<b>Ofgem</b>	<p><b>Issue/Title: Domestic Metering Innovation - Next Steps</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15591_Metering_Innovation_Decision_document_final.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15591_Metering_Innovation_Decision_document_final.pdf</a></p>	30 June	<b>n/a</b>
<b>Ofgem</b>	<p><b>Industry Codes Compliance Review Consultation</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15594_ICCR_Condoc_FINAL.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15594_ICCR_Condoc_FINAL.pdf</a></p>	30 June	<b>1 Sept</b>
<b>Ofgem</b>	<p><b>Title: Metering Price Control Review</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15593_metering_price_control_con_doc_V7-final.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15593_metering_price_control_con_doc_V7-final.pdf</a></p>	30 June	<b>11 August</b>

**BSC Mods & Decisions June 2006.....**

**New Mods**



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<b>P202</b>	<b>Energy Imbalance Incentive Band</b>	Bizzenergy	7 June
<b>P203</b>	<b>Introduction of a seasonal Zonal Transmission Losses scheme</b>	RWE Npower	26 June
<b>CUSC Amendments &amp; Decisions .....</b>			
<b>CAP decisions</b>			
<b>CAP097</b>	<b>Revision to the contractual requirements for Small and Medium Embedded Power Stations under CUSC 6.5</b>	APPROVED 14 June	Effective 14 July
<b>CAP123</b>	<b>Quorum at Amendments Panel meetings held via teleconference</b>	APPROVED 23 June	Effective 7 July
<b>CAP121</b>	<b>Amendment to Outturn Reconciliation</b>	APPROVED 27 June	Effective 11 July

