



# The Pace of Change in Great Britain

AN UPDATE FROM IPA ENERGY CONSULTING

## Inside this issue...

- Utilita Electricity Limited has applied for leave to appeal Ofgem's decision to approve Modification P194
- Teesside Power raise new BSC Modification Proposal to Insulate large generators from the impact of the proposed zonal losses scheme
- Ofgem will announce whether the Authority has decided to make a reference to the Competition Commission following National Grid's refusal to accept Ofgem's proposed 2006/07 GB System Operator Incentive and
- The UK Government has decided not to take further legal action against the EC following its decision to reject the UK's application to increase the number of allowances as part of its amended Phase I National Allocation Plan

# 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 April 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

- Utilita Electricity Limited has applied for leave to appeal Ofgem's decision to approve Modification P194 ("Revised Derivation of the 'Main' Energy Imbalance Price") – sometimes referred to as "chunky marginal" prices. Utilita is challenging the decision on the basis that *"Ofgem failed to follow due process, as it has relied on information that was material to its decision but on which code signatories have not had the opportunity to comment."*
- Subsequent to this, on 28 April, the Competition Commission granted Utilita a conditional leave to appeal. The conditions require Utilita to file a detailed statement of case and supporting evidence that enable *"the Commission to conclude that it cannot be said the appeal has no reasonable prospect of success"* and demonstrate why Utilita is materially affected by the decision (again with supporting evidence) by 4 May.
- Teesside Power Limited has raised a new BSC Modification Proposal that, if approved, would insulate large generators from the impact of the zonal losses scheme proposed under Modification P198 for their existing levels of generation.
- We understand that Ofgem will make announcement, on Tuesday, on whether the Authority has decided to make a reference to the Competition Commission following National Grid's refusal to accept Ofgem's proposed 2006/07 GB System Operator Incentive.
- The UK Government has decided not to take further legal action against the EC following its decision (of 22 February 2006) to reject the UK's application to increase the number of allowances as part of its amended Phase I National Allocation Plan.



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## Ofgem Issues and Consultations

Issue: Ofgem's plan and timetable for putting in place the arrangements for regulation of offshore transmission.

Title: Offshore electricity transmission - scoping document

Issued: 3 April

Response due: 28 April

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14533\\_6006.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14533_6006.pdf)

Ofgem has issued a scoping document on its proposed work programme, and plan, for putting in place arrangements for the regulation of offshore transmission networks following the DTI's announcement last month that it would extend the onshore arrangements to cover offshore transmission. The document identifies five key areas, or workstreams, that need to be addressed:

- the geographic scope of offshore transmission (four options are identified);
- the method for allocating offshore transmission licences (again four options are identified);
- the technical rules;
- the design of offshore price controls; and
- changes to the licences and codes that establish the regulatory and contractual framework between industry parties and will give effect to the offshore transmission regulatory regime.

Issue: Ofgem documentation for the operation of the Renewables Obligation

Titles:

Renewables Obligation: Guidance for generators over 50kW

&

Renewables Obligation: Guidance for generators 50kW and under

&

Other documents

Issued: April (various)

Response due: n/a

Link (Guidance over 50kW):

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14593\\_ROlargegenerators.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/renewobligation](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14593_ROlargegenerators.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/renewobligation)

Link (Guidance 50kW and under):

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14623\\_6806.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14623_6806.pdf)

Link ( criteria for late acceptance of data):

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14591\\_Consultation\\_on\\_late\\_data\\_and\\_data\\_errors\\_-\\_final\\_version.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14591_Consultation_on_late_data_and_data_errors_-_final_version.pdf)

Link (application for preliminary accreditation (small)):

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14634\\_Preliminary\\_accreditation\\_Small\\_FINAL.doc?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/renewobligation](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14634_Preliminary_accreditation_Small_FINAL.doc?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/renewobligation)

Link (application for preliminary accreditation (large)):

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14635\\_Preliminary\\_accreditation\\_Large\\_FINAL.doc?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/renewobligation](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14635_Preliminary_accreditation_Large_FINAL.doc?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/renewobligation)

Link (fuel sampling and measurement guidance):

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14593\\_ROlargegenerators.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/renewobligation](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14593_ROlargegenerators.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/renewobligation)

Ofgem has issued a raft of documentation associated with ROC accreditation and gaining ROCs incorporating the impact of revisions made to the Renewables Obligation Orders in 2005 and 2006.

Issue: New Licence Conditions to oblige distributors to establish a DCUSA (Distribution Connection and Use of System Agreement) and for suppliers to accede to and comply with it

Title: Modification under section 11A of the standard conditions of electricity supply licences (DCUSA)

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Modification under section 11A of the standard conditions of electricity distribution licences (DCUSA)

Issued: 5 April

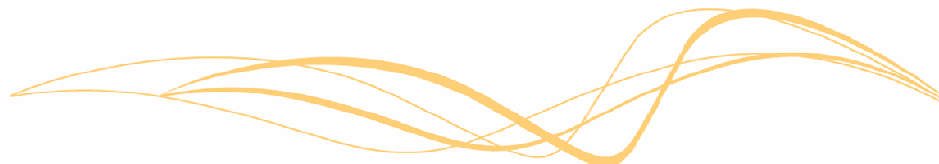
Response due: effective from 5 April 2006

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14571\\_6406.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14571_6406.pdf)

&

<http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach>



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[/14571\\_6406.pdf](#)

Ofgem has modified the distribution and supply licences to require holders of these licences to create and comply with the new DCUSA. Licensed DNOs have six months from the date the changes comes into effect (or longer if directed by the Authority) to “prepare and give effect to” a DCUSA.

**Issue:** Ofgem consultation on the potential implications of issuing a distribution licence to an independent distribution network operator that is an affiliate of an existing DNO.

**Title:** Regulation of independent electricity distributors: consultation on implications of licence applications from affiliates of existing licensees

Issued: 13 April  
Response due: 26 May

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14707\\_7106.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14707_7106.pdf)

Ofgem has published an open letter indicating that it has been approached by an affiliate of an existing DNO that is considering seeking a DNO licence as an Independent Network Operator (IDNO). Ofgem is seeking views on the issues that would be raised by such an application and how the concerns this raises may be addressed.

**Issue:** Ofgem consultation on the Statements that the two Scottish TOs have to prepare which set out the charges they can recover from NGET for provision of TO (and other) services

**Title:** Consultation on modifications to Statements of the Basis for Transmission Owner Charges

Issued: 13 April  
Response due: 12 May

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14708\\_7206.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14708_7206.pdf)

Ofgem has published an open letter seeking views on the draft Statements the two Scottish TOs have prepared covering the charges they levy from NGET, effective from 1 April 2006. The charges cover:

- TO services;
- connections to their transmission systems; and
- outage charges.

The statements (change-marked against a previous version) are attached to the letter.

**Issue:** Decision on the scope of certain aspects of what constitutes contestable distribution connection work

**Title:** Decision letter – Proposal for extending the scope of the contestable works in relation to competition in electricity connections

Issued: 13 April  
Response due: n/a

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14704\\_Decision\\_Letter\\_Final\\_Version.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14704_Decision_Letter_Final_Version.pdf)

Ofgem has published an open letter giving its decision on the scope of certain contestable works for connection to distribution networks. Ofgem’s decision includes the requirement for DNOs to incorporate the additional contestable items arising from this decision within their connection charging methodology statements and that the changes should be given effect by October 2006.

**Issue:** The use of innovative measures to allow for increased connection and export of generation from Orkney without upgrades to the network and mainland connections (Use of the IFIs and RPZ incentives).

**Title:** Green light for scheme to help Orkney’s renewable generators

Issued: 13 April  
Response due: n/a

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14726\\_Ofgem22.pdf?wtfrom=/ofgem/press/pressreleases-list.jsp](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14726_Ofgem22.pdf?wtfrom=/ofgem/press/pressreleases-list.jsp)

Ofgem has issued a press release on treatment of Orkney as qualifying as both an RPZ (Registered Power Zone) and for the Innovation Funding Incentive proposals to allow increased connection and export of



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generation without the need for upgrades to the existing network and connections to the mainland.

**Issue:** Announcement of a new Ofgem review on enforcing industry codes

**Title:** Supply Licence Review: Ofgem's role in enforcing industry codes

Issued: 21 April  
Response due: n/a

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14771\\_ofgem2306.pdf?wtfom=/ofgem/press/pressrelease-list.jsp](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14771_ofgem2306.pdf?wtfom=/ofgem/press/pressrelease-list.jsp)

Ofgem has issued a press release indicating that work on the review of the supply licence has raised issues about the interdependencies between licence obligations and Ofgem's role in enforcing industry codes and agreements. Consequently, Ofgem has initiated a new project to review compliance requirements. Ofgem is planning to publish a document on the scope and programme for the review in June and is considering re-issuing its guidance on enforcement policy.

**Issue:** Application for a licence by the Electricity Network Company Limited and consequential modifications being proposed by Ofgem to cover financial ring fencing and price restrictions.

**Title:** Notice under Section 8(3) of the Electricity Act 1989

Issued: 24 April  
Response due: 22 May

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14781\\_7506.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14781_7506.pdf)

Ofgem has issued a notice indicating that the Electricity Network Company Limited has applied for a Distribution Network Operator Licence and that, if granted, Ofgem is considering making changes to the standard conditions. Ofgem indicates that the changes are needed to allow it to put arrangements in place to deal with financial ring fencing and charging restrictions and that these amendments would be similar to amendments made to the licences of existing

Independent DNOs.

**Issue:** Formal notification that NGET has fulfilled the requirements of "Condition 5" of the Authority's approval of its BETTA transmission use of charging methodology which covered publication of forecasts of future tariffs.

**Title:** Fulfilment of conditions attached to the Authority's approval of the GB transmission use of system charging methodology

Issued: 26 April  
Response due: n/a

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14797\\_7706.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14797_7706.pdf)

Ofgem has published an open letter to NGET confirming that it has fulfilled the requirements of "Condition 5" of the Authority's approval of its BETTA transmission use of charging methodology which covered publication of forecasts of future tariffs. However, the letter also notes that this is a continuing requirement.

**Issue:** Changes to the Distribution Licence to recognise the contribution of distributed generation to system security

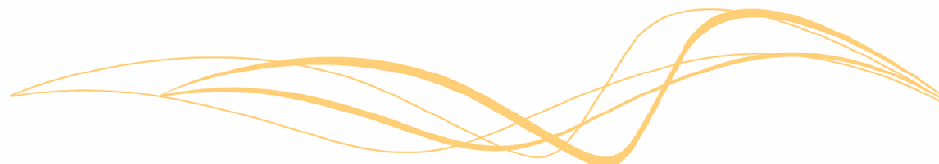
**Titles:** Notice pursuant to section 11A(3) of the Electricity Act 1989

Issued: 27 April  
Response due: 26 May

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14814\\_7906.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14814_7906.pdf)

Ofgem has issued a statutory notice/consultation on proposals to modify Standard Condition 5 of the distribution licence (Distribution System Planning Standard and Quality of Service). The changes are proposed to "better recognise the contribution that distributed generation can make to the security of distribution systems".

**Issue:** Changes to the Distribution Licence of Scottish Hydro-Electric Power Distribution Limited in light of P2/6 and P0-PS-037 (Distribution



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Planning: Standards of Voltage and Security of Supply)

Titles: Notice pursuant to section 11(2) of the Electricity Act 1989

Issued: 27 April  
Response due: 26 May

Links:  
(modification notice)  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14813\\_7806a.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14813_7806a.pdf)  
(P0-PS-037)  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14812\\_7806b.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14812_7806b.pdf)

Ofgem has issued a statutory notice/consultation on proposals to modify Standard Condition 5 of the distribution licence of Scottish Hydro-Electric Power Distribution Limited in light of P.2/6 and and SH's P0-PS-037 (Distribution Planning: Standards of Voltage and Security of Supply).

## GOVERNMENT AND OTHER BODIES

### DTI

Cleaner Coal Technology for Warrington Power Plant

Issued: 19 April  
Response: n/a

Link:  
<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=196713&NewsAreaID=2>

Government has given its consent for FGD plant to be fitted at Fiddler's Ferry Power Station in Warrington (owned by Scottish and Southern Energy).

## ENVIRONMENTAL COMMITTEE

## AUDIT

Issue: The announcement of the publication of the EAC's report on "Keeping the lights on: Nuclear, Renewables and Climate Change"

Title: Keeping the lights on: Nuclear, Renewables

and Climate Change Keeping the lights on: Nuclear, Renewables and Climate Change will be published as the Committee's Sixth Report, HC 584, at 00.01 on Sunday 16 April 2006.

Report published on: 16 April 2006

Link to press release:  
[http://www.parliament.uk/parliamentary\\_committees/environmental\\_audit\\_committee/eac\\_30\\_03\\_06b.cfm](http://www.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_30_03_06b.cfm)  
Link to report:  
<http://www.publications.parliament.uk/pa/cm200506/cmselect/cmenvaud/584/58402.htm>

The EAC published its report on the role of Nuclear, Renewables and Climate Change on 18 April. The report's conclusions include its view that the White Paper vision - "with its focus on energy efficiency and renewables as cornerstones of a future sustainable energy policy - remains correct" and calls for a far greater degree of commitment from the Government in implementing it.

Issue: The EAC is seeking evidence to allow it to evaluate the 2006 update of the Climate Change Programme

Title: Climate Change – The UK Programme 2006 (Evidence Sessions)

Issued: 27 April  
Evidence to be submitted by 27 May (Hearings in June)

Link:  
[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)

The EAC has announced that it plans to hold two evidence sessions in June to allow it to evaluate the recently announced update to the Climate Change Programme – evidence is requested by 27 May. The announcement indicates that the EAC is particularly interested in the following issues.

- "The Prime Minister continues to identify climate change as "probably the greatest long-term challenge facing the human race". Does the 2006 Climate Change Programme represent a realistic strategy to prepare the UK to meet this challenge?"
- Does the Government need to do more, and if so what, to try to ensure that it meets the 20%



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*reduction in carbon dioxide emissions by 2010?*

- *To what extent, if at all, will the outcome of the Energy Review affect the implementation of the Climate Change Programme?*

## DEFRA

**Title: Cutting Energy Bills: Trial of Innovative 'Smart Meters' Starts**

Issued: 26 April  
Response due: n/a

Link:

<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=197916&NewsAreaID=2>

DEFRA has issued a press release, on behalf of itself and EDF Energy, on the launch of a trial of smart metering in domestic consumers' premises. The trial is being managed in conjunction with fuel poverty charity National Energy Action (NEA) and aims to install up to 3,000 electricity and gas smart meters over two years. The press release states that one of the aims of the trial is to gauge how much energy consumers will save from becoming more aware of their energy use; estimates have suggested consumers would be able to cut their bills by between three and ten per cent.

**Issue: In October 2005, the Biomass Task Force, headed by Sir Len Gill, published its report to Government, setting out a number of recommended actions to improve the position for biomass. This report sets out the Government's promised response.**

**Title: Government's Response to the Biomass Task Force**

Issued: 27 April  
Response due: n/a

Link:

<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=197916&NewsAreaID=2>

<http://www.defra.gov.uk/farm/acu/energy/biomass-taskforce/btfreport-govresponse.pdf>

press release:

<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=198307&NewsAreaID=2>

Government has published its promised response to

the Biomass Task Force Report published in October 2005. The response sets out a number of measures, including a new five year capital grant scheme - foreshadowed in the recent Climate Change Programme Update, measures specific to Biomass, and various measures to incentivise/mandate increased uptake of renewables including treatment within planning and building regulations.

## NFPA

**Auction of Renewable Obligation Certificates (20 April 2006)**

The latest e-ROC Auction took place on 20 April. The average price was £40.65; compared to £38.42 at the last e-ROC auction in January 2006.

## The European Union

**Issue: UK and Other States' compliance with the Renewables Directive**

**Title: Eight Member States still not in compliance with Community legislation promoting renewable electricity**

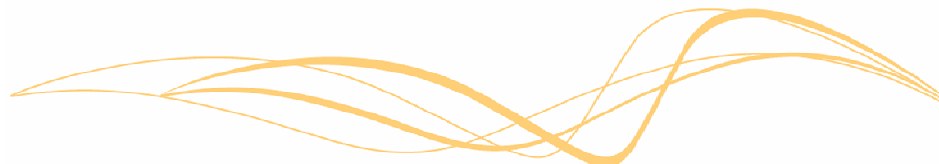
Issued: 4 April  
Response due: n/a

Link:

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/429&format=HTML&aged=0&language=EN&guiLanguage=en>

The EC has issued infringement proceedings against eight countries, including UK, for failing to properly implement the renewables directive. The UK, like Italy, Poland, Czech Republic has failed to report its progress on the use of electricity from renewable energy sources to the Commission. Five countries (Italy, Latvia, Cyprus, Greece and Ireland) have taken insufficient measures to enable adequate promotion of renewable energies.

The UK, and the other countries in breach, has two months to "submit their observations" to the Commission; after which time the Commission will decide whether to move to the second stage in the legal proceedings.



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Issue: The development of grid system to accommodate increased provision of de-centralised generation

Title: Commission encourages research co-operation for electricity grids

Issued: 6 April  
Response due: n/a

Link:  
<http://www.europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/473&format=HTML&aged=0&language=EN&guiLanguage=en>

The EC has issued a press release on a report on research needed to meet the need for Europe's networks to evolve to meet the changing requirement of the electricity industry and the requirements of increasing provision of de-centralised generation.

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

Title: The Commission takes action against Member States which have not opened up their energy markets properly (Andris Piebalgs (4 April))

Link:  
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/430&format=HTML&aged=0&language=EN&guiLanguage=en>

Title: Eight Member States still not in compliance with Community legislation promoting renewable electricity (4 April) (see above)

Link:  
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/429&format=HTML&aged=0&language=EN&guiLanguage=en>

Title: Infringement procedures opened in the gas and electricity market sector, by Member State (Memo (4 April))

Link:  
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/06/152&format=HTML&aged=0&language=EN&guiLanguage=en>

[e=EN&guiLanguage=en](#)

Title: EU climate change policies: Commission asks member states to fulfil their obligations (Named countries: Cyprus, Greece, Luxembourg, Malta, Poland, Austria, Italy, Spain and Germany) (6 April)

Link:  
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/469&format=HTML&aged=0&language=EN&guiLanguage=en>

Title: Personnel: the Commission appoints its Deputy Director-General for Energy and Transport (26 April) (Mr Dominique Ristori)

Link:  
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/537&format=HTML&aged=0&language=EN&guiLanguage=en>

Title: 20 years after Chernobyl: lessons for the future Speech at the European Parliament Plenary Session (Andris Piebalgs, Speech, Brussels, 26 April 2006)

Link:  
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/06/261&format=HTML&aged=0&language=EN&guiLanguage=en>

Mergers: Commission approves acquisition by E.ON of Endesa (Brussels, 25 April 2006)

Link:  
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/528&format=HTML&aged=0&language=EN&guiLanguage=en>

## GB SO REPORTS AND CONSULTATIONS

Title: Procurement Guidelines & Balancing Principles Statement

Issued: 4 April  
Response: n/a

Links:  
(PGs)



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<http://www.nationalgrid.com/NR/rdonlyres/7B33A26B-E84A-4BD8-9D67-46BDFED8CC0D/6715/PGsv60.pdf>  
(BPS)

<http://www.nationalgrid.com/NR/rdonlyres/55B4BB1D-1E27-43F4-82B2-DB3858392E35/6716/BPSv6.pdf>

New versions of the Procurement Guidelines, the Balancing Principles Statement (**effective from 6 April 2006**) have been published on NGET's website.

## Managing Access to the GB Transmission System Follow-up from the 22/23 February 2006 Access Seminars

Issued: 13 April

Response due: 12 May

Link:

<http://www.nationalgrid.com/NR/rdonlyres/38854DD0-6765-41B5-8546-D49699263A0F/6862/ConsultationonGBQueueIssuesFINALdoc.pdf>

NGET has issued a consultation on arrangements to help manage the queue for connections to the transmission network. The consultation covers:

- possible changes to the treatment of Final Sums (the costs of connection underwritten by the connectee up to the point of connection) and User Commitment Models;
- increased information provision;
- the reallocation of access rights where not taken up by the original holder of a connection offer;
- mechanisms for changing bilateral agreements (mainly an issue for generators in Scotland); and
- the use of non firm rights and the possible introduction and use of further short term access rights that can be granted before the infrastructure upgrades are completed with reduced (or no) compensation or as a result of buying back rights from existing holders.

## THE BSC AND CUSC

### The BSC

#### BSC Modification Appeal (P194)

The Authority's decision to APPROVE Modification

P194 (24 March) was appealed to the Competition Commission on 13 April 2006 by Utilita Electricity Limited. The CC has until 2 May to determine whether to hear the appeal.

Utilita's summary statement of case indicates that the basis of the challenge is that "*Ofgem failed to follow due process, as it has relied on information that was material to its decision but on which code signatories have not had the opportunity to comment.*"

Subsequent to this, on 28 April, the Competition Commission granted Utilita conditional leave to appeal. The Commission's decision indicates that it cannot grant leave to appeal unless (amongst other things) it is able to conclude "*that it cannot be said the appeal has no reasonable prospect of success*" and the appellant is materially affected by the decision. The decision indicates that the Competition Commission requires further information in order to determine whether the first criterion has been met and information provided by GEMA (that Utilita has disposed of its customer base) raises a question of fact as to whether Utilita is a person "whose interests are materially affected" by the Authority's decision. Utilita, has until 16:00 on 4 May to provide further information (in the specified form) to demonstrate that these criteria have been met. If the information is not provided within the specified timescales, or the Competition Commission concludes that the conditions are not met, the conditional leave to appeal will be withdrawn.

Modification P194 changes to the basis of the calculation of the main imbalance price so it is calculated from a small volume of the most adverse untagged buy or sell costs (for System Buy Price and System Sell Price respectively) rather than all such costs as at present. This "chunky marginal" price is expected to be more adverse than the current calculation (i.e. the "main System Buy Price" will be higher and the "main System Sell Price" lower).

Further information can be found at:

[http://www.competition-commission.org.uk/appeals/energy/current\\_cases.htm](http://www.competition-commission.org.uk/appeals/energy/current_cases.htm)

Ofgem reappoints Nick Durlacher as Chairman of the BSC Panel; Clay Brendish retires as non-Executive Director ELEXON Board after five years; and Jane Tozer joins the Board.

Ofgem has reappointed Nick Durlacher, for a further three years from 1 October, as the Chairman of the BSC Panel and Chairman of the ELEXON Board.



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Meanwhile, Clay Brendish CBE retired, earlier this month, from his position as a non-executive Director after five years on the ELEXON Board. Jane Tozer MBE joined the ELEXON Board in April.

## Market Index Statement Decision

On 31 March, Ofgem approved a revised version of the Market Index definition Document (the document that specifies the PX data to be used in setting the “reverse” imbalance price to come into effect on 1 April 2006.

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14522\\_MIDS\\_decision\\_letter\\_Final\\_doc\\_30\\_Mar\\_06.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/elecgov/egov01](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14522_MIDS_decision_letter_Final_doc_30_Mar_06.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/elecgov/egov01)

## Smart Metering and AMR – Issue Catalogue

Issued 26 April

Responses due: 25 May

Link:

<http://www.elexon.co.uk/consultations/default.aspx>

ELEXON has issued a consultation that catalogues, in some considerable detail, BSC related issues identified as part of a review of Smart Metering and AMR (Automatic Meter Reading). ELEXON has also issued a questionnaire, with explanatory notes, to record comments.

## BSC Modification Proposals

### New Modifications

**P200** (Introduction of a Zonal Transmission Losses scheme with Transitional Scheme), was raised on 21 April by Teesside Power Limited. The Modification proposes that a zonal transmission losses scheme

should be introduced in conjunction with a “transitional scheme” that insulates generators (production BM Units) from the impact of the proposed changes, for their current level of generation, for 15 years. The transitional scheme does not apply to Consumption BM Units and hence would not apply to most demand or to embedded generators that form all, or part, of a Consumption BM Unit.

## BSC – joiners and leavers

**The Electricity Network Company Limited** and **Mitsui & Co Energy Risk Management Company** acceded to the Balancing and Settlement Code (BSC) in April.

## IPA News....

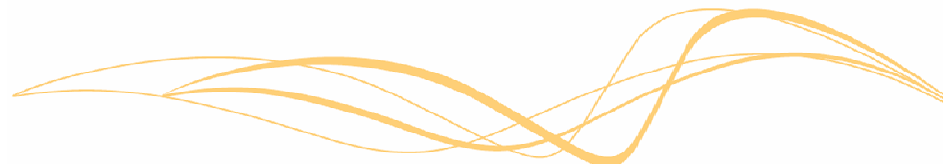
One of IPA’s Directors, Peter Bedson, was interviewed for Radio 4’s “Today” programme on Monday 1<sup>st</sup> May. The discussion focused around the impact of carbon pricing on the profitability of the Electricity Generating Sector.

“Getting Value from Renewables” IPA’s latest article has been published in the April edition of Platts’ Power UK and the May edition of EAST Journal.

## 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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# The Pace of Change in Great Britain

## SUMMARY OF APRIL 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
Ofgem	<p><b>Title: Financing Networks: A Discussion Paper</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/13842_FinancingNetworks080206.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/13842_FinancingNetworks080206.pdf</a></p>	8 Feb	5 May
EU	<p><b>Title: Competition: energy sector inquiry confirms serious problems and sets out way forward</b></p> <p>Link to press release:  <a href="http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/174&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=en">http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/174&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=en</a></p> <p>Link to frequently asked questions:  <a href="http://europa.eu.int/rapid/pressReleasesAction.do?reference=M EMO/06/78&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=fr">http://europa.eu.int/rapid/pressReleasesAction.do?reference=M EMO/06/78&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=fr</a></p> <p>Link to report:  <a href="http://europa.eu.int/comm/competition/antitrust/others/sector_inquiries/energy/">http://europa.eu.int/comm/competition/antitrust/others/sector_inquiries/energy/</a></p> <p>Link to Executive summary of the Report:  <a href="http://europa.eu.int/comm/competition/antitrust/others/sector_inquiries/energy/execsum.pdf">http://europa.eu.int/comm/competition/antitrust/others/sector_inquiries/energy/execsum.pdf</a></p>	16 Feb	1 May
DT/DEFRA	<p><b>Title: Consultation on the EU Emissions Trading Scheme Phase II (2008-2012) - UK Draft National Allocation Plan</b></p> <p>Link: all relevant documents can be found at:  <a href="http://www.defra.gov.uk/corporate/consult/euets-phasetwo-nap/index.htm">http://www.defra.gov.uk/corporate/consult/euets-phasetwo-nap/index.htm</a></p>	28 March	17:00 on 23 May 2006
<b>New in April.....</b>			
Ofgem	<p><b>Issue: Ofgem's plan and timetable for putting in place the arrangements for regulation of offshore transmission.</b></p> <p><b>Title: Offshore electricity transmission - scoping document</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14533_6006.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14533_6006.pdf</a></p>	3 April	28 April



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<p><b>NGET</b></p>	<p><b>Title: Procurement Guidelines &amp; Balancing Principles Statement</b></p> <p>Links: (PGs) <a href="http://www.nationalgrid.com/NR/rdonlyres/7B33A26B-E84A-4BD8-9D67-46BDFED8CC0D/6715/PGsv60.pdf">http://www.nationalgrid.com/NR/rdonlyres/7B33A26B-E84A-4BD8-9D67-46BDFED8CC0D/6715/PGsv60.pdf</a> (BPS) <a href="http://www.nationalgrid.com/NR/rdonlyres/55B4BB1D-1E27-43F4-82B2-DB3858392E35/6716/BPSv6.pdf">http://www.nationalgrid.com/NR/rdonlyres/55B4BB1D-1E27-43F4-82B2-DB3858392E35/6716/BPSv6.pdf</a></p>	<p>4 April</p>	<p>n/a</p>
<p><b>EU</b></p>	<p><b>Issue: UK and Other States' compliance with the Renewables Directive</b></p> <p><b>Title: Eight Member States still not in compliance with Community legislation promoting renewable electricity</b></p> <p>Link: <a href="http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/429&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=en">http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/429&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=en</a></p>	<p>4 April</p>	



## The Pace of Change in Great Britain

Ofgem	<p><b>Issue: Ofgem documentation for the operation of the Renewables Obligation</b></p> <p><b>Titles:</b>  <b>Renewables Obligation: Guidance for generators over 50kW</b>  <b>&amp;</b>  <b>Renewables Obligation: Guidance for generators 50kW and under</b>  <b>&amp;</b>  <b>Other documents</b></p> <p>Link (Guidance over 50kW):  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14593_ROlargegenerators.pdf?wtfrom=/ofgem/work/index.jsp&amp;section=/areasofwork/renewobligation">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14593_ROlargegenerators.pdf?wtfrom=/ofgem/work/index.jsp&amp;section=/areasofwork/renewobligation</a></p> <p>Link (Guidance 50kW and under):  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14623_6806.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14623_6806.pdf</a></p> <p>Link ( criteria for late acceptance of data):  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14591_Consultation_on_late_data_and_data_errors_-_final_version.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14591_Consultation_on_late_data_and_data_errors_-_final_version.pdf</a></p> <p>Link (application for preliminary accreditation (small)):  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14634_Preliminary_accreditation_Small_FINAL.doc?wtfrom=/ofgem/work/index.jsp&amp;section=/areasofwork/renewobligation">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14634_Preliminary_accreditation_Small_FINAL.doc?wtfrom=/ofgem/work/index.jsp&amp;section=/areasofwork/renewobligation</a></p> <p>Link (application for preliminary accreditation (large)):  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14635_Preliminary_accreditation_Large_FINAL.doc?wtfrom=/ofgem/work/index.jsp&amp;section=/areasofwork/renewobligation">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14635_Preliminary_accreditation_Large_FINAL.doc?wtfrom=/ofgem/work/index.jsp&amp;section=/areasofwork/renewobligation</a></p> <p>Link (fuel sampling and measurement guidance):  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14593_ROlargegenerators.pdf?wtfrom=/ofgem/work/index.jsp&amp;section=/areasofwork/renewobligation">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14593_ROlargegenerators.pdf?wtfrom=/ofgem/work/index.jsp&amp;section=/areasofwork/renewobligation</a></p>	Various	n/a
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## The Pace of Change in Great Britain

Ofgem	<p><b>Issue: New Licence Conditions to oblige distributors to establish a DCUSA (Distribution Connection and Use of System Agreement) and for suppliers to accede to and comply with it</b></p> <p><b>Title: Modification under section 11A of the standard conditions of electricity supply licences (DCUSA) &amp; Modification under section 11A of the standard conditions of electricity distribution licences (DCUSA)</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14571_6406.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14571_6406.pdf</a>  &amp;  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14571_6406.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14571_6406.pdf</a></p>	5 April	effective from 5 April 2006
EU	<p><b>Issue: The development of grid system to accommodate increased provision of de-centralised generation</b></p> <p><b>Title: Commission encourages research co-operation for electricity grids</b></p> <p>Link:  <a href="http://www.europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/473&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=en">http://www.europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/473&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=en</a></p>	6 April	
Comp Comm	<p><b>BSC Modification Appeal (P194)</b></p> <p>Link: <a href="http://www.competition-commission.org.uk/appeals/energy/current_cases.htm">http://www.competition-commission.org.uk/appeals/energy/current_cases.htm</a></p>	Raised 13 April	<b>On-going</b>
Ofgem	<p><b>Issue: Ofgem consultation on the potential implications of issuing a distribution licence to an independent distribution network operator that is an affiliate of an existing DNO.</b></p> <p><b>Title: Regulation of independent electricity distributors: consultation on implications of licence applications from affiliates of existing licensees</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14707_7106.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14707_7106.pdf</a></p>	13 April	<b>26 May</b>



## The Pace of Change in Great Britain

Ofgem	<p><b>Issue: Ofgem consultation on the Statements that the two Scottish TOs have to prepare which set out the charges they can recover from NGET for provision of TO (and other) services</b></p> <p><b>Title: Consultation on modifications to Statements of the Basis for Transmission Owner Charges</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14708_7206.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14708_7206.pdf</a></p>	13 April	12 May
Ofgem	<p><b>Issue: Decision on the scope of certain aspects of what constitutes contestable distribution connection work</b></p> <p><b>Title: Decision letter – Proposal for extending the scope of the contestable works in relation to competition in electricity connections</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14704_Decision_Letter_Final_Version.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14704_Decision_Letter_Final_Version.pdf</a></p>	13 April	
Ofgem	<p><b>Issue: The use of innovative measures to allow for increased connection and export of generation from Orkney without upgrades to the network and mainland connections (Use of the IFIs and RPZ incentives).</b></p> <p><b>Title: Green light for scheme to help Orkney’s renewable generators</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14726_Ofgem22.pdf?wtfrom=/ofgem/press/pressrelease-list.jsp">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14726_Ofgem22.pdf?wtfrom=/ofgem/press/pressrelease-list.jsp</a></p>	13 April	
NGET	<p><b>Managing Access to the GB Transmission System</b>  <b>Follow-up from the 22 / 23 February 2006 Access Seminars</b></p> <p>Link:  <a href="http://www.nationalgrid.com/NR/rdonlyres/38854DD0-6765-41B5-8546-D49699263A0F/6862/ConsultationonGBQueueIssuesFINALdoc.pdf">http://www.nationalgrid.com/NR/rdonlyres/38854DD0-6765-41B5-8546-D49699263A0F/6862/ConsultationonGBQueueIssuesFINALdoc.pdf</a></p>	13 April	12 May



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EAC	<p><b>Issue: The announcement of the publication of the EAC's report on "Keeping the lights on: Nuclear, Renewables and Climate Change"</b></p> <p><b>Title: Keeping the lights on: Nuclear, Renewables and Climate Change Keeping the lights on: Nuclear, Renewables and Climate Change will be published as the Committee's Sixth Report, HC 584, at 00.01 on Sunday 16 April 2006.</b></p> <p>Link to press release:  <a href="http://www.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_30_03_06b.cfm">http://www.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_30_03_06b.cfm</a>            Link to report:  <a href="http://www.publications.parliament.uk/pa/cm200506/cmselect/cmenvaud/584/58402.htm">http://www.publications.parliament.uk/pa/cm200506/cmselect/cmenvaud/584/58402.htm</a></p>	16 April	
DTI	<p><b>Cleaner Coal Technology for Warrington Power Plant</b></p> <p>Link:  <a href="http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=196713&amp;NewsAreaID=2">http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=196713&amp;NewsAreaID=2</a></p>	19 April	
Ofgem	<p><b>Issue: Announcement of a new Ofgem review on enforcing industry codes</b></p> <p><b>Title: Supply Licence Review: Ofgem's role in enforcing industry codes</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14771_ofgem2306.pdf?wtfrom=/ofgem/press/pressrelease-list.jsp">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14771_ofgem2306.pdf?wtfrom=/ofgem/press/pressrelease-list.jsp</a></p>	21 April	
Ofgem	<p><b>Issue: Application for a licence by the Electricity Network Company Limited and consequential modifications being proposed by Ofgem to cover financial ring fencing and price restrictions.</b></p> <p><b>Title: Notice under Section 8(3) of the Electricity Act 1989</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14781_7506.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14781_7506.pdf</a></p>	24 April	<b>22 May</b>
ELEXON	<p><b>Smart Metering and AMR – Issue Catalogue</b></p> <p>Link: <a href="http://www.elexon.co.uk/consultations/default.aspx">http://www.elexon.co.uk/consultations/default.aspx</a></p>	26 April	<b>25 May</b>



## The Pace of Change in Great Britain

Ofgem	<p><b>Issue: Formal notification that NGET has fulfilled the requirements of “Condition 5” of the Authority’s approval of its BETTA transmission use of charging methodology which covered publication of forecasts of future tariffs.</b></p> <p><b>Title: Fulfilment of conditions attached to the Authority’s approval of the GB transmission use of system charging methodology</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14797_7706.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14797_7706.pdf</a></p>	26 April	
DEFRA	<p><b>Title: Cutting Energy Bills: Trial of Innovative 'Smart Meters' Starts</b></p> <p>Link:  <a href="http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=197916&amp;NewsAreaID=2">http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=197916&amp;NewsAreaID=2</a></p>	26 April	
Ofgem	<p><b>Issue: Changes to the Distribution Licence to recognise the contribution of distributed generation to system security</b></p> <p><b>Titles: Notice pursuant to section 11A(3) of the Electricity Act 1989</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14814_7906.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14814_7906.pdf</a></p>	27 April	<b>26 May</b>
Ofgem	<p><b>Issue: Changes to the Distribution Licence of Scottish Hydro-Electric Power Distribution Limited in light of P2/6 and P0-PS-037 (Distribution Planning: Standards of Voltage and Security of Supply)</b></p> <p><b>Titles: Notice pursuant to section 11(2) of the Electricity Act 1989</b></p> <p>Links:          (modification notice)  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14813_7806a.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14813_7806a.pdf</a>          (P0-PS-037)  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14812_7806b.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/14812_7806b.pdf</a></p>	27 April	<b>26 may</b>



## The Pace of Change in Great Britain

<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 May (Hearings in June)
<b>DEFRA</b>	<p><b>Issue: The Biomass Task Force, headed by Sir Len Gill, published its report to Government, setting out a number of recommended actions to improve the position for biomass, in October 2005. This report sets out the Government's promised response.</b></p> <p><b>Title: Government's Response to the Biomass Task Force</b></p> <p>Link:  <a href="http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=197916&amp;NewsAreaID=2">http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=197916&amp;NewsAreaID=2</a>  <a href="http://www.defra.gov.uk/farm/acu/energy/biomass-taskforce/btfreport-govresponse.pdf">http://www.defra.gov.uk/farm/acu/energy/biomass-taskforce/btfreport-govresponse.pdf</a>                      press release:  <a href="http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=198307&amp;NewsAreaID=2">http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=198307&amp;NewsAreaID=2</a></p>	27 April	

<b>BSC Mods &amp; Decisions April 2006</b>			
<b>New Mods</b>			
<b>P200</b>	Introduction of a Zonal Transmission Losses scheme with Transitional Scheme	Teesside Power Limited	21 April

