



IPA Energy Consulting

IPA ENERGY CONSULTING MONTHLY BRIEFING THE PACE OF CHANGE IN GREAT BRITAIN

This newsletter provides a brief update on the key electricity market design changes currently being progressed within Great Britain, focusing on September 2005.

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; BETTA; publications/announcements by a number of government and other bodies; Transmission charging issues; and the BSC and CUSC Modifications and related matters.

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

HEADLINES

- Andrew Horsler (of energywatch) has been appointed to the BSC Panel as one of the two Consumer Members. Mr Krishna Sarda (Chief Executive of the Ethnic Minority Foundation) has been appointed as a Member of the Council of energywatch.
- Nicol Stephens the Deputy First Minister and Enterprise Minister of the Scottish Executive has announced his intention to change the Renewables Obligation Scotland to enable marine and tidal projects to obtain additional ROCs.
- Ofgem has kicked off the promised debate about transmission charging for distributed generation with the publication of a consultation document on issues and possible options for change (comments requested by 9 December).
- Ofgem's third seminar in its 'Powering The Energy Debate' series entitled "Delivering sustainable solutions for affordable warmth" will take place on Thursday 13 October 2005. Confirmed speakers include Energy Minister, Malcolm Wicks MP, Chief Executive of the National Consumer Council, Ed Mayo, Chief Executive of RWE npower, Andy Duff, and Chairman of Interbrand and member of the Sustainable Development Commission, Rita Clifton

Ofgem Issues and Consultations

Notification that the provision to enable EELPS to switch between a BEGA and a BELLA without this affecting their place in the GB queue for the purposes of determining any contingent infrastructure under SLC C18 will end on 1 October 2005

Issued: 1 September
Response due: n/a

Link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12255_19705.pdf

Ofgem published an open letter reminding Embedded Exemptable Large Power Stations (EELPS) that, until 1 October, they had the right to switch between a BEGA and a BELLA (or vice versa) once without losing their place in the GB queue for connection offers. (BEGA – Bilateral Embedded Generation Agreement; BELLA – Bilateral Embedded Licence Exemptable Large Power Station Agreement).

Renewables Obligation - 1 April 2004 to 31 March 2005

Issued: 8 September
Response: n/a

Link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12283_r38_08sept05.pdf?wtfrom=/ofgem/press/pressrelease-list.jsp

Ofgem has issued an information note advising on the total size of the Renewables Obligations in England & Wales and in Scotland based on the information it has received to date from suppliers for 1 April 2004 – 31 March 2005. For England & Wales the total Obligation is 14,315,784 MWh, and in Scotland 1,445,283 MWh.

Proposed licence modifications required as a consequence of the introduction of interconnector licences Statement of reasons and statutory notices under section 11 and section 11A of the Electricity Act 1989



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IPA ENERGY CONSULTING MONTHLY BRIEFING THE PACE OF CHANGE IN GREAT BRITAIN

Issued: 12 September
Response due: **7 October**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12302_19905.pdf

Ofgem has issued a statutory licence change notice on proposed collective and other licence modifications that it considers necessary following the introduction of gas and electricity interconnector licences. The document indicates that Ofgem considers the proposed modifications to be mostly 'house-keeping' changes. Any agreed changes will take effect on the date of commencement of the prohibition on the participation in the operation of an interconnector without an interconnector licence under the Energy Act - currently anticipated to be in Autumn 2005.

The statutory notices cover changes required to:

- NGET special conditions;
- SPT special conditions;
- SHETL special conditions;
- transmission licence standard conditions;
- distribution licence standard conditions;
- generation licence standard conditions; and
- electricity supply licence standard conditions.

Open letter on the potential for offers under standard licence condition C8 of the electricity transmission licence to be issued within longer timescales than those set out in the licence

Issued: 12 September
Response due: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12310_20005.pdf

Ofgem has published an open letter on timescales for GB connection offers for applications made after 1 April 2005. The letter advises industry participants that, in some instances, the timescales for making offers to these applicants may be longer than the timescales prescribed in National Grid's licence.

Extending National Grid Electricity Transmission Ltd's Transmission Owner Price Control for 2006/07 - Initial proposals

Issued: 27 September
Responses due: **25 October**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12405_20605.pdf

Ofgem has issued a consultation setting out its initial proposals for the one year extension of (NGET) National Grid Electricity Transmission Limited's price control to 31 March 2007. The key elements of the initial proposals include:

- allowance for investment in 2006/7 of **£470m** (a 90% increase over the current 2005/6 allowance but £144m less than proposed by NGET);
- the roll forward of the current allowed pre tax rate of return of 6.25% (adjusted to a post tax basis with an allowance for tax);
- allowance for the inclusion of £320m of overspend for the period 2001/2 to 2005/6 in the RAV (the total overspend is reported as £440m);
- the proposed opening RAV balance for 2006/7 is £5,104.3m (in 2005/6 prices);
- if the more detailed work on the new price control that will come into effect in 2007 indicates a different RAV to that proposed for the interim RAV, Ofgem proposes to adjust the 2007/8 revenues to account for the difference;
- the proposed allowance for controllable operating costs is £173.7m; and
- the total revenue for NGET's England & Wales operations, that flows from the interim proposals, is £970m.

Ofgem indicates that these proposals provide for a real terms increase in underlying transmission revenues of around 2% . NGET's charges will also need to recover the revenue requirement for Scottish transmission owners and the actual increase will depend on the 2005/6 outturn, NGET's performance under its reliability incentive and the Scottish companies' revenue requirements.

Ofgem indicates that it expects to publish final proposals at the end of November.

Modification of the Standard Conditions of Electricity Transmission Licences Granted or Treated as Granted under section 6(1)(b) of the Electricity Act 1989

Issued: 27 September
Responses due: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12441_20805.pdf

The Authority has written to transmission licensees giving formal notice of changes to Condition C20 (Assistance for areas with high distribution costs scheme: restriction on revenue) of the Transmission Licence. This follows the formal notice of the proposed change issued on 16 August 2005.



IPA Energy Consulting

IPA ENERGY CONSULTING MONTHLY BRIEFING THE PACE OF CHANGE IN GREAT BRITAIN

Notice under section 11A(3) of the Electricity Act (1989)

Issued: 27 September
Response due: **26 October**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12412_20705.pdf

Ofgem has issued a statutory consultation on changes to Standard Condition 4C of the Distribution Licence covering non discriminatory provision of point of connection information and other non-contestable connection services.

Enduring transmission charging arrangements for distributed generation A discussion document

Issued: 30 September
Responses due: **9 December**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12472_211_05.pdf

Ofgem has initiated the anticipated review of transmission charging for distributed generation and published a discussion/consultation document. The consultation:

- gives background to the issue and summarises current developments across industry Codes and documents that are relevant to the issue;
- sets out concerns about the current arrangements (in particular the lack of cost reflectivity and the perverse incentives created in respect of voltage of connection, siting and sizing decisions);
- notes that the interim discount for small generators connected at 132kV in Scotland will expire in 2008 and that it does not favour extending it so a solution needs to be found before then; and
- identifies a number of possible options for addressing some or all of the issues and considers their relative strengths and weaknesses.

A brief summary of the options considered within the consultation is provided below; Ofgem indicate that they are presented in increasing order of complexity.

Option 1: do nothing (other than progressing CAP093 on exporting GSPs). It is noted that this does not solve most of the identified problems.

Option 2: De-energise plant that spills

Aside from practical difficulties the document also suggests that this “may be viewed as disproportionate”.

Option 3: Amendments to the charging model

Under this option, in order to remove the need for the subsidy to 132kV connected generators, it is suggested that changes could be made to the parameters within NGET’s dc load flow model to better reflect conditions at 132kV. However, the consultation identifies a number of shortcomings to this approach and suggests that it may just entrench the 132kV subsidy within the enduring arrangements.

Option 4: Extend the DCLF ICRP model to parts of the distribution network

Under this option NGET’s charging model would also be used to determine charges for appropriate voltages of distribution networks harmonising the approach to charging across the networks. The alternative of reclassifying all 132kV as transmission is also mooted although difficulties are suggested and the consultation notes the option was consulted on as part of the preparation for BETTA.

Option 5: Amend the size definitions as the basis for charging and contractual arrangements

Ofgem acknowledges ongoing work by the Grid Code Review Panel in this area and that changes would be needed to the charging methodologies as well as the size criteria to affect the charging arrangements. It also suggests that this approach is “unlikely to provide an enduring solution”.

Option 6: Creating a consistent liability for charging

Under this option, the consultation suggests that all generators should face a locationally varying charge irrespective of the voltage of connection. The suggested approach envisages that the residual element of the charges would not form part of the final TNUoS tariff. Directly connected generators would pay the locational generation charge and distribution connected generators would be credited with the locational supply charge. The consultation states that, as the locational demand charge would be equal and opposite to the locational generation charge, all generators would face the same charge. The residual charge would then be recovered from suppliers on, for example, the basis of their gross demand.

Option 7: Agency models

Under this option a third party would acquire access rights on behalf of a portfolio of generators with the agent establishing the contractual interface with the GB SO and paying any relevant charges.



IPA Energy Consulting

IPA ENERGY CONSULTING MONTHLY BRIEFING THE PACE OF CHANGE IN GREAT BRITAIN

The discussion considers the idea of overrun charges where any purchased access rights are exceeded. Three forms of agency model are considered.

- **Supplier agency** - it is suggested that various different models could be developed but that a simple model may be to charge the supplier when any of its BMUs (Balancing Mechanism Units) export, other options include purchasing rights for any individual exporting GSP.
- **DNO agency** - two approaches are suggested (either the DNO takes a position and contracts on the basis of its expected generation/demand balance or it is charged on the basis of its total connected generation capacity) with charges passed on via GDUoS.
- **Independent Distribution System Operator (DSO)** – under this model a DSO would undertake a similar role to the GBSO and be responsible for those parts of a distribution network requiring active management; DNOs would have a similar role to Transmission Owners. The DSO could levy charges on either a gross or net basis. As in the BETTA reforms, the option envisages the need for a code, like the STC, to manage the DNO/DSO interface and suggests that a code could also be established to formalise the DSO/GBSO relationship. The consultation goes further and suggests that if the DSO were to be the same body as the GBSO then the same charging methodology could be applied to all actively managed parts of the network which may provide the most cost reflective outcome. The consultation recognises this option is only probably practicable in the long term.

Ofgem indicates that the purpose of this document (and its follow up due in “early 2006”) is to stimulate debate and highlight areas where respondents consider changes could be made, not to draw firm conclusions. Ofgem note that it will be for licensees, in tandem with industry, to develop and bring forward proposals for change and that, as Ofgem will have a role in approving changes, it would be inappropriate for it to prescribe the solution.

Government & Other Bodies

DTI

New Member Of Energywatch Council Appointed

Announced: 1 September 7, 2005
Response: n/a

The Energy Minister, Malcolm Wicks has announced the appointment of Krishna Sarda, the Chief .

Executive of the Ethnic Minority Foundation, to the Council of energywatch with effect from 1 September.

The Scottish Executive

Measures to harness marine energy

Press release issued: 7 September
Response: n/a

Link:

<http://www.scotland.gov.uk/News/Releases/2005/09/07094226>

The Scottish Executive issued a press release indicating that changes will be made to the Renewables Obligation Scotland to enable additional ROCs to be issued to marine and tidal renewable energy projects. The changes were announced by Nicol Stephens the Deputy First Minister and Enterprise Minister.

DTI & Scottish Executive

The Review of the Renewables Obligation in England & Wales and in Scotland: Statutory Consultations

Issued: 16 September
Responses due DTI consultation: **9 December**
Responses due SE consultation: **1 December**

Link to E&W documents:

http://www.dti.gov.uk/renewables/renew_2.2.5b.htm

Link to Scot Exec documents:

<http://www.scotland.gov.uk/Publications/2005/09/13105127/51293>

DTI (for England & Wales) and the Scottish Executive (for Scotland) have issued consultations on their proposals following the initial consultation under the reviews of the Renewables Obligations; the consultations include the statutory consultations on the changes being proposed to the England & Wales and the Scottish Obligation Orders. The changes that are agreed will be made in time to come into effect on 1 April 2006.

The two consultations cover the same ground except in the area of multiple ROCs for marine technologies (see press release above). The DTI’s guarded statement on this issue contrasts with the Scottish Executive’s press release.



IPA Energy Consulting

IPA ENERGY CONSULTING MONTHLY BRIEFING THE PACE OF CHANGE IN GREAT BRITAIN

The Scottish Executive's consultation gives little detail on the proposal other than indicating that the changes will not be progressed as part of the current review and that there would be further work and consultation on the issue "with the intention that any subsequent changes would take effect from April 2007".

A number of the other key findings / proposals are summarised below.

The consultation indicates that the majority of respondents to the initial consultation doubt the 10% target will be met by 2010 but strong growth is anticipated and many consider the target (or close to the target) is achievable if barriers to development are removed.

Energy from mixed waste – a number of minor changes are proposed to:

- "make the RO neutral to waste" (i.e. to allow the pure biomass element of fuel to earn ROCs even when burnt in combination with mixed wastes);
- reducing the 98% animal or plant matter requirement to qualify as "biomass" (a figure in the range 90% - 95% is suggested); and
- extending eligibility for ROCs to mixed wastes burnt in "good quality CHP".

Lower Cost Technologies – Government considers it WILL be necessary to limit ROC eligibility for some technologies (either by volume or time), for new generators, after a long notice period. For landfill gas, government suggests introducing a change in April 2009 to limit ROC eligibility for new generators to 8 – 10 years. On shore wind is discussed but the Government's conclusions are more nebulous with some form of tapering support seen as a policy option for the future. As announced previously, NFFO 2,3,4 projects will continue to receive ROCs once their NFFO contracts expire.

Obligation levels beyond 2015/16 – no change now. Consideration of how future obligation levels could be reset will be included in the context of the Climate Change Programme Review (CCPR).

Renewables Obligation and CHP – the decision on whether to exclude CHP from the supply base for the purpose of calculating the obligation is deferred to the CCPR (although the criteria to be met are included here).

Operation of the ROC Market – no change!

Administrative and Technical Issues:

- changes are proposed to allow Ofgem to "pre-credit stations";
- the timescale for providing meter data is to be extended to three months after the month of generation although ROCs for data submission made after two months would be issued after those submitted within the two month period;
- changes are proposed to allow Article 4(10)c declarations (indicating the generation meets the obligation requirements) to be submitted annually;
- changes are proposed to remove the need for input electricity (electricity consumed in the renewable generation process) to be notified only where it exceeds 0.5% of gross output or exported electricity;
- changes are proposed to simplify measurement of biomass fuels (views are invited on mixed wastes);
- changes are proposed in respect of determination of the biomass fraction;
- the timescales for suppliers to comply with the obligations are to be tightened to shave a calendar month of the process;
- Government does not propose to introduce shorter obligation periods, nor does it propose to introduce changes to allow suppliers to comply in aggregate across multiple licences; and
- a minor amendment to clarify the definition of input energy in respect of hydrogen based generation.

Microgeneration – DTI indicates its intention to introduce its three proposals for simplifying the administration arrangements for microgenerators (increasing the role of agents, allowing agents to aggregate output in order to claim ROCs, and removing the requirement for a sell and buy back agreement to cover consumption of own generation – this latter may be extended to larger generators). However, it indicates that all three will require changes to primary legislation. Other microgeneration issues are referred to the microgeneration strategy.

House of Commons Committee of Public Accounts - Department of Trade and Industry: Renewable energy

Ordered to be published: 18 July

Published: 15 September

Responses: n/a

Link:

<http://www.publications.parliament.uk/pa/cm200506/cmselect/cmpublic/413/413.pdf>

The committee of Public Accounts has published its report and the formal minutes of evidence into its examination of the DTI on the contribution of renewables to the UK's energy and environmental objectives, the cost of the Renewables Obligation for consumers, and the challenges of delivering the 2010 target, following the Audit Commission's report.

The conclusions are reproduced in full below.

“1. Even if support for renewable energy achieves its planned contribution to reducing carbon dioxide emissions, the Department will need to encourage investment in other zero or low carbon generating capacity, or energy efficiency measures, if it is to meet its overall emissions target. Options for new generating capacity include replacing nuclear power stations due for closure, or producing both heat and power from the same energy source. The long lead times for commissioning new generating capacity mean that the Department now needs to decide urgently which forms of generation to support and in what ways.

2. The renewables programme will provide value for money only if it helps industry to lower the cost of renewable energy to levels which approach the combined financial and carbon dioxide costs of other forms of generation. Otherwise the contribution that renewables can cost-effectively make to the twin objectives of reducing carbon dioxide emissions and improving energy security is likely to be limited. The Department needs to set out the expected rate of reduction in the cost of generating energy from each of the main renewable sources and actively monitor progress.

3. The Renewables Obligation is currently at least four times more expensive than the other means of reducing carbon dioxide currently used in the United Kingdom, which include levying a charge on non-household users of energy and controlling the carbon dioxide emitted by key industries. A carbon tax would be a less complex way of reducing carbon emissions. The Department and the Department for Environment, Food and Rural Affairs should manage the range of policy instruments operating under the Climate Change Programme so that public resources are applied cost-effectively.

4. The 2010 target requires the costs of the Renewables Obligation to be acceptable to consumers. But the Department has no means of informing its judgement on this issue. It should consider surveying consumers or consulting consumer bodies, such as energywatch.

5. Around a third of the support provided by the Renewables Obligation exceeds the extra cost of renewable generation. The Obligation provides the same level of support to all eligible technologies and sites regardless of their costs and long term potential to deliver reductions in carbon dioxide. As part of its 2005 review of the Renewables Obligation the Department should reduce the excess support in the scheme. It could, for example, taper or phase out support for lower cost renewable technologies which have limited growth potential, such as landfill gas, or limit the number of years individual generating sites can benefit from the scheme.

6. By including sites within the Renewables Obligation from the previous support scheme the Department has raised unexpected revenue for the Exchequer from electricity consumers, worth between £550 million and £1 billion by 2010. Prices paid to generators who agreed contracts under the Department's previous support scheme were not affected by the introduction of the Renewables Obligation, but the prices paid by electricity suppliers and passed on to consumers have increased. So the revenue arising from the output of these sites now exceeds the payments made to generators, and the resulting surpluses accrue to the agency which runs the scheme and are transferred to the Exchequer.

7. Predictions commissioned by the National Audit Office suggest that output from onshore wind sites should grow from 0.4% of the UK's total electricity supply in 2003–04 to nearly 3% by 2010–11. These sites are often unpopular with local communities and the likely rapid expansion of onshore wind power in the next five years could create a public reaction against renewable energy.

8. In the first three years of the Renewables Obligation scheme, the capacity of accredited sites generating electricity from landfill gas has increased by over a third. Public financial support for landfill gas sites is, however, at odds with the objectives of environmental legislation which promotes recycling of waste, rather than its disposal in landfill, and thus limits the potential of this form of renewable energy.

9. Wind power generation is much less environmentally intrusive when sited offshore. The Department should factor in this environmental advantage when considering the relative costs and benefits of onshore and offshore wind power, and the level of financial support provided to each.



IPA Energy Consulting

IPA ENERGY CONSULTING MONTHLY BRIEFING THE PACE OF CHANGE IN GREAT BRITAIN

10. Biomass can provide a secure, stable and sustainable energy source, but levels of generation remain low even though public funds have been made available to support the development of the technology. Drawing on its experience of providing research funding and capital grants for biomass, the Department needs to decide whether to continue to support biomass and, if so, how to make its support programmes more effective.

11. The Renewables Obligation has the effect of transferring substantial sums from consumers to the renewables industry — over £400 million in 2004–05, rising to £1 billion by 2010 — amounting to some £5 billion over the whole period. But this subsidy to renewables is not authorised under the annual supply procedure and so, unlike public expenditure, is not subject to regular Parliamentary scrutiny. Requiring users to source supplies from uneconomic providers has the same affect as taxing users to subsidise the providers, but is not as transparent or amenable to parliamentary control. The government should make arrangements for annual Parliamentary scrutiny, and the amounts involved should be reported annually to this Committee.”

Meteorological Office

Emergency Planners on Amber Alert

Issued: 26 September
Response: n/a

Link:
<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=171039&NewsAreaID=2>

According to a press release, the Met Office has given advanced warning to plan for a 'colder than average winter'. The press release states that “Using a traffic light analogy, the organisation has written to contingency planners in the Government - including the NHS and Highways Agency - and in the energy industry, as well as many others to put them on Amber Alert”.

UK Emissions Trading Scheme

UK emissions trading scheme – administrative rule Changes (2)

Issued: 26 September
Response: n/a

Link (letter):
<http://www.defra.gov.uk/environment/climatechange/trading/uk/pdf/ukets-amend05letter.pdf>

Link (other):

<http://www.defra.gov.uk/environment/climatechange/trading/uk/documents.htm#Rules>

DEFRA has written to participants to advise them that a number of rule changes have been made. This follows the letter advising participants about changes (December 2004).

DEFRA

Update on Implementation of the Large Combustion Plants Directive

Issued: 21 September
Responses: n/a

Link:
<http://www.defra.gov.uk/news/2005/050921a.htm>

DEFRA has issued a press release on the outcome of its discussion with the Commission on the mechanisms for limiting emissions under the LCPD from January 2008. The press release indicates that DEFRA “understand” that the Commission has accepted the UK’s proposed “combined approach” under which emissions from manufacturing and refineries will be controlled through a “National Emissions Reduction Plan” and emission limit values (ELVs) will be used to control emissions from the energy supply industry.

However, the notes to the press release also indicates that the Commission does not accept the UK’s proposed definition of plant and considers that where existing plants discharge waste gases through a common stack they should be considered as a single plant for the purposes of the Directive.

The press release concludes with the statement that Government expects to take final decisions on the Directive’s implementation before the end of this year.

GB SO Reports and Consultations

National Grid Reserve Review Reserve Review Conclusions and Consultation on Potential Developments

Issued: 9 September
Responses: **5 October**
Presentation of views: NG Operational Forum 12 October 2005.

Link:
http://www.nationalgrid.com/uk/indinfo/balancing/pdfs/0905_ReserveReviewConclusions.pdf



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IPA ENERGY CONSULTING MONTHLY BRIEFING THE PACE OF CHANGE IN GREAT BRITAIN

Following its review of the procurement of operational electricity reserve, NG has issued a conclusions document which sets out its initial proposals on the structure of reserve products, procurement mechanisms, and information provision. National Grid indicates that, if there is broad support for its proposals, it will implement changes via formal consultation on changes to the Procurement Guidelines and changes to the various tender mechanisms and Balancing Service contract forms that relate to reserve procurement (changes will also be required to the BSAD methodology to include the cost of reserve option fees in cashout prices). NG anticipates that any new arrangements will be functional before winter 06/07.

The key elements of the proposals which NG considers should be developed are summarised below.

STORT: Short-term Operating Reserve Tender - rationalisation of the Standing Reserve and Supplemental Standing Reserve services into a single firm availability contract for short-term operating reserves, tendered on a quarterly basis up to 24 months ahead.

ASTORT: Additional Short-term Operating Reserve Tender – a limited-period variant of the STORT contracted on an ad-hoc basis in week-ahead timescales.

Warming & Hot Standby Modification: – warming and hot standby contracts (currently used for Coal and Oil units) would be converted into a Firm Reserve option contract for all generation types with start-up lead-times outside of Balancing Mechanism timescales.

Information Provision / Transparency – various enhancements in information provision including some that went live in September.

**Conclusions Report to the Authority
Modification Proposal to the Use of System
Charging Methodology
GB ECM-02
Negative Demand Tariffs**

Issued: Late 30 September
Response: decision by the Authority

Link;
http://www.nationalgridinfo.co.uk/charging/mn_TN_UoS.html

NGET has issued its conclusion report proposing a modification to its use of system charging methodology to address the issue of negative demand charges that would arise under the current charging methodology if demand charges in SHETL's region were not capped. If approved by the Authority, the proposed modification will change the proportion of charges recovered from generation and demand so that in aggregate 100% of NGET's total use of system charges would be recovered from demand (this will not affect the zone to zone differentials but will affect the absolute level of charges with charges to demand increasing and charges to generation reducing). The modification will also remove the current capping arrangement.

The conclusions report states that, if approved, the changes to the methodology would be made on 1 November 2005. However, the new charging arrangements would not come into play until **1 April 2007**. The conclusions report indicates that, even after this change, the issue of negative demand charges may emerge again at some stage in the future and suggests that an appropriate response to this would be to move to the use of a wider charging base.

THE BSC AND CUSC

The BSC

BSC Authority Decisions

P188 (Revision of Credit Default Provisions) was APPROVED on 7 September 2005 for implementation on **27 June 2006**. The BSC Panel had also recommended approval. The modification will introduce new provisions into the BSC such that where a Party's Credit Cover Percentage (the level of energy indebtedness divided by the level of credit cover in MWs) exceeds 100% then the Party would have two Working Days to reduce the indebtedness to less than 90%. If it fails, the Party would become a "Defaulting Party" as defined in Section H of the BSC and subject to sanctions available to the BSC Panel. A Party would also be a Defaulting Party if its Credit Cover Percentage exceeded 100% 6 times in any six month rolling period.

P186 (Rationalising the criteria for the submission and redeclaration of Demand & Generation Capacities) the Alternative Modification was APPROVED on 8 September 2005 and was implemented on **22 September 2005**

The BSC Panel had also recommended implementation of the Alternative Modification. The Modification changes the criteria governing submission and redeclarations of DCs and GCs (Demand Capacities and Generation Capacities which are used in the determination of Parties' credit cover requirements).

P189 (Clarification to Fulfil the Intent of P174) was APPROVED on 9 September 2005. The BSC Panel had also recommended approval. Modification P174 (Provision for Users of an Interconnector with a single Boundary Point connection to form a Trading Unit amongst themselves and with other BM Units at the same site) was approved on 19 April 2005 for implementation on 2 November. The Modification had been raised to allow Interconnector BM Units to form (non sole) Trading Units with other BM Units in the same way as other BM Units subject to certain conditions. However, the detailed provisions of the approved modification prevented the Anglo French Interconnector from benefiting from the change. Modification P189 will remove the restriction. Both P174 and P189 are to be implemented on **2 November**.

P192 (Change of Name of the Transmission Company) was APPROVED on 20 September and implemented on **27 September**. The BSC Panel had also recommended approval.

BSC – joiners and leavers

Npower Cogen Limited and **TXU (UK) Ltd** withdrew in September,

BSC Miscellaneous

New Consumer Panel Member - Andrew Horsler

Andrew Horsler, who has been a member of energywatch since it was established, has been appointed as one of the two Consumer Panel Members. He took over from Neil Menzies after the Panel meeting on 8 September. Brief details of his career can be found at:

<http://www.elexon.co.uk/bscpanelandcommittees/panelmembers/contactDetail.aspx?contactID=68&groupID=3>

PARMS - The Way Forward & Issue 19

Issued: 15 September
Responses requested by: 29 September

Links:

[http://www.elexon.co.uk/documents/Consultations/Consultation for P99 PARMS Project /P99 Consultation.pdf](http://www.elexon.co.uk/documents/Consultations/Consultation%20for%20P99%20PARMS%20Project/P99%20Consultation.pdf)

ELEXON issued a consultation on how to address the continuing concerns with the P99 PARMS system (performance monitoring and supplier charges) and seeking views on 4 issues, including what approach should be adopted if the timescales in the proposed approach are too long.

Subsequently, Issue 19 (PARMS – The Way Forward) was raised by British Gas to enable industry participants to meet, review and debate the available options to progress the PARMS implementation collectively to ensure that any solution implemented is robust. The issue is being considered by the Volume Allocation Standing Modification Group (VASMGM).

Important Treasury Consultation - Marketing in Financial Instruments Directive (MiFID)

Link (to ELEXON's consultation section):
<http://www.elexon.co.uk/consultations/default.aspx>

ELEXON has alerted the industry to a consultation on the Marketing in Financial Instruments Directive and the potential for adverse consequences for ELEXON. Further information, and ELEXON's response (dated 23 September) to the Treasury's "preconsultation" (issued 16 September 2005) and other related documents can be found in the consultation section of ELEXON's website.

CUSC

CUSC Panel – election results

Announced: 6 September
Response: n/a

NG has announced that, from 1 October 2005, the new User Members will be Bob Brown, Tony Diccio, Paul Jones, Rupert Judson, Simon Goldring, Garth Graham and Malcolm Taylor. Simon Lord and Dick Cecil have also been elected as Alternate Panel Members.

CUSC Amendment Proposals

Authority Decisions

The Authority has APPROVED **CAP088** - Application of Late Payment of Commercial Debts (Interest) Act 1998



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IPA ENERGY CONSULTING MONTHLY BRIEFING THE PACE OF CHANGE IN GREAT BRITAIN

The CAP, which will be implemented on 14 October, will allow NGET to apply interest to late payments in line with the provisions of the 1998 Commercial Debts (Interest) Act – which is currently set at Base Rate plus 8%. The CUSC currently provides for interest on late payments of bank base rate plus 4%.

Withdrawn Caps

CAP 098 (Reassessment of Suppliers Value at Risk) – BizzEnergy gave notice proposing withdrawal on 5 September.

CAP096 (Revisions Resulting from Interconnector Separation) and **CAP102 (Revision of CUSC Amendment Provisions)** - NG gave notice proposing withdrawal of both of these CAPs in August.

Notified: 21 September
Response due: **30 September**

NG has confirmed that no Party has stepped forward to sponsor these Amendments and has given notice that they will be withdrawn if no notice of support is received by 4.30pm 30 September.

IPA News

IPA Energy Consulting in association with Martineau Johnson is holding a seminar entitled Power Emissions and Renewable Energy, on Thursday 17th November 2005 in Birmingham.

IPA Energy Consulting have been short-listed for two British International Expertise Awards "British Small Consultancy Firm of the year 2005" and "British Individual of the Year 2005" organised by the bccb (British Consultants and Construction Bureau).

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 SEPTEMBER 2005 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
DTI	<p>Electricity Safety, Quality and Continuity (Amendment) Regulations 2005</p> <p>The consultation, draft guidance document, regulatory impact assessment and draft SI can be found at: http://www.dti.gov.uk/energy/consultations/</p>	7 June	2 September
DTI	<p>Microgeneration Strategy and Low Carbon Buildings Programme</p> <p>DTI The consultation can be found at: http://www.dti.gov.uk/energy/consultations/microgen.pdf</p>	23 June	23 September
Ofgem	<p>Social Action Strategy</p> <p>The strategy can be found at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11775_15505a.pdf & the accompanying press release (“rising fuel prices threaten progress on tackling fuel poverty”), at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11772_r29_30june05.pdf</p>	30 June	1 September
DEFRA	<p>EU Emissions Trading Scheme – Phase II</p> <p>http://www.defra.gov.uk/corporate/consult/euets-phasetwo/index.htm</p>	19 July	Part A by 13 September, Part B by 27 September
EAC	<p>New Inquiry Keeping the Lights on: Nuclear, Renewables, and Climate Change</p> <p>The announcement of the new inquiry can be found at: http://www.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_21_07_05b.cfm</p>	21 July	21 September for written submissions
Ofgem	<p>Transmission price control review Initial consultation</p> <p>The consultation can be found at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11942_17205.pdf</p>	22 July	9 September
Ofgem	<p>Regulation of Independent Electricity Distribution Network Operators</p> <p>The decision can be found at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11958_17605.pdf</p>	26 July	9 September
DTI/Ofgem	<p>Regulation of offshore electricity transmission</p> <p>The consultation can be found at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/1196</p>	27 July	19 October

	3_17805.pdf		
DTI	<p>Adjusting transmission charges for renewable generators in the North of Scotland</p> <p>The document can be found at: http://www.dti.gov.uk/energy/consultations/s_185_consultation.pdf</p> <p>Illustrative Transmission Charges for Scottish Islands (by NGT) http://www.dti.gov.uk/energy/consultations/island_charges.pdf</p> <p>Impact of GB Transmission Charging on Renewable Electricity Generation http://www.dti.gov.uk/energy/consultations/seef_report.pdf</p>	27 July	19 October
DTI	<p>Consultation on the use of net and gross calorific values for calculating energy balances</p> <p>The consultation can be found at: http://www.dti.gov.uk/energy/consultations/net_gross_cv.pdf</p>	31 July	31 October
DTI	<p>A cost recovery mechanism for protected energy companies in energy administration Consultation on proposed licence modifications</p> <p>Link: http://www.dti.gov.uk/energy/consultations/cost_recovery.pdf</p>	4 August	27 October
Ofgem	<p>Ofgem's Five Year Strategy 2006-2011</p> <p>Link to open letter: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/1213_1_CSconsultation.pdf</p>	12 August	30 September
DTI	<p>Consultation on the sourcing of industrial energy pricing data in the Quarterly Energy Prices publication</p> <p>Link: http://www.dti.gov.uk/energy/consultations/qficonsult2.pdf</p>	15 August	11 November
Ofgem	<p>Notice under Section 11A of the Electricity Act 1989 Assistance for areas with high distribution costs</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/1215_3_18605.pdf</p>	16 August	13 September
NEW in September			
Ofgem	<p>Notification that the provision to enable EELPS to switch between a BEGA and a BELLA without this affecting their place in the GB queue for the purposes of determining any contingent infrastructure under SLC C18 will end on 1 October 2005</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/1225</p>	1 Sept	n/a

	5_19705.pdf		
Ofgem	Renewables Obligation - 1 April 2004 to 31 March 2005 Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12283_r38_08sept05.pdf?wtfrom=/ofgem/press/pressrelease-list.jsp	8 Sept	n/a
NG	National Grid Reserve Review Reserve Review Conclusions and Consultation on Potential Developments Link: http://www.nationalgrid.com/uk/indinfo/balancing/pdfs/0905_ReserveReviewConclusions.pdf	9 Sept	5 October
Ofgem	Proposed licence modifications required as a consequence of the introduction of interconnector licences Statement of reasons and statutory notices under section 11 and section 11A of the Electricity Act 1989 Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12302_19905.pdf	12 September	7 October
Ofgem	Open letter on the potential for offers under standard licence condition C8 of the electricity transmission licence to be issued within longer timescales than those set out in the licence Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12310_20005.pdf	12 Sept	n/a
House of Commons Committee of Public Accounts DTI	Renewable energy Link: http://www.publications.parliament.uk/pa/cm200506/cmselect/cmpubacc/413/413.pdf	15 September	
ELEXON	PARMS - The Way Forward & Issue 19 Issued: 15 September Responses requested by: 29 September Links: http://www.elexon.co.uk/documents/Consultations/Consultation_for_P99_PARMS_Project_/P99_Consultation.pdf	15 Sept	29 Sept (Issue 19 on going)
ELEXON/ Treasury/ EU	Important Treasury Consultation - Marketing in Financial Instruments Directive (MiFID) Link (to ELEXON's consultation section): http://www.elexon.co.uk/consultations/default.aspx		
DTI & Scottish Executive	The Review of the Renewables Obligation in England & Wales and in Scotland: Statutory Consultations Link to E&W documents: http://www.dti.gov.uk/renewables/renew_2.2.5b.htm	16 Sept	1 Dec (Scot Exec) 9 December (DTI)

	Link to Scot Exec documents: http://www.scotland.gov.uk/Publications/2005/09/13105127/51293		
DEFRA	Update on Implementation of the Large Combustion Plants Directive Link: http://www.defra.gov.uk/news/2005/050921a.htm	21 Sept	n/a
DEFRA	UK emissions trading scheme – administrative rule Changes (2) Link (letter): http://www.defra.gov.uk/environment/climatechange/trading/uk/pdf/ukets-amend05letter.pdf Link (other): http://www.defra.gov.uk/environment/climatechange/trading/uk/documents.htm#Rules	26 Sept	n/a
Ofgem	Notice under section 11A(3) of the Electricity Act (1989) Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12412_20705.pdf	27 Sept	26 Oct
Ofgem	Modification of the Standard Conditions of Electricity Transmission Licences Granted or Treated as Granted under section 6(1)(b) of the Electricity Act 1989 Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12441_20805.pdf	27 Sept	
Ofgem	Extending National Grid Electricity Transmission Ltd's Transmission Owner Price Control for 2006/07 Initial proposals Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12405_20605.pdf	27 Sept	25 October
Ofgem	Enduring transmission charging arrangements for distributed generation A discussion document Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12472_211_05.pdf	30 Sept	9 December
NGET	Conclusions Report to the Authority Modification Proposal to the Use of System Charging Methodology GB ECM-02 Negative Demand Tariffs Link; http://www.nationalgridinfo.co.uk/charging/mn_TNUoS.html	30 Sept	

BSC & CUSC Mods & Decisions September 2005			
BSC Mod Decisions...			
P188	Revision of Credit Default Provisions The BSC Panel had also recommended approval.	APPROVE	Implemented on 27 June 2006
P186	Rationalising the criteria for the submission and redeclaration of Demand & Generation Capacities The BSC Panel had also recommended implementation of the Alternative Modification.	APPROVE Alternative	Implemented on 22 September
P192	Change of Name of the Transmission Company The BSC Panel had also recommended approval.	APPROVED	Implemented on 27 Sept
P189	Clarification to Fulfil the Intent of P174 The BSC Panel had also recommended approval.	APPROVED	Implemented 2 November (with P174)
CAP Decisions...			
CAP088	Application of Late Payment of Commercial Debts (Interest) Act 1998	APPROVED	Implemented 14 Oct