

IPA MONTHLY BRIEFING PAPER
December 2009



The Pace of Change in Great Britain

AN UPDATE FROM IPA ENERGY + WATER ECONOMICS

Inside...

- " Changes to the Renewables Obligation scheme;
- " Smart meter rollout programme;
- " New distribution price control proposals;
- " Extension of current transmission price controls;
- " Shortlist for offshore transmission owners and operators; and
- " Next tender round for Short Term Operating Reserve.

The Pace of Change in Great Britain

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

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

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

Disclaimer

IPA Energy + Water Economics cannot be held accountable for the accuracy of the information published herein, nor be held responsible for the consequences of any actions or decisions taken on the basis of this briefing paper. Parties must refer to the formal documents to confirm the official position.

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DEPARTMENT OF ENERGY AND CLIMATE CHANGE (DECC)

Title: *Towards a Smarter Future: Government Response to the Consultation on Electricity and Gas Smart Metering*

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

Published: 2 December
Response due: N/A

Government has published its decisions on the smart meter roll out programme including:

- the high-level smart functionality requirements for domestic electricity and gas meters;
- the provision of a real-time display and information with a smart meter; and
- the approach on smart functionality requirements for non-domestic meters.

DECC has also published a [paper](#) setting out the case for developing smart grids in the UK.

Title: *UK Signs Up to Europe's First Offshore Wind Grid*

[\(link\)](#)

Published: 7 December
Response due: N/A

DECC has announced that the UK has signed up to an agreement with Germany, France, Belgium, the Netherlands, Luxembourg, Denmark, Sweden and Ireland to develop an integrated offshore transmission grid in the North and Irish Seas.

Title: *Consultation on Second Stage Transposition of EU Directive (2008/101/EC) to Include Aviation in the EU Emissions Trading System (EU ETS)*

[\(link\)](#)

Published: 11 December
Response due: 5 March

DECC has launched a consultation on the draft "implementing regulations" that will give effect to the EU directive to include aviation in the European Union Emissions Trading Scheme (EU ETS).

The issues covered by the consultation include:

- *"Special reserve*
 - *Emissions plan conditions and variation*
 - *Duty and failure to surrender allowances equal to emissions*
 - *Over-allocation*
 - *Charging*
 - *Civil penalties*
 - *Detention and sale of aircraft*
 - *Assistance from aerodrome operators*
 - *Application for an operating ban and enforcing an operating ban."*
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Title: Government Response to the 2009 Consultation on the 2009 Renewables Obligation Order

[\(link\)](#) [\(webpage\)](#)

Published: 11 December
Response due: N/A

Government has published its decisions on the changes to the RO to be implemented on 1 April 2010 and the final draft of the consequential amendments to the RO Order.

The headline decisions are summarised as being:

- *“Extending the RO to 2037;*
 - *Ensuring that generating stations receiving full accreditation on or after 26 June 2008 receive 20-years support from the date they are first accredited, subject to the 2037 end date;*
 - *Ensuring that additional capacity receiving full accreditation on or after 26 June 2008 will benefit from 20 years support from the date it is first accredited, subject to the 2037 end date;*
 - *Removing the 20 ROCS/100MWh renewable electricity cap on the Obligation level;*
 - *Increasing headroom to 10% with effect from 1 April 2011;*
 - *Increasing the level of support for offshore wind projects that are granted full accreditation between 1 April 2010 and 31 March 2014 up to 2 ROCs per MWh;*
 - *Clarifying that measurement of Anaerobic Digestion (AD) feedstock is allowed to be carried out over a three-month period;*
 - *Offsetting presented ROCs from generators’ future output;*
 - *Exclude electricity produced from landfill gas and sewage gas from the Sustainability Reporting requirements from 1 April 2010; and*
 - *Continuing support for eligible microgeneration technologies through the Feed in Tariff scheme when it is introduced.”*
-

Title: Consultation on Proposal to Modify Electricity Supply Licence Conditions for the Purpose of Introducing the Feed-In Tariff Scheme

[\(link\)](#)

Published: 18 December
Response due: 15 January

As required by the enabling legislation, DECC has published a consultation on the new Licence Conditions it proposes to introduce to give effect to the Feed in Tariff from 1 April 2010, although it is clear that a number of issues are yet to be determined. The final Licence Changes will need to be laid before Parliament in February if the scheme is to go ahead on 1 April.

Title: Second Consultation on the Form and Content of New Climate Change Agreements

[\(link\)](#)

Published: 21 December
Response due: 15 February

DECC has issued a consultation on its proposals on the form and content of new Climate Change Agreements, to be introduced to allow the scheme to be extended beyond its current expiry date of March 2013.



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Title: *Extending the Carbon Emissions Reduction Target*

[\(link\)](#)

Published: 21 December

Response due: 14 March

DECC has issued a consultation on extending the current CERT programme to December 2012 to align with the end of the first carbon budget period. The current end date is March 2012.

The changes being proposed include:

- *“a new higher target of 293 million tonnes of lifetime CO2 savings by December 2012;*
 - *provision of an insulation minimum and the removal of compact fluorescent lights as eligible measures, so as to drive insulation delivery at scale and ensure we meet our target to insulate 6 million homes by December 2011; and*
 - *a new Super Priority Group obligation to ensure that the most vulnerable householders who are least able to afford energy saving measures are offered assistance.”*
-

Title: *Energy Statistics*

[\(link\)](#)

Published: 23 December

Response due: N/A

DECC has announced the publication of the latest editions of its *Energy Trends* and *Quarterly Energy Prices* documents.



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OFGEM

Title: *Open Letter consultation on Ofgem's Procedure for Determining Disputes*

[\(link\)](#)

Published: 1 December
Response due: 12 January

Ofgem is seeking views on its proposals to update its current disputes procedure, between network licensees and their customers, to limit oral hearings, recover costs, and name and shame Licensees.

Title: *Delivering Smart Meters (Factsheet)*

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

Published: 2 December
Response due: N/A

Ofgem has published a factsheet following Government's announcements on the roll out of smart meters in domestic premises "*and most small businesses*" in Great Britain by 2020.

Title: *GB ECM-18 Locational BSUoS Impact Assessment*

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

Published: 3 December
Response due: 21 January

Ofgem has published its impact assessment of National Grid's proposal to introduce locational charging for elements of the BSUoS charges, having determined that the issues raised by this modification (which would result in the costs of managing constraints behind a derogated transmission boundary being recovered from generators that are located behind the boundary, rather than smeared as at present) are sufficiently material to warrant one.

Within its statement of its initial view Ofgem indicates that:

"... Whilst the implementation of GB ECM-may have merit in providing more cost-reflective signals and potentially leading to lower constraint costs, we also acknowledge that there may be potential concerns on a number of issues, including: the extent to which the proposal will be effective in influencing decisions to be efficient; the potential unequal impact on parties in the presence of market power; the possibility of wholesale price impacts; and whether there are objective grounds for targeting costs at generation but not on demand customers, and within the generation sector at larger generation but not small distributed generation."

The document states that Ofgem anticipates reaching its decision "*on or before 1 March 2010*" and that if the decision is made before the start of March it will come into effect on 1 April 2010.

Title: *Consumer Bulletin (Issue 2)*

[\(link\)](#)

Published: 4 December
Response due: N/A

Ofgem has published its second "Consumer Bulletin", "*an informational piece on all of Ofgem's current consumer work strands.*"



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Title: *Small & Medium Users Group (SMUG) & Large Users Group (LUG) Membership*
([link](#)) ([ToR small users](#)) ([ToR large users](#))

Published: 8 December
Response due: N/A

Ofgem has published a list showing membership of these two groups; together with the terms of reference for the two groups.

Title: *Shortlist for Over £1 Billion of Offshore Electricity Links Announced*
([link](#))

Published: 14 December
Response due: N/A

Ofgem has announced the firms shortlisted for the offshore transmission links to wind farms following the first round of the tender process:

- Balfour Beatty Capital Ltd (BBCL);
- DONG Energy Sales and Distribution A/S (DESD);
- Green Energy Transmission (a consortium of Equitix Ltd and AMP Capital Investors Ltd) (GET);
- Macquarie Capital Group Ltd (MCGL);
- National Grid Offshore Ltd (NGOL);
- Transmission Capital Partners (a consortium of Transmission Capital, International Public Partnerships and Amber Infrastructure Group) (TCP)

The winning bids (worth over £1 billion) are expected to be announced in May 2010.

Title: *Guidance on Impact Assessments*
([link](#))

Published: 15 December
Response due: N/A

Ofgem has produced a revised version of its guidance on its approach to impact assessments, which now includes the requirement for Ofgem to take account of Government guidance on valuing carbon emissions.

Title: *Smart Metering Implementation Programme: Briefing Event*
([link](#))

Published: 16 December
Response due: N/A

Ofgem has published the presentation from an event held on 16 December about the smart meter rollout programme.

Title: *Carbon Emissions Reduction Target Update – Issue 6/November 2009*
([link](#))

Published: 17 December
Response due: N/A

Ofgem has published its latest update on progress under CERT.

Title: *Ofgem’s Response to DECC’s Consultation on “Improving Grid Access”*
([link](#))

Published: 18 December (dated 8 December)
Response due: N/A

Ofgem has published its response to DECC’s consultation on improving grid access in which it urges Government to consider:

“... how the models it has put forward could be enhanced to provide better protection to consumers, provide efficient investment signals and recognise the specific characteristics of different generation,” and *“... how the proposed approach could be modified to create an environment that better supports investment in renewable and low carbon generation.”*

Ofgem also states that it assumes that:

“... DECC will ensure that any approach to access reform is consistent with the relevant provisions of the European third energy package, and other aspects of the legal and statutory framework,”

whilst noting that it thinks that:

“... there are credible alternative access models which the Government has not assessed that could meet these aims.”



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Issue: Direct Debit Arrangements in Supply Licences

Title: *Notice of Modification of the Standard Conditions of the Electricity Supply Licence*
([link](#))

Published: 18 December
Effective: 18 January

Ofgem has published the formal notice covering changes to supply licences covering direct debit arrangements.

Title: *Carbon Reduction Commitment Energy Efficiency Scheme – Illustrative Licence Modification Drafting*
([link](#))

Published: 18 December
Response due: 29 January

Ofgem has issued a consultation on “illustrative” licence modification drafting covering an obligation on suppliers to provide information to Carbon Reduction Commitment Energy Efficiency Scheme participants.

Title: *Offshore Electricity Transmission: Consultation on the Enduring Regime*
([link](#))

Published: 18 December
Response due: 12 February

Ofgem has launched a consultation on its updated proposals for the enduring regulatory regime for offshore electricity transmission.

Title: *Update on Security & Quality of Service Standards Amendment Request (GSR007)*
([link](#))

Published: 21 December
Response due: N/A

Ofgem has published a letter notifying a change to the timescales in which it originally (21 October) indicated it would deal with a recommendation to change the SQSS (specifically the infeed loss limits), and the associated licence change requests. The change follows the publication, by National Grid, of its consultation on the impact of the proposed change for use of system charging, which has been published ~ a month later than Ofgem had originally envisaged (see GB SO section).

Title: *Microgeneration Forum Agenda – 22 January 2010*
([link](#))

Published: 22 December
Response due: 15 January

The main subject of the meeting is the new Feed In Tariff.



OFGEM – RPI-X@20 REVIEW

Title: Australian Airport Regulation – Response to LECG paper on the Case for Ex Post Regulation of Energy Networks

[\(link\)](#)

Published: 2 December
Response due: N/A

Ofgem has commissioned Stephen Littlechild to report on the development and nature of Australian airport policy and its relevance under the RPI-X@20 review.

The report states that:

“... Over the last seven years, Australia has adopted an innovative policy towards the regulation of its privatised airports. It is variously referred to as light-handed regulation, threat of regulation, price monitoring, information disclosure and obligation to negotiate. A survey paper in Ofgem’s ongoing RPI-X@20 Review has recently cited it as one of a range of ex post regulatory regimes. In my view it has significant achievements and advantages that merit its consideration for wider application. The purpose of this paper is to summarise the development and nature of Australian airport policy, and to explain why it deserves further consideration elsewhere.”

Title: Cost Boundaries and the Speed of Cost Recovery

[\(link\)](#)

Published: 3 December (originally published March 2009)
Response due: N/A

Ofgem has re-published a paper produced in March 2009 by Frontier Economics in support of DPCR5, which it states is also relevant for the RPI-X@20 project noting that:

“This paper argues that rewriting the present cost boundaries could remove distortions and result in a more efficient outcome.”

Title: Ofgem’s RPI-X@20 Review and the Scope for More Customer Involvement

[\(link\)](#)

Published: 21 December
Response due: N/A

Ofgem has published a link to an article by Stephen Littlechild that examines the RPI-X approach and goes on to argue for “*exploring further the so-called ‘constructive engagement’ approach.*”

Title: Approach and Timetable Options for the Next Transmission Price Control Review (TPCR 5): Notice of GEMA Decision to Delay the Implementation of TPCR5 until 2013 and Implement a One Year ‘Adapted Roll-Over’ of TPCR4

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

Published: 21 December
Response due: N/A

Ofgem has announced that it has decided to extend the duration of current the price control by one year to 31 March 2013. Ofgem also state that it intends to publish its decision paper on the TPCR5 process in January.



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LICENCES

Electricity Licence Applications in December 2009

Company: Crystal Rig II Limited
Licence: Generation

Applied: 11 December
Published on: 11 December
([link](#))

Company: Walters Power (UK) Limited
Licence: Generation

Applied: 15 December
Published on: 16 December
([link](#))

Electricity Licences Issued in December 2009

Company: Eucalyptus Worldwide Limited
Licence: Supply (Any Premises)

Published on: 3 December
Effective from: 23 November
([link](#))



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GB SYSTEM OPERATOR (SO)

Title: GB ECM-21 Consultation Document: Changing Tariffs Mid-Year to Implement the Offshore Transmission Regime
([link](#))

Published: 2 December
Response due: 8 January

National Grid has issued a consultation on three options that would allow it to deal with the timing problems that arise because TNUoS charges, which need to accommodate off-shore transmission costs, must be published before the offshore tender process, which sets the offshore transmission costs, is completed. National Grid note that this issue will arise every year until the enduring regime comes into effect.

National Grid also note that it is not seeking to alter or modify the principles on which charges will be determined only the underlying process.

National Grid states that its preference is for its *“Option 3 – Review all tariffs mid-year – onshore tariffs will be published as normal. Indicative offshore tariffs will be published along with onshore tariffs. Both onshore and offshore tariffs would be updated mid year with information from the tender process.”*

Title: National Grid Electricity Transmission System Operator (SO) Incentives for 1 April 2010 – Development of Constraints Forecast 2011/12
([link](#))

Published: 15 December
Response due: 22 December

National Grid has published a short consultation on its best estimate of constraint costs for 2011/12. The forecast follows Ofgem’s formal request, on 13 November 2009, to provide this to assist Ofgem to *“... form a view on the appropriateness of a two year incentive scheme.”*

National Grid notes that the report also outlines the methodology used in developing the forecast and the main risks associated with the assumptions it has used.

Title: Information Paper: 5 Year Forecast of Transmission Network Use of System Tariffs
([link](#)) ([DCLF spreadsheet](#))

Published: 16 December
Response due: N/A

National Grid has published a five year forecast of future locational tariffs (revised edition issued on 16 December).

Title: Invitation to Tender (ITT) Pack for Short Term Operating Reserve (STOR)
([link](#))

Published: 18 December
Response due: 15 January

National Grid has advised that a tender pack has been published for STOR with key dates as follows:

- Market Day: 17:00 hours on Friday 15th January 2010
 - Results for First Year: Friday 5th March 2010
 - Results for Subsequent Year: Friday 26th March 2010
 - Service Commencement: 05:00 hours on Thursday 1st April 2010
 - Market Report: Friday 16th April 2010
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**Title: Pre-Consultation Document – GB ECM-19
Charging for Large Loss Frequency Response**
([link](#))

Published: 18 December
Response due: 29 January (extended from 15
January)

Work by the SQSS Review Group (Quality of Supply Standards) indicates that, if a number of large generating units (or large groups) with a capacity in excess of 1320 MW need to be accommodated on the system, changes would be needed to the current planning to increase the “normal and infrequent loss limits” which could increase operational costs (due to the need to contract for more frequency response) from £160m per year to a level of £300m per year.

The consultation seeks views on the implications of this change for the cost recovery arrangements under the charging methodologies. In particular, National Grid state that:

“... The fundamental question for this pre-consultation is whether the industry believes that extending the current methodology of charging all Users equally for covering the risk of all sizes of infeed loss or moving to a new process whereby Users are charged depending upon size better facilitates the relevant objectives.”



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DISTRIBUTION NETWORK OPERATOR (DNO)

Distribution Price Control 5

Ofgem announced the new price control proposals on 7 December with a raft of publications identified below.

Title: *Regulator Sets Tough Investment-Led Price Controls on Regional Electricity Networks*
([link](#))

Published: 7 December
Response due: N/A

Title: *Electricity Distribution Price Control Review Final Proposals*
([link](#)) ([appendices](#))

Published: 7 December
Response due: 6 January

The companies have until Wednesday 6 January 2010 to accept or reject these proposals. Ofgem states that, "If any company rejects our [Ofgem's] proposals then we intend to refer the matter to the Competition Commission."

Title: *DPCR 5 Final Proposals – Analyst & Investor Presentation*
([link](#))

Published: 7 December
Response due: N/A

Title: *Electricity Distribution Price Control Review Final Proposals – Allowed Revenue Cost Assessment*
([link](#)) ([webpage](#))

Published: 7 December
Response due: N/A

Title: *Electricity Distribution Price Control Review Final Proposals – Allowed Revenue Financial Issues*
([link](#)) ([webpage](#))

Published: 7 December
Response due: N/A

Title: *Electricity Distribution Price Control Review Final Proposals – Incentives and Obligations*
([link](#))

Published: 7 December
Response due: N/A

Title: *Consultation on the Suspension, Pending Review, of Our Existing Merger Policy for Mergers Between Energy Network Companies*
([link](#)) ([press release](#))

Published: 7 December
Response due: 25 January

Title: *Sustainable Development and Electricity Distribution – Factsheet*
([link](#))

Published: 7 December
Response due: N/A

Title: *Update on the Regulatory Instructions and Guidance (RIGs) for DPCR5*
([link](#))

Published: 17 December
Response due: N/A

Title: *Electricity Distribution Price Control Review – Second Licence Drafting Consultation*
([link](#)) ([appendices](#))

Published: 18 December
Response due: 18 January



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Charging Methodology

Title: *Changes to the Use of System Charging Methodology for Housekeeping Purposes – Use of System Modification – 30*
[\(link\)](#)

Raised by: EDF Energy Networks
Published: 10 December

Title: *Modification Proposal Amendment Proposal: PD/WALES/WEST/UOS015 – Amendment of Use of System Charging Methodology to Revoke the LV/HV DRM Methodology from the Implementation Date of the CDCM*
[\(link\)](#)

Raised by: Western Power Distribution (South Wales) PLC; Western Power Distribution (South West) PLC
Published: 11 December

Title: *Direction under Standard Condition 50 and Standard Condition 50a of the Electricity Distribution Licence Granted or Treated as Granted under Section 6(C) of the Electricity Act 1989*
[\(link\)](#)

Published: 17 December
Effective 1 January

Ofgem has issued a direction making changes to DNO's licences to give effect to the governance arrangements for the Common Distribution Charging Methodology (CDCM) and the Extra High Voltage (EHV) Distribution Charging Methodology (EDCM) from the point they are implemented.

Title: *Notice of Consultation in Relation to Modification Proposal WPD UOSO15 – 'Amendment of Use of System Methodology to Revoke the LV/HV DRM Methodology from the Implementation date of the CDCM'*
[\(link\)](#)

Published: 21 December
Response due: N/A

Title: *Decision in Relation to EDFE Use of System 29: Interim Tariffs for Independent Distribution Network Operators (IDNOs)*
[\(link\)](#)

Decision: **APPROVE** (not vetoed)
Published: 21 December
Effective from: 1 April 2009

Title: *Electricity Distribution Structure of Charges Project: Decision on Distribution Network Operators (DNOs) Submission to Meet the Conditions for Approval of the CDCM Required by 31 December 2009*
[\(link\)](#)

Published: 21 December
Response due: N/A



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Miscellaneous

Title: *Open Letter on Ofgem's Proposals to Introduce New Connections Standards of Performance for Electricity Distributors*
[\(link\)](#)

Title: *Open Letter Consultation on Ofgem's Proposals to Revise Existing Standards of Performance for Electricity Distributors*
[\(link\)](#)

Published: 18 December
Response due: 11 January

Ofgem has published an open letter seeking views on new connections standards of performance (specified within the draft Electricity (Connection Standards of Performance) Regulations 2010 (the "New Connections Standards") under DPCR5.

It is also seeking views on its proposals to revise a number of the standards currently contained in the Electricity (Standards of Performance) Regulations 2005.

Title: *2008/2009 Electricity Distribution Quality of Service Report*
[\(link\)](#) [\(data spreadsheet\)](#)

Published: 18 December
Response due: N/A

Ofgem has published its annual report on DNOs' quality of service performance over the period of 1 April 2008 to 31 March 2009.



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BALANCING AND SETTLEMENT CODE (BSC)

Leavers

Bear Stearns International Limited
Party ID: BEAR

Essent Trading International S.A
Party ID: ETISA

Statkraft Energy Limited
Party ID: STATKRA2

Miscellaneous

Title: *Decrease in the Credit Assessment Price (CAP) to £38/MWh Effective from Tuesday 12 January 2010*
([link](#))

Published: 10 December
Effective from: 12 January

ELEXON has announced the decision to reduce CAP to £38/MWh from 12 January and to reduce the CAP review trigger level from £11/MWh to £6/MWh.

Title: *Draft BSCCo Business Plan 2010-11*
([link](#)) ([response form](#))

Published: 16 December
Response due: 15 January

ELEXON has issued a consultation on its business plan for 2010-11, which includes the annual budget. The plan states that:

“The budget for regular ELEXON activity shows an increase of £670k (2.1%) against the forecast outturn for 2009/10, but a reduction of £552k (1.7%) against last year’s budget.”



Modification Proposals

P246 Reporting to LDSOs of Aggregated Metering Data for Embedded Networks

Proposed by: The Electricity Network Company
Proposed on: 30 November
Urgent Status confirmed

As reported last month, the proposer for P246 requested that the modification should be progressed as an “Urgent” modification. This request was supported by the BSC Panel on 2 December and Urgent status was agreed by the Authority on 4 December.

P247 Proposer ‘Ownership’ of Modification Proposals

[\(link\)](#)

Proposed by: E.ON UK plc
Proposed on: 1 December

The modification proposes changes to the process for processing modifications to give a Proposer more control, including allowing them:

- to refine the proposal with the assistance of the Modification Group and code administrator;
- the right to withdraw the modification; and
- the right to address the Panel when it makes its recommendation.

The changes would also allow “ownership” rights to also be transferred to another Party if the original owner seeks to withdraw the modification.

P248 Aligning BSC Interest Calculation Requirements with the FAA Calculation Method and P235 Principles

[\(link\)](#)

Proposed by: BSC Panel
Proposed on: 10 December

The modification proposes changes to four interest calculations, undertaken by the FAA (Funds Administration Agent), to bring them in line with the “principles of accuracy and fairness established by the P235 Modification Group.” (P235, which has been approved, changed the BSC requirements for calculating interest on Reconciliation Charges bringing it in line with the actual calculations which the (FAA) had been using since NETA Go-Live.) As with P235, the proposal is that the change should be made effective from NETA Go-Live.

P249 Revision of Banking Arrangements Under the BSC

[\(link\)](#)

Proposed by: BSC Panel
Proposed on: 10 December

This modification proposes changes to the banking provisions to allow a proportion of the monies held in the Reserve Account to be re-deposited into other financial institutions which meet certain criteria. The mod suggests that the criteria, and other relevant matters, could be included within a “policy” approved by the ELEXON Board and subject to its governance.



CONNECTION AND USE OF SYSTEM CODE (CUSC)

CUSC Amendment Proposals

CAP169 Provision of Reactive Power from Power Park Modules, Large Power Stations and Embedded Power Stations

[\(link\)](#)

Decision: **APPROVE (WGAA3)**

Decision date: 21 December

Implementation date: 21 March 2010

Panel Recommendation: Reject Original and WGAA3; Approve WGAA1 or WGAA2 with a preference for WGAA2

The CAP proposed changes to the reactive power provisions in the CUSC in three parts:

- *“Part 1: seeks to align the CUSC with the Grid Code. It proposes to amend the CUSC so that PPMs and DC Converters can be despatched and providers can be paid for reactive power in accordance with the CUSC.*
- *Part 2: proposes to amend the obligation on NGET to conclude or amend Mandatory Service Agreements (MSAs) with all Large Power Stations with a reactive power capability below 15MVA_r upon request from the power station⁴.*
- *Part 3: seeks to introduce reduced payment terms (20%) for the provision of reactive power from certain embedded generators that are subject to connection restrictions for a relevant DNO and are unable to despatch to 0MVA_r.”*

WGAA3, which has been approved, proposed that a zero payment should be made where a third party restriction exists that prevents the unit from providing the service in accordance with an instruction from NGET.

The decision letter, like the Panel, raises concerns about the level of responses provided to the consultation and states that:

“... It is also not clear to us that the Panel has provided a fully informed recommendation, in light of the Panel’s concerns at the low level of industry responses through the CUSC process. In general, we would expect the Panel to be satisfied that it had all necessary information available to it to inform its recommendation, before submitting the final AR to Ofgem for decision. We are disappointed that the Panel submitted the final AR to Ofgem without gathering and assessing all of the necessary information.”

The decision letter goes on to state that:

“... Whilst on balance we consider WGAA3 is the best of the options available to us, we request NGET to give further, urgent consideration to this issue, and to take all reasonable steps to ensure appropriate industry engagement in developing a solution that ensures appropriate remuneration is in place where restricted service is provided to NGET.”



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EUROPEAN UNION (TITLES AND LINKS ONLY)

Title: *Ljubljana Designated as Seat of the Agency for the Cooperation of Energy Regulators*

[\(link\)](#)

Published: 6 December

Title: *Commission Approves over €1,5bn for 15 CCS and Off-Shore Wind Projects to Support European Economic Recovery*

[\(link\)](#)

Published: 9 December

Title: *List of 15 Energy Projects for European Economic Recovery*

[\(link\)](#)

Published: 9 December

Title: *No Disturbances Expected for Electricity Supply This Winter*

[\(link\)](#)

Published: 17 December



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

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

Consultations Carried Over from Previous Months

Issuer	Title / Link	Date	Response Due
DECC	Miliband Sets Strategic Direction for Overhaul of Energy System (link) (Commons statement) (consultation) (clean coal framework)	9 Nov	22 Feb
DECC	Consultation on Proposed Regulatory Justification Decisions on New Nuclear Power Stations (AP1000 and EPR) (link)	9 Nov	22 Feb
DECC	Draft Supplementary Guidance for Section 36 Electricity Act 1989 Consent Applicants for Coal Power Stations: A Consultation (link)	9 Nov	1 Feb
Energy and Climate Change Committee	Committee Launches Parliamentary Scrutiny of the Proposals for Energy National Policy Statements (link)	11 Nov	15 Jan
DECC	DECC Invites Applicants for £1.5 million Bio-Energy Infrastructure Grants (link)	23 Nov	26 Feb
GB SO	GB ECM-20 "Charging for Island Connections" (link)	27 Nov	15 Jan
DECC	Non-Competitive Auctions Bidding Guide (link) Non-Competitive Auctions Registration Guide (link)	27 Nov	first auction 7 Jan



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New Consultations/Publications

Issuer	Title / Link	Date	Response Due
Ofgem	Open Letter consultation on Ofgem's Procedure for Determining Disputes (link)	1 Dec	12 Jan
DECC	Towards a Smarter Future: Government Response to the Consultation on Electricity and Gas Smart Metering (link) (webpage) (press release)	2 Dec	N/A
Ofgem	Delivering Smart Meters (Factsheet) (link) (press release)	2 Dec	N/A
Ofgem	Australian Airport Regulation – Response to LECG paper on the Case for Ex Post Regulation of Energy Networks (link)	2 Dec	N/A
GB SO	GB ECM-21 Consultation Document: Changing Tariffs Mid-Year to Implement the Offshore Transmission Regime (link)	2 Dec	8 Jan
Ofgem	GB ECM-18 Locational BSUoS Impact Assessment (link) (cover letter)	3 Dec	21 Jan
Ofgem	Cost Boundaries and the Speed of Cost Recovery (link)	3 Dec	N/A
Ofgem	Consumer Bulletin (Issue 2) (link)	4 Dec	N/A
DECC	UK Signs Up to Europe's First Offshore Wind Grid (link)	7 Dec	N/A
Ofgem	Regulator Sets Tough Investment-Led Price Controls on Regional Electricity Networks (link)	7 Dec	N/A
Ofgem	Electricity Distribution Price Control Review Final Proposals (link) (appendices)	7 Dec	6 Jan
Ofgem	Consultation on the Suspension, Pending Review, of Our Existing Merger Policy for Mergers Between Energy Network Companies (link) (press release)	7 Dec	25 Jan
Ofgem	DPCR 5 Final Proposals – Analyst & Investor Presentation (link)	7 Dec	N/A
Ofgem	Electricity Distribution Price Control Review Final Proposals – Allowed Revenue Cost Assessment (link) (webpage)	7 Dec	N/A
Ofgem	Electricity Distribution Price Control Review Final Proposals – Allowed Revenue Financial Issues (link) (webpage)	7 Dec	N/A



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Issuer	Title / Link	Date	Response Due
Ofgem	<i>Electricity Distribution Price Control Review Final Proposals – Incentives and Obligations</i> (link)	7 Dec	N/A
Ofgem	<i>Sustainable Development and Electricity Distribution – Factsheet</i> (link)	7 Dec	N/A
Ofgem	<i>Small & Medium Users Group (SMUG) & Large Users Group (LUG) Membership</i> (link) (ToR small users) (ToR large users)	8 Dec	N/A
ELEXON	<i>Decrease in the Credit Assessment Price (CAP) to £38/MWh Effective from Tuesday 12 January 2010</i> (link)	10 Dec	effective 12 Jan
EDF Energy Networks	<i>Changes to the Use of System Charging Methodology for Housekeeping Purposes – Use of System Modification – 30</i> (link)	10 Dec	N/A
DECC	<i>Consultation on Second Stage Transposition of EU Directive (2008/101/EC) to Include Aviation in the EU Emissions Trading System (EU ETS)</i> (link)	11 Dec	5 Mar
DECC	<i>Government Response to the 2009 Consultation on the 2009 Renewables Obligation Order</i> (link) (webpage)	11 Dec	N/A
Western Power Distribution (South Wales); Western Power Distribution (South West)	<i>Modification Proposal Amendment Proposal: PD/WALES/WEST/UOS015 – Amendment of Use of System Charging Methodology to Revoke the LV/HV DRM Methodology from the Implementation Date of the CDCM</i> (link)	11 Dec	N/A
Ofgem	<i>Shortlist for Over £1 Billion of Offshore Electricity Links Announced</i> (link)	14 Dec	N/A
GB SO	<i>National Grid Electricity Transmission System Operator (SO) Incentives for 1 April 2010 – Development of Constraints Forecast 2011/12</i> (link)	15 Dec	22 Dec
Ofgem	<i>Guidance on Impact Assessments</i> (link)	15 Dec	N/A
ELEXON	<i>Draft BSCCo Business Plan 2010-11</i> (link) (response form)	16 Dec	15 Jan
Ofgem	<i>Smart Metering Implementation Programme: Briefing Event</i> (link)	16 Dec	N/A
GB SO	<i>Information Paper: 5 Year Forecast of Transmission Network Use of System Tariffs</i> (link) (DCLF spreadsheet)	16 Dec	N/A



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Issuer	Title / Link	Date	Response Due
Ofgem	Direction under Standard Condition 50 and Standard Condition 50a of the Electricity Distribution Licence Granted or Treated as Granted under Section 6(C) of the Electricity Act 1989 (link)	17 Dec	1 Jan
Ofgem	Carbon Emissions Reduction Target Update – Issue 6/November 2009 (link)	17 Dec	N/A
Ofgem	Update on the Regulatory Instructions and Guidance (RIGs) for DPCR5 (link)	17 Dec	N/A
Ofgem	Open Letter on Ofgem's Proposals to Introduce New Connections Standards of Performance for Electricity Distributors (link) Open Letter Consultation on Ofgem's Proposals to Revise Existing Standards of Performance for Electricity Distributors (link)	18 Dec	11 Jan
DECC	Consultation on Proposal to Modify Electricity Supply Licence Conditions for the Purpose of Introducing the Feed-In Tariff Scheme (link)	18 Dec	15 Jan
GB SO	Invitation to Tender (ITT) Pack for Short Term Operating Reserve (STOR) (link)	18 Dec	15 Jan
Ofgem	Notice of Modification of the Standard Conditions of the Electricity Supply Licence (link)	18 Dec	18 Jan
Ofgem	Electricity Distribution Price Control Review – Second Licence Drafting Consultation (link) (appendices)	18 Dec	18 Jan
Ofgem	Carbon Reduction Commitment Energy Efficiency Scheme – Illustrative Licence Modification Drafting (link)	18 Dec	29 Jan
GB SO	Pre-Consultation Document – GB ECM-19 Charging for Large Loss Frequency Response (link)	18 Dec	29 Jan
Ofgem	Offshore Electricity Transmission: Consultation on the Enduring Regime (link)	18 Dec	12 Feb
Ofgem	Ofgem's Response to DECC's Consultation on "Improving Grid Access" (link)	18 Dec	N/A
Ofgem	2008/2009 Electricity Distribution Quality of Service Report (link) (data spreadsheet)	18 Dec	N/A



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Issuer	Title / Link	Date	Response Due
DECC	Second Consultation on the Form and Content of New Climate Change Agreements (link)	21 Dec	15 Feb
DECC	Extending the Carbon Emissions Reduction Target (link)	21 Dec	14 Mar
Ofgem	Update on Security & Quality of Service Standards Amendment Request (GSR007) (link)	21 Dec	N/A
Ofgem	Ofgem's RPI-X@20 Review and the Scope for More Customer Involvement (link)	21 Dec	N/A
Ofgem	Approach and Timetable Options for the Next Transmission Price Control Review (TPCR 5): Notice of GEMA Decision to Delay the Implementation of TPCR5 until 2013 and Implement a One Year 'Adapted Roll-Over' of TPCR4 (link) (press release)	21 Dec	N/A
Ofgem	Notice of Consultation in Relation to Modification Proposal WPD UOSO15 – 'Amendment of Use of System Methodology to Revoke the LV/HV DRM Methodology from the Implementation date of the CDCM' (link)	21 Dec	N/A
Ofgem	Decision in Relation to EDFE Use of System 29: Interim Tariffs for Independent Distribution Network Operators (IDNOs) (link)	21 Dec	effective 1 Apr 09
Ofgem	Electricity Distribution Structure of Charges Project: Decision on Distribution Network Operators (DNOs) Submission to Meet the Conditions for Approval of the CDCM Required by 31 December 2009 (link)	21 Dec	N/A
Ofgem	Microgeneration Forum Agenda – 22 January 2010 (link)	22 Dec	15 Jan
DECC	Energy Statistics (link)	23 Dec	N/A



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New BSC Modifications

Number	Title / Link	Raised By	Date
P246	<i>Reporting to LDSOs of Aggregated Metering Data for Embedded Networks</i>	The Electricity Network Company	30 Nov
P247	<i>Proposer 'Ownership' of Modification Proposals</i> (link)	E.ON UK plc	1 Dec
P248	<i>Aligning BSC Interest Calculation Requirements with the FAA Calculation Method and P235 Principles</i> (link)	BSC Panel	10 Dec
P249	<i>Revision of Banking Arrangements Under the BSC</i> (link)	BSC Panel	10 Dec

CUSC Amendment Proposal Decisions

Number	Title / Link	Decision	Implementation Date
CAP 169	<i>Provision of Reactive Power from Power Park Modules, Large Power Stations and Embedded Power Stations</i> (link)	APPROVE (WGAA3)	21 Mar

