



# The Pace of Change in Great Britain

AN UPDATE FROM IPA ENERGY + WATER CONSULTING

Inside...

- Ofgem has published its final proposals for the transmission network companies and initial proposals for the gas and electricity system operators
- The EU is proposing a directive to bring aviation into the EU ETS starting with domestic and international flights in 2011 and expanding to all flights into or out of EU airports in 2012
- Four UK companies have been issued with civil penalties totaling ~ £750k for failing to surrender sufficient (or in some cases any) emissions allowances for 2005 under the EU's emissions trading scheme

# 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 December 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 + Water Consulting on 0131 240 0840.

## HEADLINES

- Ofgem has published its final proposals for the transmission network companies and initial proposals for the gas and electricity system operators. Transmission Owners have been asked to determine whether they accept the proposals by 8 January.
- The EU is proposing a directive to bring aviation into the EU ETS starting with domestic and international flights in 2011 and expanding to all flights into or out of EU airports in 2012.
- Four UK companies have been issued with civil penalties totaling ~ £750k for failing to surrender sufficient (or in some cases any) emissions allowances for 2005 under the EU's emissions trading scheme.



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## Ofgem Issues and Consultations

**Issue:** Publication of annual report on quality of service of Distribution Network Operators in 2005/06

**Title:** 2005/06 Electricity Distribution Quality of Service Report

Issued: 1 December  
Response due: n/a

Link to report:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17905\\_204\\_06.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17905_204_06.pdf)

Ofgem has published the fifth annual report on the 14 (ex PES) Licensed Distribution Network Operators in 2005/6 – performance will affect payments under the DNO's quality of service incentives. Ofgem note that since the introduction of the incentive scheme in April 2002 the underlying average number of customer interruptions per 100 customers has fallen by 17 per cent and the number of customer minutes lost has reduced by 20 per cent.

The document states that data for CE NEDL and CE YEDL is included in the report however both companies are currently under investigation by Ofgem into compliance with Standard Condition 49 of their Electricity Distribution Licences (Quality of Service Incentive Scheme and Associated Information).

**Issue:** Ofgem's final proposal for the gas and electricity transmission price controls 2007/08 – 2012/13

**Title:** Transmission Price Control Review: Final Proposals

Issued: 3 December  
Response due: Companies have until 8 January to determine whether to accept the proposals if they do they will come into effect on 1 April 2007

Link to Final proposals:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17916\\_20061201\\_TPCR\\_Final\\_Proposals\\_in\\_v71\\_6\\_Final.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17916_20061201_TPCR_Final_Proposals_in_v71_6_Final.pdf)

Link to Appendices:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17915\\_20061129\\_TPCR\\_FP\\_Supplementary\\_Append](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17915_20061129_TPCR_FP_Supplementary_Append)

[ices\\_in\\_final.pdf](#)

Link to presentation to analysts:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17917\\_TPCR\\_GDPCR\\_Final\\_proposals\\_Analysts\\_Presentation\\_061201.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17917_TPCR_GDPCR_Final_proposals_Analysts_Presentation_061201.pdf)

Link to press releases (there are two):

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17919\\_Ofgem\\_57.pdf?wtfrom=/ofgem/press/pressreleases-list.jsp](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17919_Ofgem_57.pdf?wtfrom=/ofgem/press/pressreleases-list.jsp)

&

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17921\\_Ofgem56.pdf?wtfrom=/ofgem/press/pressreleases-list.jsp](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17921_Ofgem56.pdf?wtfrom=/ofgem/press/pressreleases-list.jsp)

Ofgem has published its final proposals for the 5 year price controls for the gas and electricity transmission licensees. The headlines from Ofgem's accompanying press release are:

- More than £5 billion authorised by Ofgem for investment in Britain's electricity and gas transmission systems
- Investment will maintain the networks' high levels of performance and reliability
- Post-tax rate of return on capital of 4.4 per cent (post-tax real) to attract new investment
- Safety net to be put in place to protect customers if companies underinvest.

The proposals also include two environmental incentives:

- an innovation funding incentive to encourage investment of 0.5 per cent of revenue in research and development for programmes targeted on environmental improvement; and
- an incentive to encourage network businesses to reduce leakage of sulphur hexafluoride – a potent greenhouse gas used in high-voltage apparatus.

Ofgem indicate that overall transmission charges to consumers will increase by 8% against the current revenue allowances for 2006-2007 after which electricity transmission revenues will then increase by a further 2% per year above the rate of inflation each year thereafter.

The transmission licensees now have until 8 January to determine whether to accept the proposed price controls; Ofgem has indicated that it anticipates it will refer the matter to the Competition Commission if the proposals are rejected.

**Issue:** Professor George Yarrow appointed to the



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## Authority

### Title: Ofgem welcomes new appointment to its Authority

Issued: 5 December  
Response due: n/a

Link to Press Release:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17933\\_Ofgem58.pdf?wtfrom=/ofgem/press/pressrelease-list.jsp](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17933_Ofgem58.pdf?wtfrom=/ofgem/press/pressrelease-list.jsp)

Ofgem has issued a press release announcing that George Yarrow has been appointed as a non executive member of the Authority. The press release indicates that Professor Yarrow is a Director of the Oxford based Regulatory Policy Institute, and an Emeritus Fellow of Hertford College, Oxford.

### Issue: The new gas and electricity GB SO incentives

#### Title: National Grid Electricity Transmission and National grid Gas System Operator Incentives from 1 April 2007: Initial Proposals consultation

Issued: 5 December  
Response due: 16 January 2007

Link to consultation:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17936\\_208\\_06.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17936_208_06.pdf)

Link to Appendices:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17936\\_208\\_06.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17936_208_06.pdf)

Ofgem has published its initial proposals for both the gas and electricity GB SO external incentives for 2007/8 and the internal incentives for the five year period covered by the price control.

For electricity external costs Ofgem is again offering National Grid a range of options to choose from which include different levels of risk/reward. The four options are reproduced below.

	IBC Target	Upside (reward if costs below target)		Downside (penalty if costs above target)	
		Sharing Factor	Cap (£m)	Sharing factor	Floor (£m)
Option 1	440	7.5%	5	10%	5
Option 2 **	430	7.5%	5	10%	5
Option 3	430	30%	10	15%	10
Option 4	415	50%	20	10%	10

\*\* includes the introduction of indexation to wholesale prices if they move outside a specified range.

The targets compare with National Grid's updated forecast costs of £458m (down from £483m as a result of lower gas and electricity wholesale prices).

### Issue/Title: A security standard for off-shore transmission networks

Issued: 13 December  
Response due: 22 January

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18028\\_211\\_06.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18028_211_06.pdf)

Ofgem has issued a consultation on whether the minimum security standard for off-shore transmission networks should be any different to that required for on-shore networks and, if so, whether the standard that has been developed and proposed by a sub-group of the Off-Shore Transmission Expert Group is appropriate.

### Issue: Impact Assessment of proposals by Western Power Distribution to change the methodology for calculating charges for both their South West and South Wales networks.

#### Title: Impact assessment and consultation on Western Power Distribution's Modification Proposal to change their Electricity Distribution Use of System Charging Model - Ref: WPD/WALES/WEST/UOSOOZA

Issued: 15 December  
Response due: 19 January

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18127\\_214\\_06.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18127_214_06.pdf)

Ofgem has issued an open letter inviting views on



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WPD's proposed changes to its UoS charging methodologies. The proposed changes introduce the use of an LRIC (Long Run Incremental Cost) methodology for calculating charges for EHV customers (although there is also an effect on other customers' charges because of the impact on other customers through revenue scaling). Ofgem indicate that, because of the lead time for an impact assessment, WPD will be publishing two sets of charges for 2007/8 which reflect the charges that would apply with, and without, the proposed changes.

**Issue: Changes to allow National Grid to offer lower cost connections where a customer requests a lower standard of security.**

**Title: Charging arrangements associated with GB SQSS design variations based on customer requests**

Issued: 15 December  
Response due: 26 January 2007

Link:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18152\\_215\\_06.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18152_215_06.pdf)

Link to letter notifying NGET that the Authority would undertake an Impact Assessment (published 5 December):  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17940\\_209\\_06.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17940_209_06.pdf)

Ofgem has decided to undertake an impact assessment of National Grid's proposals to change the way it charges for connections where a customer requests a less secure connection, than the standard requirement specified by the GB SQSS (e.g. a double circuit connection), in return for lower charges than would otherwise apply. Ofgem plans to give its decision, in the light of the consultation, by 16 February. The consultation indicates that implementation by 1 April (National grid's proposed implementation date) will require Authority agreement to shortening the two month notice of changes to charges required under the CUSC.

**Issue: Next stage in the changes to the supply licence following the review**

**Issue/Title: Supply Licence Review - Further Proposals**

Issued: 18 December  
Response due: 2 March 2007

Link to report:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18155\\_217\\_06.pdf?wtfrom=/ofgem/index.jsp](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18155_217_06.pdf?wtfrom=/ofgem/index.jsp)  
Link to related appendices (including new standard conditions):  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18156\\_217\\_06app6.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18156_217_06app6.pdf)  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18157\\_217\\_06app7.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18157_217_06app7.pdf)  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18159\\_217\\_06app8.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18159_217_06app8.pdf)  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18158\\_217\\_06app9.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18158_217_06app9.pdf)

Ofgem has published its proposed modified standard conditions for supply licences following its review of the supply licences. Ofgem's intention is to consult on final proposals with the proposed legal text in April 2007 and introduce the revised (and substantially reduced) new conditions in June 2007.

**Issue: Value of RO recycled payments for 2005/06**

**Title: The Renewables Obligation Buy-Out Fund – Late Payments 2005-2006**

Issued: 18 December  
Response due: n/a

Link to press release:  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18161\\_ofgem59.pdf?wtfrom=/ofgem/press/pressreleases-list.jsp](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18161_ofgem59.pdf?wtfrom=/ofgem/press/pressreleases-list.jsp)

Ofgem has published figures on the total amount redistributed from the Renewables Obligation Buy Out fund following receipt of late payments. The redistributed income amounts to £ 10.21 per ROC. The press release also indicates that Ofgem is estimating a shortfall in buy out payments resulting from suppliers going into administration in 2005/06 of around £800,000 for the Renewables Obligation and around £2,000 for the Renewables Obligation Scotland. On the basis of this estimate the mutulisation arrangements will not be triggered.

**Issue: Treatment of customers with token pre payment meters that require manual adjustment**



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when tariffs change

Title: Token PPM customers and debt build up  
Statement on good practice

Issued: 19 December  
Response due: n/a

Link to letter:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18177\\_218\\_06.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18177_218_06.pdf)

Ofgem has published an open letter on actions by suppliers to improve services to customers with token pre-payment meters where the unit rate needs to be manually reset leading to a potential build up in debt where the meter is not recalibrated at the point a price rise occurs. The letter precedes licence changes in this area that will take some time to implement.

## Electricity Licences and Licence Modifications

### NOTICES OF LICENCES GRANTED/EXTENDED IN DECEMBER

**Port Talbot Power Limited** was granted an electricity generation licence on 6 December 2006.

Link:

<http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/licensing/licensingapplicationgrantednotices>

**BizzEnergy Limited's** electricity supply licence was extended, on 21 December, authorising it to supply electricity to any premises in Great Britain.

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18203\\_Bizz cms\\_notice.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/licensing/licensingapplicationgrantednotices](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18203_Bizz cms_notice.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/licensing/licensingapplicationgrantednotices)

## DTI

Issue: Publication of the latest report by JESS (Joint Energy Security of Supply Working Group).

Title: JESS - Long-Term Security of Energy Supply

Issued: mid December

Response due: comments are requested by the end of January 2007  
December 2006 Report

Link: <http://www.dti.gov.uk/energy/reliability/security-supply/jess/reports/index.html>

DTI has published the latest version of the report on security of supply indicators – the previous report was published in April. The report is accompanied by appendices that include maps of current and planned gas import and storage infrastructure projects, and planned major new gas and electricity generation projects

Issue: New guidance on arrangements for gaining consent for new overhead power lines

Title: Resilience of overhead power line networks: An Energy Review consultation

Issued: 18 December

Response due: 14 March 2007

Link to consultation:

<http://www.dti.gov.uk/files/file35898.pdf>

DTI has issued a consultation on proposals for new guidance on the consenting arrangements for overhead power lines which aim to achieve a better balance between changes where the full consent process is required and changes where a more flexible approach could be adopted. The consultation seeks views on:

- "the benefits or drawbacks of allowing the use of "design successors";
- the benefits or drawbacks of allowing minor changes in National Parks and Areas of Outstanding Natural Beauty with the acquiescence of the local planning authority, but without requiring fresh consent;
- maintaining the current bar on exemptions for lines within Sites of Special Scientific Interest the benefits or drawbacks of DTI withdrawing its oversight; and
- the costs and benefits assessment of such changes".

Government's intention is to finalise a view on this during 2007.

Issue: New Guidance to developers of large



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power stations on the information they must provide to demonstrate they have fully considered CHP options (includes link to heat maps).

Title: Guidance on background information to accompany Notifications under Section 14(1) of the Energy Act 1976 and Applications under Section 36 of the Electricity Act 1989

Issued: December  
Response due: n/a

Link to Guidance:  
<http://www.dti.gov.uk/files/file35728.pdf>  
Link to open letter from Lord Truscott;  
<http://www.dti.gov.uk/files/file36071.pdf>  
Link to regulatory impact assessment:  
<http://www.dti.gov.uk/files/file35729.pdf>

DTI has published its promised revised Guidelines for developers of large power stations on information they must provide when seeking consent to show that they have fully considered the opportunities to use CHP when developing their proposals. The new version also references heat maps indicating potential local customers for heat from power stations (see <http://www.industrialheatmap.com>).

The guidance is accompanied by an open letter from Lord Truscott (the new Parliamentary Under Secretary of State for Energy).

Issue: Grant of consent for two off-shore wind farms in the Thames Estuary

Title: Darling and Miliband give green light to Thames Estuary revolution

Issued: 18 December  
Response due: n/a

Link to press release:  
<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=251100&NewsAreaID=2>

DTI has issued a press release announcing that consent has been granted to the London Array and Thanet schemes which amount to 1.3GW .

## EU ETS

Issue: Four companies are fined for failing to surrender sufficient carbon allowances to cover their 2005 emissions

Title: Civil Penalties issued today under EU Emissions Trading Scheme

Issued: 6 December  
Response due: n/a

Link to press release: <http://www.environment-agency.gov.uk/news/1577499>

The Environment Agency has issued a press release announcing the imposition, in accordance with the requirements of the EU ETS, of civil penalties totaling £ 758,810.73 (€1,127,840) on four companies for failing to surrender sufficient allowances (or any allowances in some cases) to meet their verified 2005 Carbon emissions. The four companies are Alphasteel, Scandstick, Daniel Platt, and Mars (UK) (trading as Masterfoods).

Issue: Last chance to identify any factual errors in the allocation of allowances to individual installations

Title: Consultation on the revised installation level allocations for Phase II of the EU Emissions Trading Scheme

Issued: 18 December  
Response due: 12 January 2007

Link: <http://www.defra.gov.uk/corporate/consult/euets-phase2-install2/index.htm>

DEFRA has issued a revised set of installation allocation following comments on the initial allocations published in October. Participants have until 12 January to identify and FACTUAL errors.

Issue: Announcement of EC proposals for a Directive to bring aviation into the EU ETS from 2011

Title: Climate change: Commission proposes bringing air transport into EU Emissions Trading Scheme

Issued: 20 December



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Response due: n/a

Link to EU PR:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1862&format=HTML&aged=0&language=EN&guiLanguage=en>

Link to Q& A:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/06/506&format=HTML&aged=0&language=EN&guiLanguage=fr>

Link to DEFRA PR:

<http://www.defra.gov.uk/news/2006/061220d.htm>

The EC has proposed a new Directive that would include aviation within the EU ETS starting, in 2011, with all domestic and international flights between EU airports and expanding to all flights from or to anywhere in the world that arrive at, or depart from, an EU airport in 2012. The press release is accompanied by a Q&A document that gives more information.

**Issue: Publication of UK's analysis of 2005 emissions and allocations data (summary for UK only)**

**Title: Defra has published the first in a series of analyses of the 2005 EU ETS emissions results**

Issued: 21 December

Response due: n/a

Link to DEFRA publications:

<http://www.defra.gov.uk/environment/climatechange/trading/eu/results/index.htm>

Link to UK 2005 emissions and allocations:

<http://www.defra.gov.uk/environment/climatechange/trading/eu/results/pdf/sectorresults-060515.pdf>

DEFRA has published information on its analysis of the EU emissions and allocations data for 2005 – as yet this only includes its summary analysis of UK installations but individual UK sector analysis and an EU analysis are anticipated. The UK summary shows that within the UK all sectors emissions were less than the allowances issued except for the power generation sector which saw a 21% shortfall. The net UK position was an 11% shortfall.

**Issue: Announcement that DEFRA does not propose to use powers under EU regulations to claw back over allocations that flow from incorrect data already notified to DEFRA**

**Title: Defra has announced Phase I implementation plans for Regulation 25(7)**

Issued: 21 December

Response due: n/a

Link to announcement:

<http://www.defra.gov.uk/environment/climatechange/trading/eu/permits/index.htm#implement>

Defra has the power, under this regulation, to recover any over-allocations that have arisen as a result of data errors but has announced that it will NOT be using this power under Phase 1 (which it describes as the learning by doing phase) in respect of installations that have notified Defra to date that they may be covered by this regulation.

However, the statement indicates that “Defra reserves the right to make supplementary decisions against any blatant and very significant over-allocation that come to light in the remainder of Phase I” and that they “will implement this regulation rigorously in Phase II in accordance with criteria which we will publish in due course”.

## The European Union

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

Brussels, 8 December 2006

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

Link:

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

Brussels, 12 December 2006

**The Commission to act over EU energy markets**

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/06/481&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 12 December 2006

**The Commission takes action against Member States which have still not properly opened up**



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## their energy markets

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1768&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 12 December 2006

**Climate change: Commission takes legal action over missing national allocation plans, incomplete emission reports**

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1763&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 20 December 2006

**Climate change: Commission proposes bringing air transport into EU Emissions Trading Scheme**

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1862&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 20 December 2006

**Questions & Answers on aviation & climate change**

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/06/506&format=HTML&aged=0&language=EN&guiLanguage=fr>

## GB SO REPORTS AND CONSULTATIONS

**Issue:** Changes to Balancing Services Adjustment Data (parameters that allow costs NGET incurs outside the Balancing Mechanism to be fed into the calculation of imbalance prices). These changes will affect the calculation of imbalance prices.

**Title:** Proposed Revisions to the Balancing Services Adjustment Data Methodology Statement - Incorporation of Revised Standing Reserve Weighting Factors and Clarification of the Treatment of Supplemental Standing Reserve

Issued: 11 December

Response due: 5.00pm on Monday 8 January 2007  
Proposed implementation date: 22 January 2007

Link to consultation:

<http://www.nationalgrid.com/NR/rdonlyres/6928D13D-AA21-48F2-8EAE-83DBC2BCA89E/13550/LC16Consultation11dec06final.pdf>

Link to change marked methodology:

<http://www.nationalgrid.com/NR/rdonlyres/64024D96-76EC-4A16-8B0D-C9FB18F768FB/13551/BSADv4011dec06final.pdf>

National Grid is consulting on changes it intends to make to the treatment of option fees for reserve services within BSAD. The changes will affect how these costs are allocated between different half hour periods via changes to the weighting factors used in the calculation of the "Buy Price Adjuster" (BPA – which is added to the weighted average costs used in the calculation of system buy price). The consultation indicates that the proposed changes are an interim measure that will apply until the end of March 2007 and that National Grid proposes to develop proposals for a more enduring arrangement in January 2007. The proposed changes are subject to Ofgem's approval; National Grid is planning to send its report to Ofgem on 11 January and plans to implement the changes on 22 January if Ofgem gives its approval by 18 January.

## THE BSC AND CUSC

### The BSC

**Title:** ELEXON Draft Business Strategy and Annual Budget 2007-2010

Issued: 14 December

Response due: 12 January 2007

Link:

[http://www.elexon.co.uk/Documents/Consultations/Consultation on Draft BSCCo \(ELEXON\) Business Plan 2007-10/ELEXON Business Plan 2007 10 v1.1 INDUSTRY CONSULTATION.pdf](http://www.elexon.co.uk/Documents/Consultations/Consultation on Draft BSCCo (ELEXON) Business Plan 2007-10/ELEXON Business Plan 2007 10 v1.1 INDUSTRY CONSULTATION.pdf)

ELEXON has published its draft business strategy and budget for 2007- 2010 for comment. The budget 2007/08 is £33.9m (unchanged against the forecast outturn for 2006/07). However, this does not include any allowance for the cost of upgrading the existing



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CVA hardware, estimated to be at least £3m.

Title: BSC audit approach  
For the year ending 31 March 2007

Issued: December  
Response due: for information

Link:  
[http://www.elexon.co.uk/Documents/Participating\\_in\\_the\\_Market/Performance\\_Assurance\\_Framework\\_-\\_approach/BSC\\_audit\\_approach\\_March\\_07\\_v\\_FINAL\\_ELEXON\\_non\\_con.pdf](http://www.elexon.co.uk/Documents/Participating_in_the_Market/Performance_Assurance_Framework_-_approach/BSC_audit_approach_March_07_v_FINAL_ELEXON_non_con.pdf)

PWC (the BSC Auditor) has published the approach to be used for the BSC Audit year ending March 2007.

## Joiners and leavers

The following BSC Parties have **withdrawn** from the BSC:

Standard Bank London Limited (Party ID: SBLL) on 29 November  
TXU Europe (AHG) Limited (Party ID: AHGL) on 4 December  
Powergen Retail Gas (Eastern) Limited (Party ID: none) on 4 December

## CUSC

### Approved CAPs

- **CAP 130 (CUSC Connection Application Form – Fixed and Variable Fees)**

Date approved: 20 December 2006  
Implementation date: 8 January 2007

Panel recommendation: APPROVE

CAP 130 will amend the application forms in a number of the CUSC Exhibits to give details of the choice applicants have between paying certain advance charges on a fixed or variable basis and to provide a tick box to allow them to state their choice.

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## SUMMARY OF DECEMBER 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/ NGET	<p><b>Title: Winter 2006/07 Consultation Report</b></p> <p>Links: Consultation: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16803_168_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16803_168_06.pdf</a> Ofgem cover letter: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16799_168_06_covering_letter.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16799_168_06_covering_letter.pdf</a></p>	21 September	On-going through winter 2006/07
DTI	<p><b>Title: Reform of the Renewables Obligation &amp; Statutory Consultation on the Renewables Obligation Order 2007</b></p> <p>Link: <a href="http://www.dti.gov.uk/consultations/page34162.html">http://www.dti.gov.uk/consultations/page34162.html</a></p>	9 October	Part 1 - 5 January Part 2 – 15 December
DTI	<p><b>Title: Consultation on improving public participation provisions in environmental impact assessment regulations for energy infrastructure</b></p> <p>Link: <a href="http://www.dti.gov.uk/consultations/page34348.html">http://www.dti.gov.uk/consultations/page34348.html</a></p>	10 October	2 January
DTI	<p><b>Title: The Effectiveness of Current Gas Security of Supply Arrangements: a Consultation</b></p> <p>Link: <a href="http://www.dti.gov.uk/consultations/page34643.html">http://www.dti.gov.uk/consultations/page34643.html</a></p>	16 October	12 January
Ofgem	<p><b>Title: Sustainable Development Report</b></p> <p>Link to report: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17344_susdevbro06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17344_susdevbro06.pdf</a></p>	2 November	1 February 2007
Ofgem	<p><b>Title: A call for evidence for the review of barriers and incentives to distributed electricity generation, including combined heat and power</b></p> <p>Link: <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17446_193_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17446_193_06.pdf</a></p>	2 November	5 January 2007



## The Pace of Change in Great Britain

<b>DTI</b>	<p><b>Title: Energy billing and metering: changing customer behaviour - An Energy Review consultation</b></p> <p>Link:  <a href="http://www.dti.gov.uk/consultations/page35260.html">http://www.dti.gov.uk/consultations/page35260.html</a>  press release:  <a href="http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=241922&amp;NewsAreaID=2">http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=241922&amp;NewsAreaID=2</a></p>	14 November	<b>16 February</b>
<b>Ofgem</b>	<p><b>Title: Licensing offshore electricity transmission - a joint Ofgem/DTI consultation</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17689_199_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17689_199_06.pdf</a></p>	20 November	<b>8 January 2007</b>
<b>Ofgem</b>	<p><b>Title: Energy Regulators Move Towards Market Integration</b></p> <p>Link to PR:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17692_ofgem51.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17692_ofgem51.pdf</a>  Link to EREG papers/consultation:  <a href="http://www.ereg.org/portal/page/portal/EREG_HOME/EREG_RI/ERI/UK_Ireland/Papers%20and%20Written%20Consultation">http://www.ereg.org/portal/page/portal/EREG_HOME/EREG_RI/ERI/UK_Ireland/Papers%20and%20Written%20Consultation</a></p>	Press release 20 November papers 6 November	<b>19 January 2007</b>
<b>Ofgem</b>	<p><b>Title: Open letter: Review of policy on licence revocation</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17757_revocation_letter2.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17757_revocation_letter2.pdf</a></p>	24 November	<b>8 January 2007</b>
<b>Ofgem</b>	<p><b>Title: Review of Standard Licence Conditions 14 and 15 of the Electricity Generation Licence</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17776_202_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17776_202_06.pdf</a></p>	27 November	<b>22 January 2007</b>
<p><b>New in December...</b>  <b>(this does not include all the details of licence notices/modifications/ applications/revocations/licences granted or EU press releases)</b></p>			
<b>Ofgem</b>	<p><b>Title: 2005/06 Electricity Distribution Quality of Service Report</b></p> <p>Link to report:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17905_204_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17905_204_06.pdf</a></p>	1 December	<b>n/a</b>



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<p><b>Ofgem</b></p>	<p><b>Title: Transmission Price Control Review: Final Proposals</b></p> <p>Link to Final proposals:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17916_20061201_TPCR_Final_Proposals_in_v71_6_Final.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17916_20061201_TPCR_Final_Proposals_in_v71_6_Final.pdf</a>            Link to Appendices:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17915_20061129_TPCR_FP_Supplementary_Appendices_in_final.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17915_20061129_TPCR_FP_Supplementary_Appendices_in_final.pdf</a>            Link to presentation to analysts:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17917_TPCR_GDPCR_Final_proposals_Analysts_Presentation_061201.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17917_TPCR_GDPCR_Final_proposals_Analysts_Presentation_061201.pdf</a>            Link to press releases (there are two):  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17919_Ofgem_57.pdf?wfrom=/ofgem/press/pressrelease-list.jsp">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17919_Ofgem_57.pdf?wfrom=/ofgem/press/pressrelease-list.jsp</a>            &amp;  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17921_Ofgem56.pdf?wfrom=/ofgem/press/pressrelease-list.jsp">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17921_Ofgem56.pdf?wfrom=/ofgem/press/pressrelease-list.jsp</a></p>	<p>3 December</p>	<p>Companies have until 8 January to determine whether to accept the proposals if they do they will come into effect on 1 April 2007</p>
<p><b>Ofgem</b></p>	<p><b>Title: Ofgem welcomes new appointment to its Authority</b></p> <p>Link to Press Release:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17933_Ofgem58.pdf?wfrom=/ofgem/press/pressrelease-list.jsp">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17933_Ofgem58.pdf?wfrom=/ofgem/press/pressrelease-list.jsp</a></p>	<p>5 December</p>	<p>n/a</p>
<p><b>Ofgem</b></p>	<p><b>Title: National Grid Electricity Transmission and National grid Gas System Operator Incentives from 1 April 2007: Initial Proposals consultation</b></p> <p>Link to consultation:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17936_208_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17936_208_06.pdf</a>            Link to Appendices:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17936_208_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17936_208_06.pdf</a></p>	<p>5 December</p>	<p><b>16 January</b></p>
<p><b>Environ't Agency</b></p>	<p><b>Title: Civil Penalties issued today under EU Emissions Trading Scheme</b></p> <p>Link to press release: <a href="http://www.environment-agency.gov.uk/news/1577499">http://www.environment-agency.gov.uk/news/1577499</a></p>	<p>6 December</p>	<p>n/a</p>
<p><b>Ofgem</b></p>	<p><b>Title: A security standard for off-shore transmission networks</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18028_211_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18028_211_06.pdf</a></p>	<p>13 December</p>	<p><b>22 January</b></p>



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<b>Ofgem</b>	<p><b>Title: Impact assessment and consultation on Western Power Distribution's Modification Proposal to change their Electricity Distribution Use of System Charging Model - Ref: WPD/WALES/WEST/UOSOOZA</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18127_214_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18127_214_06.pdf</a></p>	15 December	<b>19 January</b>
<b>Ofgem</b>	<p><b>Title: Charging arrangements associated with GB SQSS design variations based on customer requests</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18152_215_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18152_215_06.pdf</a>            Link to letter notifying NGET that the Authority would undertake an Impact Assessment (published 5 December):  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17940_209_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17940_209_06.pdf</a></p>	15 December	<b>26 January</b>
<b>Ofgem</b>	<p><b>Title: Supply Licence Review - Further Proposals</b></p> <p>Link to report:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18155_217_06.pdf?wtfrom=/ofgem/index.jsp">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18155_217_06.pdf?wtfrom=/ofgem/index.jsp</a>            Link to related appendices (including new standard conditions):  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18156_217_06app6.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18156_217_06app6.pdf</a>  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18157_217_06app7.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18157_217_06app7.pdf</a>  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18159_217_06app8.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18159_217_06app8.pdf</a>  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18158_217_06app9.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18158_217_06app9.pdf</a></p>	18 December	<b>2 March</b>
<b>Ofgem</b>	<p><b>Title: The Renewables Obligation Buy-Out Fund – Late Payments 2005-2006</b></p> <p>Link to press release:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18161_ofgem59.pdf?wtfrom=/ofgem/press/pressrelease-list.jsp">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18161_ofgem59.pdf?wtfrom=/ofgem/press/pressrelease-list.jsp</a></p>	18 December	<b>n/a</b>
<b>Ofgem</b>	<p><b>Title: Token PPM customers and debt build up Statement on good practice</b></p> <p>Link to letter:  <a href="http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18177_218_06.pdf">http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/18177_218_06.pdf</a></p>	19 December	<b>n/a</b>



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<b>DEFRA</b>	<p><b>Title: Defra has published the first in a series of analyses of the 2005 EU ETS emissions results</b></p> <p>Link to DEFRA publications:  <a href="http://www.defra.gov.uk/environment/climatechange/trading/eu/results/index.htm">http://www.defra.gov.uk/environment/climatechange/trading/eu/results/index.htm</a>            Link to UK 2005 emissions and allocations:  <a href="http://www.defra.gov.uk/environment/climatechange/trading/eu/results/pdf/sectorresults-060515.pdf">http://www.defra.gov.uk/environment/climatechange/trading/eu/results/pdf/sectorresults-060515.pdf</a></p>	21 December	<b>n/a</b>
<b>DEFRA</b>	<p><b>Title: Defra has announced Phase I implementation plans for Regulation 25(7)</b></p> <p>Link to announcement:  <a href="http://www.defra.gov.uk/environment/climatechange/trading/eu/permits/index.htm#implement">http://www.defra.gov.uk/environment/climatechange/trading/eu/permits/index.htm#implement</a></p>	21 December	<b>n/a</b>

### CUSC Amendment decisions December 2006.....

#### CAP Decisions

	<b>Approved Amendments</b>	Approved on:	Effective from:
<b>CAP130</b>	<b>CUSC Connection Application Form – Fixed and Variable Fees</b>	20 Dec	8 Jan 2007
	Panel recommendation: Approve		

