



The Pace of Change in Great Britain

AN UPDATE FROM IPA ENERGY + WATER CONSULTING

Inside this issue...

- Government has submitted the UK's National Allocation Plan, for the Phase 2 of the EU ETS, to the European Commission
- The new Industry BSC Panel Members for October 2006 - October 2008 are Nigel Cornwall, John Sykes, Malcolm Taylor, Graham Thomas, and Barbara Vest.
- The Energy Minister has granted consent to Immingham CHP LLP to increase the capacity of its combined heat and power station from 760MW to 1,230MW
- The DTI has issued Electricity Interconnector Licences to National Grid Interconnector and Moyle Interconnector Limited, effective from 14 August

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This newsletter provides a brief update of the key wholesale electricity market design changes currently being progressed within Great Britain, focusing on August 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

- Government has submitted the UK's National Allocation Plan, for the Phase 2 of the EU ETS, to the European Commission.
- The new Industry BSC Panel Members for October 2006 – October 2008 are Nigel Cornwall, John Sykes, Malcolm Taylor, Graham Thomas, and Barbara Vest.
- The Energy Minister has granted consent to Immingham CHP LLP to increase the capacity of its combined heat and power station from 760MW to 1,230MW.
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Ofgem Issues and Consultations

Issue/Title: A review of the first year of the Energy Efficiency Commitment 2005 – 2008

Issued: 1 August
Response due: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15996_130_06.pdf

Ofgem has published its report on suppliers' performance under the first year of the Second Energy Efficiency Commitment Period (EEC2). In aggregate, after the first year of the three year scheme, suppliers have already delivered some 60% of the total obligations for EEC2. Some of this will have been achieved via carry over from EEC1.

Issue: Initial request for views to inform the setting of Ofgem's Strategy from 2007 – 2012

Title: Ofgem's Five Year Strategy 2007-2012

Issued: 1 August
Response due: 26 September

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15995_131_06.pdf

Ofgem has issued an open letter seeking initial views on the key issues for its 2007/12 5 year strategy. The principle issues on which it would particularly welcome views are:

1. "the key challenges you consider the industry faces in the short to medium term (for example, structural, social, environmental or technological);
2. the action you consider the Authority should take to respond to these challenges; and
3. the priority of areas of work you think we should tackle, in response to the challenges you identify."

Issue/Title (Ofgem/Ofwat joint document): Financing Networks: Summary of responses

Issued: 2 August

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

[/16001_133_06.pdf](#)

Ofgem and Ofwat have published a summary of the responses they received to their joint consultation 'Financing Networks' (February 2006) – which also incorporates the substance of issues that arose from a seminar held in April 2006. The summary indicates that thirty six parties responded, mainly regulated utility companies along with other parties with specialist interest in various aspects of the utilities sector with only limited responses received from the consumer perspective.

The main issues covered were the 8 key issues identified in the February consultation:

- ring fencing provisions;
- split cost of capital;
- regulatory commitment;
- index-linked debt;
- facilitating equity injections;
- flexible dividend modeling by regulators;
- financial ratios and debt structure; and
- 'financeability' adjustments.

Issue: NGET's System Operator Schemes include reopeners that calculation of the incentivised costs to be adjusted in the light of unanticipated events (Income Adjusting Events, IAEs). NGET is claiming two IAEs for 2005/06.

Title: Potential income adjusting events under NGET's 2005/06 system operator incentive scheme

Issued: 4 August
Response due: 1 September
Ofgem will publish its final decision on 29 September

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16029_135_06.pdf

Following NGET's letter of last month proposing that it be allowed to claim two Income Adjusting Events for 2005/06, Ofgem has published a formal consultation seeking industry's views.

The consultation also sets out Ofgem's initial views on NGET's submission.

- The first IAE relates to higher than anticipated costs for resolving transmission constraints within



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Scotland and across the Cheviot constraint following the start of BETTA. Ofgem indicate that their initial view is that NGET had enough information to predict the extent of constraint management necessary in 2005/06 to relieve within Scotland constraints and that negotiation ahead of November could have significantly reduced NGET's costs. However, they have insufficient information to determine whether the agreement concluded in November 2005 to manage the NLOANSSE constraint (North of Longannet to Scottish Hydro-Electric Transmission Limited network area constraint - the largest within Scotland constraint) delivered the most economic and efficient outcome. Ofgem also suggest that their initial view is that NGET's costing methodology may, in a number of areas, not identify the actual cost of managing the within Scotland and Cheviot constraints.

- The second IAE relates to higher than anticipated frequency control costs following implementation of CAP047 (Introduction of a competitive process for the Provision of Mandatory Frequency Response). Ofgem agrees that the increase in costs was probably larger than it had anticipated but suggests that NGET's costing methodology is likely to overstate the increase.

If approved, the IAEs would reduce the incentivised balancing costs (the costs compared to the incentive target) from £427.2m to £391.5m for 2005/06. The target was £377.5m.

Issue: Ofgem has given NGET conditional consent to enter into a cross-default obligation with National Grid Interconnectors Limited (NGIL) when NGIL obtains an interconnector licence for the England France Interconnector.

Title: Consent given by Gas and Electricity Markets Authority under Standard Condition B9 of the Electricity Transmission Licence

Notice of reasons given for consent under Section 49A of the Electricity Act 1989 for decision to give consent

Issued: 9 August

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

[/16116_142_06.pdf](#)

Under amendments introduced by the Energy Act 2004, the operation of an interconnector will require a separate licence. In order to give effect to this NGET is disposing of its interests in the England-France Interconnector to National Grid Interconnectors Limited. Ofgem's letter indicates that this creates a number of cross default provisions for which NGET will require Ofgem's consent. The letter sets out Ofgem's reasons for giving its consent and the conditions that must be met for the consent to apply. The consent will apply from the date that an electricity interconnector licence is granted to National Grid Interconnectors Limited (14 August).

Issue: Notification that Ofgem proposes to undertake impact assessments for the transmission losses modifications being contemplated under the BSC

Titles:
Proposed new Balancing and Settlement Code Modification P204 'Scaled Zonal Transmission Losses'
Proposed new Balancing and Settlement Code Modification P203 'Introduction of a Seasonal Zonal Transmission Losses Scheme'
Proposed new Balancing and Settlement Code Modification P200 'Introduction of a Zonal Transmission Losses Scheme with Transitional Scheme'

Issued: 10 August
Response due: n/a

Links:
P204:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16085_138_06.pdf
P203:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16084_137_06.pdf
P200:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16083_136_06.PDF

Ofgem has issued statements indicating that it anticipates that it will undertake impact assessments on P200, P203, and P204 (transmission losses modifications) before giving its decision on these proposals, and that the impact assessment process for



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these mods may be combined. It has already issued a statement to the same effect for P198 (Introduction of a Zonal Transmission Losses Scheme) .

Issue: Ofgem has approved a new methodology statement that sets out how the volume of energy flowing across the Interconnector is determined for use in the BSC

Title: Approval of Methodology Statement for determination of System-to-System flows in relation to the Interconnector between France and England

Issued: 10 August
Effective: from 14 August 2006 – 1 April 2007

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16088_139_06.pdf

Ofgem has approved a new Methodology Statement, produced by National Grid, that sets out how the volume of energy flowing across the Interconnector will be calculated for the purposes of Section R 7.5.3 of the BSC. The new statement applies for 14 August 2006 to 1 April 2007.

Issue: Ofgem is running a smart metering/feedback pilot on behalf of DTI/DEFRA and is calling for FIRM bids from industry to participate in trials under the pilot.

Title: Energy Reduction Pilot – Invitation to bid

Issued: 22 August
Bids to be submitted by: **29 September 2006**

Workshop: Ofgem is holding a workshop for potential participants on 6 September

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16285_155_06.pdf

Ofgem is running a smart metering/demand reduction pilot on behalf of DTI/DEFRA and is calling for FIRM bids from industry to participate in a number of trials which must be conducted in GB in order to qualify as part of the pilot. Bidders must also commit to funding at least half the cost. Total funding available to part fund the trials is £9.75m. The main focus is domestic

premises but proposals covering the smaller industrial and commercial sector will also be considered.

Issue: The Authority has concluded that Global Utility Connections Ltd was in breach of its IDNO licence but it will not face financial sanctions.

Title: Statement by the Gas and Electricity Markets Authority, following an investigation into the compliance by Global Utility Connections Ltd with its distribution licence obligations

Issued: 22 August

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16283_154_06.pdf

The Authority has issued a statement on an investigation by Ofgem into whether Global Utility Connections Ltd (GUC) had failed to comply with licence obligations. The investigation concluded that there had been a number of breaches – this was not disputed by GUC. However, after taking into account the circumstances of the case, and GUC's cooperation in achieving licence compliance, the Authority has decided not to impose a financial penalty.

Issue: Decision on whether affiliates of existing DNOs should be able to obtain an IDNO licence to operate within the same distribution network area

Title: Decision letter on regulation of independent electricity distributors: affiliates of existing licensees and price control issues

Issued: 24 August

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16331_156_06.pdf

Ofgem has issued its decision on whether affiliates of DNOs (ex PES Distribution Network Operators) should be able to obtain an IDNO (Independent Network Operator Licence) for networks within the host DNO network area. Ofgem has determined that such an arrangement should be allowed but that the activities of the affiliate should be captured within the terms of the host DNO's price control.

Title: Review of Competition in Gas and Electricity



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Connections & Gas and Electricity Connections, Industry Review results 2005 - 2006

Issued: 31 August
Response to review due: 31 October

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16480_159_06.pdf

Link to review:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16481_160_06.pdf

Ofgem has published the results of its annual review of gas and electricity sectors which also includes comparisons with the results from the reviews undertaken in the previous two years. It has also issued a consultation on the review of the regulatory arrangements for provision of connections in the gas and electricity markets.

Electricity Licences and Licence Modifications

NOTICES OF LICENCES GRANTED IN AUGUST

The following companies had an electricity licence granted in August:

Caboodle Energy Limited (non domestic electricity supply licence) – 23 August

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16340_Caboodle_notice.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingapplicationsgrantednotices

Team GE Limited - 7 August (same registered address as Caboodle)

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16049_Team_GE_Elec_Supply_notice.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingapplicationsgrantednotices

National Grid Interconnectors Limited (Electricity Interconnector licence) – signed 4 August, effective 14 August

http://62.173.69.60/document_fetch.php?documentid=8745

Moyle Interconnector Limited (Electricity Interconnector licence) – signed 4 August, effective

14 August

<http://62.173.69.60/index.php?pk=doc370946>

NOTICES OF LICENCE REVOKED PUBLISHED IN AUGUST (EFFECTIVE SEPTEMBER)

The following companies have requested that their licences (as identified below) should be revoked and the notices of licence revocation were published in August:

Enizade Limited (electricity supply licence) - effective from 24 September

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16333_Enizade_revocation.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingrevocations

E.on UK Drakelow Limited (electricity generation licence) - effective from 23 September

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16334_Drakelow_revocation.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingrevocations

E.on UK High Marnham Limited (generation licence)) - effective from 23 September

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16338_High_Marnham_revocation.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingrevocations

E.on UK Ironbridge Limited (generation licence) - effective from 23 September

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16335_Ironbridge_revocation.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingrevocations

Cottam Development Centre Limited (generation licence) – effective from 23 September 2006

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16337_Cottam_revocation.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingrevocations



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Shell Gas Direct Limited (electricity supply licence)
– effective from 25 September 2006

Link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16342_Shell_Gas_revocation_notice.pdf?wtfom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingrevocations

Allied Domecq Limited (electricity supply licence) -
effective from 25 September

Link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16345_Allied_Domecq_revocation_notice.pdf?wtfom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingrevocations

NOTICES OF APPLICATIONS FOR ELECTRICITY LICENCES

The following companies applied for a licence in August:

BizzEnergy@Home Limited (application for a non-domestic electricity supply licence) – application made on 15 August

Link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16153_Notice_of_application.pdf?wtfom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingapplicationnotices

ECG Distribution Ltd (application for an electricity distribution licence) application made on 15 August

Ofgem has also published a notice (30 August) seeking views, by **27 September**, on its proposal that, if it grants a licence to ECG Distribution, then it would modify the standard licence conditions such that the amended conditions would be similar to those included in the licences of other independent distribution network operators.

Link to application:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16150_ECG_Licence_Application_Notice.pdf?wtfom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingapplicationnotices

Link to notice:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16454_158_06.pdf

Haven Power Limited (application for a non-domestic electricity supply licence) – application

made on 11 August

Link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16136_Haven_Power_notice.pdf?wtfom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingapplicationnotices

OTHER LICENCE NOTICES

Issue: Modifications to various licence conditions (across all licence types) to introduce change to accommodate interconnector licensing

Notices:

Modification of standard conditions of electricity supply licences granted or treated as granted under section 6(1)(d) of Electricity Act 1989 (change to definitions and interpretations)

Modification of standard conditions of electricity generation licences granted or treated as granted under section 6(1)(a) of Electricity Act 1989 (2) (change to definitions and interpretations (paragraph 6))

Modification of standard conditions of electricity generation licences granted or treated as granted under section 6(1)(a) of Electricity Act 1989 (1) (change to definitions and interpretations (paragraph 1))

Modification of standard conditions of electricity distribution licences granted or treated as granted under section 6(1)(c) of Electricity Act 1989 (change to definitions and interpretations (paragraph 1))

Date issued: 11 August

Effective from: 14 August 2006

Links:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16125_151_06.pdf?wtfom=/ofgem/whats-new/archive.jsp

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16124_150_06.pdf?wtfom=/ofgem/whats-new/archive.jsp

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16123_149_06.pdf?wtfom=/ofgem/whats-new/archive.jsp



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http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16122_147_06.pdf?wtfrom=/ofgem/whats-new/archive.jsp

Notice: Direction under paragraph 3 of standard condition 3 (Compliance with Codes) of electricity interconnector licence of Moyle Interconnector Limited

Issued: 10 August
Effective: 14 August

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16089_140_06.pdf
Direction:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16090_1401_06.pdf

Ofgem has issued a conditional direction relieving Moyle Interconnector Limited (MIL) of its obligation under condition 3 to comply with the requirements of the BSC. The conditions include the requirement for the operator (S.O.N.I. Ltd) to be a BSC Party and comply with the BSC.

Issue: consultation on switching off various licence conditions within the site specific supply licence of Immingham CHP LLP

Notice: Notice under section 11 of the Electricity Act 1989

Issued: 24 August
Response due: **21 September**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16344_Immingham_notice.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingmodifications

Ofgem is consulting on switching off various standard licence conditions in Immingham CHP LLP's site specific supply licence (it is only able to supply one customer – Humber Oil Refinery, South Killingholme).

The LCs that would be switched off are:
Standard licence condition 20 (the Master Registration Agreement)
Standard licence condition 21 (Publication of information to customers)

Standard licence condition 26 (Record of an report of performance)

Standard licence condition 27 (preparation, Review of, and Compliance with Customer Services codes).

Ofgem is proposing to make the modifications.

DTI

Issue: Immingham CHP gets consent to increase capacity from 760MW to 1,230MW

Title of PR: Immingham combined heat & power plant extension gets green light

Date issued: 1 August

Link:
<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=218184&NewsAreaID=2>

DTI has issued a press release announcing that Malcolm Wicks (Energy Minister) has granted consent to Immingham CHP LLP to increase the capacity of its combined heat and power station from 760MW to 1,230MW. The PR also states that planning permission has also been deemed to be granted subject to the inclusion of 14 conditions agreed with North Lincolnshire Council.

The EU ETS

Issue/Title: UK Phase II National Allocation Plan &

Issue/Title: Consultation on the installation level lists for Phase II of the EU Emissions Trading Scheme

Published: 21 August
Response due: from stakeholders on installation level allocations: **5pm 16 October 2006**

Link to consultation on installation level allocations: <http://www.defra.gov.uk/environment/climatechange/trading/eu/phase2/phase2nap.htm>

Link to consultation on installation level allocations: <http://www.defra.gov.uk/corporate/consult/euets-phase2-install/index.htm>

The UK Government has submitted the UK's proposed National Allocation Plan for Phase 2 of the EU ETS to



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the European Commission. The Introduction to the plan notes that the plan is subject to the Commission's approval and that "the UK reserves the right to change any aspect".

Some of the key points to note include:

- the total number of allowances is **1230,879,990** over the 5 years covered by Phase 2, although this will be reduced to take account of installations that come out of the scheme as a result of the introduction of the de minimis threshold and the changed definition for ceramics;
- 7% of the total allowances and any surplus from the New Entrant Reserve and unallocated allowances from closed installations will be auctioned;
- a new "Good Quality CHP" (GQ CHP) sector has been introduced for Phase 2 – giving a total of 19 sectors;
- as in Phase 1, the total allowances will be allocated between sectors and then the sector allowances will be allocated between installations;
- sector allowances will be determined on the basis of business as usual projections – except for the Large Electricity Producers (LEP) sector that will carry all the shortfall;
- installation allowances will be allocated on the basis of historic emissions except in the LEP sector where benchmarking will be used; and
- 7% of allowances will be set aside for the NER (New Entrants Reserve) for new installations.

The Government has also published a consultation on the installation-level allocations; the deadline for comments is **16 October 2006**. The cover letter indicates that Government is only seeking comments on factual errors contained in the NAP lists, including:

- "any numerical errors in the historical baseline data
- any calculation errors generally
- whether the Allocation Methodology rules have been applied in accordance with the DTI's written decision. "

NFPA

NFPA Green Power Auction results

NFPA has published the results from its latest (10 August) on line auction of green electricity – the auction covered contracts from both the NFFO and SRO for electricity to be produced between 1 October 2006 and 31 March 2007.

The average price was 10.35p/kWh (compared with an average value of 9p/kWh in the auction held last August for last year's winter period). The next auction will be held on 13 February 2007.

The European Union

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

What are the EU energy challenges? Speech at the conference "Offshore Northern Seas Conference 2006" Norway, 23 August 2006 (Andris Piebalgs (Energy Commissioner))

Link:

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/06/472&format=HTML&aged=0&language=EN&guiLanguage=en>

GB SO REPORTS AND CONSULTATIONS

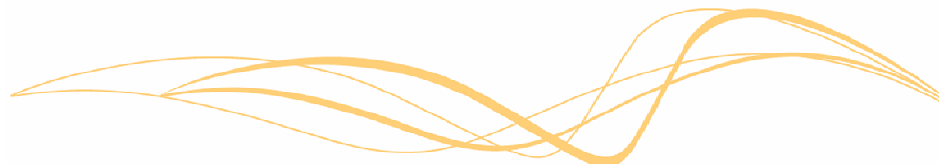
Issue: NGET consultation on changes to various documents to replace warming and hot standby services with a new reserve/BM service the "BM Start-up Service"

Title: Proposed Revisions to the Procurement Guidelines, Balancing Principles Statement and Balancing Services Adjustment Data Methodology Statement Incorporation of BM Start-up Service

Consultation by National Grid - August 2006

Issued: 1 August
Response due: 29 August

Links:



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<http://www.nationalgrid.com/NR/rdonlyres/D252B50A-2CF8-42EF-8902-48CC08AAE6B6/8093/LC16statementsJul06consultationdocFinal2.pdf>

NGET has issued a consultation on changes it is proposing to the Procurement Guidelines (PGs), the Balancing Principles Statement (BPS) and the Balancing Services Adjustment Data (BSAD) Methodology Statement that follow an industry wide review of reserve services.

The proposed changes, which NGET hope will come into effect from 1 November 2006, cover the replacement of the current Warming and Hot Standby Services with a new Balancing Mechanism Service "BM Start-up Service" and a number of "housekeeping changes".

The consultation is accompanied by change marked versions of the PGs, the BPS and the BSAD Methodology Statement.

Issue: Ofgem's approval of NGET's BETTA use of System Methodology included six conditions. This report covers Condition 3, the treatment of intermittent generation within the use of system charging methodology.

**Title: Report on GB charging condition 3
The treatment of intermittent generation in the GB Charging Methodology**

Issued: 10 August
Response due:

Link:
<http://www.nationalgrid.com/NR/rdonlyres/459CB43B-5098-4F4E-9240-E969B713EE7B/9239/Condition3reportfinal.pdf>

NGET has published a report on its findings following its consultation and assessment of the charging issues for intermittent generation. The report concludes that as access rights are the same for all classes of generation and the level of infrastructure investment is not discernibly different for intermittent and conventional generation, NGET is not intending to propose any changes to the charging methodology as a result of this review.

However, the report states that the issue of connecting intermittent generation is a "developing area" and that it

has initiated a review of how different forms of generation are dealt with within the GB Security and Quality Supply Standard (GB SQSS). NGET note that if this leads to a material change in the investment planning process, or if different access arrangements for intermittent generation are developed, then it would then be required to examine the impact of such changes on the charging methodology.

Issue/Title: PRE-CONSULTATION DOCUMENT GB ECM-06 for the charging and access arrangements associated with SQSS design variations based on customer requests

Issued: 11 August
Responses due: 8 September

Link:
<http://www.nationalgrid.com/NR/rdonlyres/8A0E0369-A358-4FBC-BAB7-9B1FC8A31512/9272/GBECM06SQSSDesignVariationpreconsultation.pdf>

NGET has issued a "pre-consultation" to solicit industry views on the main options it has identified for modifying the charging or access arrangements associated with Security and Quality of Supply Standard (SQSS) design variations that arise from customer requests.

Issue: Ofgem's approval of NGET's BETTA use of System Methodology included six conditions. This report covers Condition 4, the development of longer term fixed access products

**Title: CHARGING CONDITION 4 REPORT Long-term fixed price products
Draft for Industry Comment**

Issued: 11 August
Response due: 8 September

Link:
http://www.nationalgrid.com/NR/rdonlyres/32E01F9C-C925-4415-A21C-E1F5810D82CB/9274/Condition4Report_vFINAL.pdf

National Grid has published an initial draft of its report into the provision of longer term transmission access rights following discussion at industry charging meetings, a workshop and consultation. The report concludes that the development of multiple-year fixed-



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price charges should not be progressed at this stage.

Issue/Title: CONSULTATION DOCUMENT
GB ECM-05 Modification Proposal to the Transmission Network Use of System charging methodology to cater for manifest data errors in the calculation of TNUoS tariffs

Issued: 11 August
Response due: 8 September

Link:<http://www.nationalgrid.com/NR/rdonlyres/1DAAD-EEA-5531-4F01-9D0F-E5312EAED2D0/9269/ManifestErrorsConsultation1.pdf>

NGET has issued a consultation on changes to the TNUoS methodology to accommodate a mechanism for reconciling TNUoS charges in the event of a manifest error which results in a material change to a User's annual TNUoS charge.

Issue/Title: Proposed changes to the Statement of the Use of System Charging Methodology as a result of Charging Conditions 2 and 4.

Issued: 31 August
Responses due: 30 September

NGET has published draft changes to the Statement of Use of System Charging Methodology following the reviews it carried out to meet Conditions 2 (cost of incremental capacity) & 4 (longer term fixed access products). NGET note that as these are not considered to be changes to the methodology they are not being progressed a formal consultations although comments on the drafting are invited.

THE BSC AND CUSC

The BSC

The next BSC Panel

Following the recent election, the following industry BSC Panel members were elected for the period 1 October 2006 – 31 September 2009: Nigel Cornwall, John Sykes, Malcolm Taylor, Graham Thomas, and Barbara Vest.

Failure to pay ELEXON charges

ELEXON issued a circular (15 August) notifying parties that three BSC Parties (**AES Barry, AES New Energy Ltd, Powerrelate Ltd**) have failed to pay their BSCCo charges. The circular also notes that ELEXON is monitoring the situation.

Link:
http://www.elexon.co.uk/documents/circulars/Elexon_Circular/EL01393.pdf

Joiners and leavers

National Grid Interconnectors Ltd (party ID NGIFA) is a new legal entity that will hold an Interconnector Licence for the England-France Interconnector (from 14 August) – it has acceded to the BSC and will undertake the roles of Interconnector Administrator & Interconnector Error Administrator.

Other new signatories....

Crowthorne Electricity Supply Ltd (Party ID: CROWELEC) acceded with effect from **2 August 2006** as a Supplier.

Issue 24 Consultation: Impact of BSC on Reactive Power

Response due: 6 September

Consultation:
http://www.elexon.co.uk/documents/Consultations/Consultation_on_Issue_24/Issue_24_Consultation_1.0.pdf
Questions:
http://www.elexon.co.uk/documents/Consultations/Consultation_on_Issue_24/I24CD10-proforma.doc

ELEXON has issued a consultation on Issue 24 – which deals with assignment of DUoS charges for reactive power (which may be caused by an exporting embedded generator) to the supplier responsible for the import at a site.

Change in CAP (Credit Assessment Price) from 3 October

The BSC Panel has agreed the recommendation to increase the CAP to £64.00/MWh, from its current level of £39.00/MWh, with effect from 3 October 2006.

Evolution Steering Group - Report and Survey

Issued (apologies for late notification): 17 July



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response due: 18 August

Link:

<http://www.elexon.co.uk/surveyor/survey.asp?s=01047249255217>

ELEXON has launched a new group to consider “what the future might look like” in order to inform its evolution and the re-procurement activity for its major IT suppliers when the current contracts expire in 2009. The report poses the question, summarises the activities at the group’s first meeting, and seeks industry comments.

BSC Modification Proposals

New Modifications

- **P206 (Publication of BSC Panel Election Results)**

Raised by: E.ON UK plc
On: 3 August

The Modification seeks to change the rules in the BSC on disclosure of voting information for BSC Panel elections to require publication of the number of preference votes received by each BSC Panel candidate.

Approved Modifications

- **P197 (Alternative) SVA Qualification Processes Review**

Date Approved: 10 August
Implementation date: 1 November 2007

Panel Recommendation: Approve Alternative

The Modification introduces a new, single phase, risk-based SVA (Supplier Volume Allocation) entry process.

Rejected Modifications

- **P199 (Quantification of Demand Control in the BSC as instructed under OC.6 (c),(d) & (e) of the Grid Code)**

Date rejected: 3 August
Panel recommendation: REJECT

The Modification would have introduced new provisions into the BSC to treat suppliers’ involuntary demand reduction (due to operation of Demand Control measures) as an un-priced Offer Acceptance (which is allocated to individual Balancing Mechanism Units (BMUs) based on historic energy consumption) and for the total volume to be included as an un-priced volume in the imbalance price volume calculations.

An alternative modification was developed that allocated a price to the accepted offers; this was also rejected.

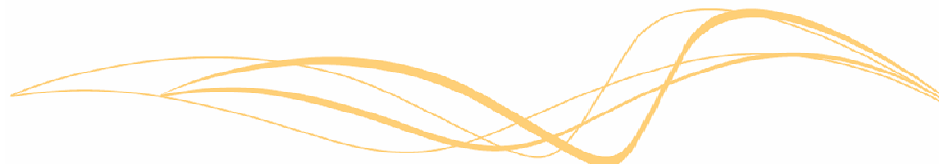
IPA News

IPA’s new training and development webpage reflects the diverse range and value of the training we offer, demonstrates our training approach and introduces our key training and development people. Check it out <http://www.ipaenergy.co.uk/traininganddevelopment.htm>

DISCLAIMER

IPA Energy + Water Consulting 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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Email: contact@ipaenergy.co.uk



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SUMMARY OF AUGUST 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
DTI	<p>Title: Guidance Relating to the Statutory Decommissioning Scheme for Offshore Renewable Energy Installations in the Energy Act 2004</p> <p>Link: http://www.dti.gov.uk/consultations/page29978.html</p>	9 June	1 Sept
Ofgem	<p>Industry Codes Compliance Review Consultation</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15594_ICCR_Condoc_FINAL.pdf</p>	30 June	1 Sept
Ofgem	<p>Title: Supply Licence Review - Initial Policy Proposals</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15653_Supply_Licence_Review.pdf?wfrom=/ofgem/whats-new/archive.jsp</p>	7 July	15 Sept
DTI	<p>Title: The Energy Challenge</p> <p>Link to review: http://www.dti.gov.uk/files/file31890.pdf Link to consultation on policy framework for nuclear build: http://www.dti.gov.uk/files/file31931.pdf Link to the initial regulatory impact assessment of the policy framework: http://www.dti.gov.uk/files/file31906.pdf Link to: nuclear power generation cost benefit analysis: http://www.dti.gov.uk/files/file31938.pdf Link to <u>Overview of modelling of the relative electricity generating costs of different technologies</u>: http://www.dti.gov.uk/files/file31936.pdf</p> <p>Links to all the annexes and supporting information can be found at: http://www.dti.gov.uk/energy/review/</p>	11 July	consultation on the policy framework for new nuclear build by 31 October 2006
DEFRA	<p>Title: The Energy Efficiency Commitment April 2008 to March 2011: Initial consultation</p> <p>Link: http://www.defra.gov.uk/corporate/consult/eec3/index.htm</p>	31 July	23 October
<p>New in August... (this does not include all the details of licence notices/modifications/ applications/revocations/licences granted)</p>			



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Ofgem	<p>Issue/Title: A review of the first year of the Energy Efficiency Commitment 2005 – 2008</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15996_130_06.pdf</p>	1 August	n/a
DTI	<p>Title of PR: Immingham combined heat & power plant extension gets green light</p> <p>Link: http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=218184&NewsAreaID=2</p>	1 August	n/a
Ofgem	<p>Title: Ofgem's Five Year Strategy 2007-2012</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15995_131_06.pdf</p>	1 August	26 Sept
NGET	<p>Title: Proposed Revisions to the Procurement Guidelines, Balancing Principles Statement and Balancing Services Adjustment Data Methodology Statement Incorporation of BM Start-up Service</p> <p>Consultation by National Grid - August 2006</p> <p>Links: http://www.nationalgrid.com/NR/rdonlyres/D252B50A-2CF8-42EF-8902-48CC08AAE6B6/8093/LC16statementsJul06consultationdocFinal2.pdf</p>	1 August	29 Aug
Ofgem	<p>Issue/Title (Ofgem/Ofwat joint document): Financing Networks: Summary of responses</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16001_133_06.pdf</p>	2 Aug	n/a
Ofgem	<p>Title: Potential income adjusting events under NGET's 2005/06 system operator incentive scheme</p> <p>Ofgem will publish its final decision on 29 September</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16029_135_06.pdf</p>	4 Aug	1 Sept



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Ofgem	<p>Title: Consent given by Gas and Electricity Markets Authority under Standard Condition B9 of the Electricity Transmission Licence</p> <p>Notice of reasons given for consent under Section 49A of the Electricity Act 1989 for decision to give consent</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16116_142_06.pdf</p>	9 Aug	n/a
NGET	<p>Title: Report on GB charging condition 3 The treatment of intermittent generation in the GB Charging Methodology</p> <p>Link: http://www.nationalgrid.com/NR/rdonlyres/459CB43B-5098-4F4E-9240-E969B713EE7B/9239/Condition3reportfinal.pdf</p>	10 Aug	
Ofgem	<p>Titles:</p> <p>Proposed new Balancing and Settlement Code Modification P204 ‘Scaled Zonal Transmission Losses’</p> <p>Proposed new Balancing and Settlement Code Modification P203 ‘Introduction of a Seasonal Zonal Transmission Losses Scheme’</p> <p>Proposed new Balancing and Settlement Code Modification P200 ‘Introduction of a Zonal Transmission Losses Scheme with Transitional Scheme’</p> <p>Links: P204: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16085_138_06.pdf P203: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16084_137_06.pdf P200: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16083_136_06.PDF</p>	10 Aug	n/a
Ofgem	<p>Title: Approval of Methodology Statement for determination of System-to-System flows in relation to the Interconnector between France and England</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16088_139_06.pdf</p>	10 Aug	Effective: from 14 August 2006 – 1 April 2007



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NGET	<p>Title: CHARGING CONDITION 4 REPORT Long-term fixed price products Draft for Industry Comment</p> <p>Link: http://www.nationalgrid.com/NR/rdonlyres/32E01F9C-C925-4415-A21C-E1F5810D82CB/9274/Condition4Report_vFINAL.pdf</p>	11 Aug	8 Sept
NGET	<p>Title: PRE-CONSULTATION DOCUMENT GB ECM-06 for the charging and access arrangements associated with SQSS design variations based on customer requests</p> <p>Link: http://www.nationalgrid.com/NR/rdonlyres/8A0E0369-A358-4FBC-BAB7-9B1FC8A31512/9272/GBECM06SQSSDesignVariationpreconsultation.pdf</p>	11 August	8 Sept
NGET	<p>Issue/Title: CONSULTATION DOCUMENT GB ECM-05 Modification Proposal to the Transmission Network Use of System charging methodology to cater for manifest data errors in the calculation of TNUoS tariffs</p> <p>Link:http://www.nationalgrid.com/NR/rdonlyres/1DAADEEA-5531-4F01-9D0F-E5312EAED2D0/9269/ManifestErrorsConsultation1.pdf</p>	11 August	8 Sept
Ofgem	<p>Title: Energy Reduction Pilot – Invitation to bid</p> <p>Workshop: Ofgem is holding a workshop for potential participants on 6 September</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16285_155_06.pdf</p>	22 Aug	Bids to be submitted by: 29 Sept
Ofgem	<p>Title: Statement by the Gas and Electricity Markets Authority, following an investigation into the compliance by Global Utility Connections Ltd with its distribution licence obligations</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16283_154_06.pdf</p>	22 Aug	



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DEFRA/DT I	<p>Issue/Title: UK Phase II National Allocation Plan & Issue/Title: Consultation on the installation level lists for Phase II of the EU Emissions Trading Scheme</p> <p>Published: 21 August Response due: from stakeholders on installation level allocations: 5pm 16 October 2006</p> <p>Link to NAP: http://www.defra.gov.uk/environment/climatechange/trading/eu/phase2/phase2nap.htm Link to consultation on installation level allocations: http://www.defra.gov.uk/corporate/consult/euets-phase2-install/index.htm</p>	21 Aug	
Ofgem	<p>Title: Decision letter on regulation of independent electricity distributors: affiliates of existing licensees and price control issues</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16331_156_06.pdf</p>	24 Aug	
ELEXON	<p>Issue 24 Consultation: Impact of BSC on Reactive Power</p> <p>Consultation: http://www.elexon.co.uk/documents/Consultations/Consultation_on_Issue_24/Issue_24_Consultation_1.0.pdf Questions: http://www.elexon.co.uk/documents/Consultations/Consultation_on_Issue_24/I24CD10-proforma.doc</p>		6 Sept
Ofgem	<p>Title: Review of Competition in Gas and Electricity Connections & Gas and Electricity Connections, Industry Review results 2005 - 2006</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16480_159_06.pdf Link to review: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16481_160_06.pdf</p>	31 August	31 Oct
NGET	<p>Title: Proposed changes to the Statement of the Use of System Charging Methodology as a result of Charging Conditions 2 and 4.</p>	31 August	30 Sept

BSC Mods & Decisions August 2006.....



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New Mods			
		Raised on:	Raised by:
P206	Publication of BSC Panel Election Results	3 August	E.ON UK plc
Mod decisions			
		Approved:	Effective:
P197	(Alternative) SVA Qualification Processes Review	10 August	1 Nov 2007
		Rejected on:	
P199	Quantification of Demand Control in the BSC as instructed under OC.6 (c),(d) & (e) of the Grid Code	3 August	

