



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

The newsletter aims to assist electricity market participants who already have a good broad understanding of the GB electricity trading arrangements, and the key documents that underpin them, to keep track of the major consultations that affect the development of the wholesale electricity market.

This issue covers: Ofgem consultations; BETTA; publications/announcements by a number of government and other bodies; Transmission charging issues; and the BSC and CUSC Modifications and related matters.

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

HEADLINES

- The Kyoto Protocol came into effect on 16 February.
- Stuart Senior is to join ELEXON as the new Chief Executive, on 3 May, following Brian Saunders' departure at the end of April.
- Government has published "revised provisional" CO₂ allocations to individual installations under the EU ETS. The total allocation is based on the revised figures submitted to the EC in October last year (756 million tonnes CO₂ total). The statement indicates that any reduction in the national total, below the figure proposed in October, would be recovered from the electricity generation sector.
- NGC's revised GB charging methodology has been approved and NGC has published its final GB tariffs for 2005/6. Generation tariffs range from £23.10/kW (Zone 3 Skye) to £-8.04/kW (Zone 21 Peninsula). Demand tariffs, which have been adjusted to recover the cost of the small generator discount, range from £0.04/kW (Zone 1 Northern Scotland) to £20.49/kW (Zone 14 South Western).
- The small generator discount is confirmed at 25% of the total residual TNUoS charge (approximately £3.67/kW).
- Ofgem published 43 gas & electricity documents in February (plus those documents that fall outside its numbering system which include, for example, Code Modification decision documents and procedures such as the REGO Register procedures).

Ofgem Issues and Consultations

Renewables Obligation Buy-Out Price Published

On 1 February, Ofgem circulated an information note stating that the buy-out price for the fourth year of the Renewables Obligation (1 April 2005 – 31 March 2006) is £32.33 per MWh.

Prepayment meters

Consultation on new powers under the Energy Act 2004 and update on recent developments

On 11 February, Ofgem issued a consultation on the use of its new powers to extend the range of payments that can be collected through pre-payment meters. The consultation seeks views on its initial view that it is in consumer's interests to allow collection of debt from a previous property, that it is unclear whether it is in their interests to allow recovery of gas debts via electricity meters and vice versa, and that "there may be grounds for considering" that it would not be in their interests to allow for the collection of energy services in this way. Ofgem's powers are subject to the approval of the Secretary of State and any changes that are agreed will be introduced via new regulations.

Comments are requested by **1 April 2005**

The consultation can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10155_3205.pdf

Electricity distribution Structure of charges: Authority approval of DNO charging methodologies

On 11 February, Ofgem published an open letter giving its approval of the Distribution Network Operators' charging methodologies covering both connection and use of the distribution networks. Conditions have been applied where the Authority considers that further work is required (for UU's connection charging methodology and all the use of system methodologies).

The individual approvals and the cover letter giving background to the approvals can be found at:



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http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10201_authority_appr_cover_notice.pdf
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10200_ce_appr_dec_doc.pdf
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10203_cn_appr_dec_doc.pdf
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10195_edf_appr_dec_doc.pdf
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10202_sp_appr_dec_doc.pdf
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10189_sse_appr_dec_doc.pdf
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10186_uu_appr_dec_doc.pdf
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10182_wpd_appr_dec_doc.pdf

Decision Document on Transition of Electricity Distribution EHV demand use of system charge

Also on 11 February, Ofgem issued an open letter on the treatment of EHV demand charges and the proposal, by some to DNOs, to introduce transitional arrangements for those EHV customers that would see a significant increase in charges. Ofgem had originally resisted such measures but in the light of further information and consultees' comments is proposing that the increase in distribution use of system charges for this category of customer should be capped at 15%. However, it expects that further developments in the charging models will lead to further changes and expects the charging methodologies to be applied in full, with no transitional relief, from April 2007.

The open letter can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10181_ehv_demand_letter_11feb05.pdf

The Renewables Obligation Ofgem's Second Annual Report

On 14 February, Ofgem published its annual review of the 2003/4 renewables Obligation. The report provides details on the generating stations accredited under the Renewables Obligation and the Scottish Renewables Obligation and the ROCs or SROCs issued in the geographical regions for different renewable fuel sources. It also sets out details of the level of obligation and compliance by suppliers. Headline figures include:

- 7,546,787 ROCs/SROCs were issued in 2003/4;
- 51,889 ROCs/SROCs were revoked and 45,893 replacement ROCs/SROCs issued;

- 616 stations were accredited under the RO by the end of the second obligation period, the majority of which were landfill gas stations located in England;
- Ofgem report that approximately one third of the stations subjected to its audit (10 out of 30) had significant data errors;
- the total level of the Obligation on suppliers in England & Wales was 12,387,720 and on suppliers in Scotland was 1,239,692;
- payment from the buy out fund amounted to £22.92/certificate in England & Wales and £23.70/certificate in Scotland;
- only British Gas Trading met both of its obligations in full using ROC/SROCs;
- Ofgem audited two suppliers, all future audits will be conducted by visiting the supplier; and
- four suppliers failed to provide the requisite number of ROCs/SROCs on time (two in Administration, one made payment into the late payment fund and one whose payment was out by a very small amount).

The review also highlights a number of issues raised in administering/complying with the requirements for obtaining ROCs/SROCs. The review can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10209_4405.pdf

Information and Incentives Project (IIP): Draft Quality of Service Regulatory Instructions and Guidance (rigs) version 5

On 16 February, Ofgem issued its sixth draft of the RIGs and guidance version 5. Comments are requested by **16 March**; the revised guidance is due to come into effect on 1 April 2005. This consultation is the formal notice of the proposed changes required under SLC 49 of the Distribution Network Operator Licence.

The cover letter can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10269_49a05.pdf

and the revised guidance at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10270_4905.pdf

Reviewing the gas and electricity supply standard licence conditions (51/05)

On February 18, Ofgem issued a consultation and press release announcing a review of the standard licence conditions for the gas and electricity supply licences. The consultation states that the main aims of the review are "to develop a set of clearly and effectively drafted licence conditions that:



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- *provide proportionate protection for the particular circumstances of the gas and/or electricity industry (in particular for vulnerable customers), given wider market developments and Ofgem's powers under competition and general consumer protection law*
- *make it easier for new companies to enter and compete in the electricity and gas markets, and*
- *provide a flexible framework within which the competitive markets can evolve without the need for sector-specific regulation of the domestic and nondomestic gas and electricity retail markets."*

The consultation is fairly brutal in its assessment of the current Standard Licence Conditions including such comments as they “do not necessarily comply with the better regulation principles” a number are “poorly drafted and do not achieve their objective” and some are “unnecessarily complex”.

A number of approaches to the review are considered including: do nothing; rectify gaps and overlaps and a general ‘tidy up’; review certain SLCs; and a comprehensive review. Ofgem appears to support the comprehensive review but excluding those SLCs that have already been the subject of considerable work by Ofgem and Stakeholders (SLCs 48 and 16 - marketing and theft are suggested exclusions). The suggested timetable would depend on the approach adopted for the review but could be either ~12 months or ~20 months.

Comments are invited on the objectives, basic principles, the scope of the review and how it should be structured, and the timescales within which the review is to be conducted. The deadline for comments is **20 May 2005**. An open workshop on the proposed review is to be scheduled for April 2005. The consultation can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10280_5105.pdf

Electricity Distribution Price Control Review Statutory consultation on the licence modifications

On 21 February, Ofgem issued its statutory consultation on the proposed modifications to the distribution licences to implement the new distribution network operator price controls that are due to come into effect on 1 April 2005. Comments are requested by **21 March 2005**. The consultation and proposed licence changes can be found at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10310_5405.pdf

Best practice guidelines for gas and electricity network operator credit cover

On 24 February, Ofgem published its conclusions on the treatment of the risk of financial default by users of gas and electricity. Ofgem indicates that it now expects network operators and their counterparties to bring their arrangements in line with the approach set out in the document and that the new arrangements will be in place by 1 October 2005 at the latest.

The document can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10370_5805.pdf

Competition in connections to electricity distribution systems

Decision Document – Part B

On 28 February, Ofgem issued the final part of its decisions in relation to its June consultation on competition in connections to electricity distribution systems. This document covers policy decisions on Audit and Inspection regimes and Point of Connection (POC) charges; Ofgem expects its conclusions in respect of these policy decisions to be implemented by 1 April 2005.

The decision document can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10387_6005.pdf

OFGEM's REGO register system goes on-line

On 28 February, Ofgem issued a press release announcing the launch of its REGO (Renewable Energy Guarantees of Origin) register. Ofgem has also published procedures for using the register. The press release also states that Ofgem will hold a REGO register workshop in April 2005 for generators and suppliers (contact: renewable@ofgem.gov.uk).

The press release can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10391_r13_28feb05.pdf

The register at:

<http://www.regoregister.ofgem.gov.uk>

The registration procedures can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10380_REGORegisterRegistrationProcedures.pdf

and the operational procedures at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10379_REGORegisterOperationalProcedures.pdf



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TNUoS Charges under BETTA

The proposed transmission use of system charging methodology of the GB system operator

On 2 February Ofgem issued its Impact Assessment for the revised approach to GB transmission charging submitted by NGC in January 2005. Comments were requested by **16 February**. The impact assessment can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10071_2505.pdf and the appendix to it at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10070_2505_app7.pdf

Draft Use of System Charging Methodology Statements

On 4 February NGC issued a revised Use of System Charging Methodology Statements, which incorporate its latest proposals for charging under BETTA, for comment by **11 February**. A further update has been issued for consultation with comment invited by **4 March** which can be found at: http://www.nationalgridinfo.co.uk/betta/gb_consultations.html

Ofgem approves new charges for high voltage network

On 25 February, Ofgem issued a press release announcing its approval of the revised GB charging methodologies subject to a requirement to review certain aspects of the proposals within the first two years of BETTA. The press release also notes that the new charging arrangements will mean lower charges for customers in Scotland and no change, overall, to the cost of transmission for generators in Scotland. However, there is no reference to the increase in demand charges in England and Wales.

The press release can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10374_r12_25feb05.pdf

Ofgem has yet (as at midnight on 28 February) to published its detailed decision document.

Interim discount for small transmission connected generators – decision letter

Also on 25 February, Ofgem issued its decision letter on the level of the discount on transmission network charges for small transmission connected generators. The letter confirms Ofgem's "minded to" statement that the discount should be set at 25% of the total residual element of the TNUoS charge. The decision letter indicates that, based on NGC's indicative

tariffs published in January 2005, this would amount to a reduction in charges of £3.67/kW. The cost of the discount will be recovered, on a non locational basis, through the GB demand TNUoS charges.

The letter can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10377_5905.pdf

Transmission Network Use of System Tariffs 2005/06

On 28 February, following the Authority's approval of the revised approach to GB Charging NGC published its final tariffs for 2005/6. The revised demand tariffs include an adjustment to accommodate the small generator discount referred to above (this amounts to an increase across all demand charges of £0.041/kW or 0.005610 p/kWh.

The 2005/6 generation and demand tariffs are reproduced below and can be found at: http://www.nationalgrid.com/uk/indinfo/charging/pdfs/2005_6_Final_TNUoS_Tariffs.xls

Zone	Generation Zone Name	Zonal Tariff (£/kW)
1	Peterhead	18.162236
2	North Scotland	20.929759
3	Skye	23.095483
4	Western Highland	18.920247
5	Central Highlands	15.360647
6	Cruachan	15.852828
7	Argyll	13.441972
8	Stirlingshire	12.610665
9	South Scotland	11.820471
10	North East England	8.090616
11	Humber, Lancashire & SW Scotland	4.906290
12	Anglesey	6.122706
13	Dinorwig	8.705520
14	South Yorks & North Wales	3.120190
15	Midlands & South East	1.322966
16	Central London -	5.712196
17	North London	-0.220327
18	Oxon & South Coast	-0.698936
19	South Wales & Gloucester	-2.552479
20	Wessex	-4.951295
21	Peninsula	-8.044943



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Zone	Demand Zone Name.	HH Zonal Tariff (£/kW)	NHH Zonal Tariff (p/kWh)
1	Northern Scotland	0.041110	0.005610
2	Southern Scotland	4.114438	0.561693
3	Northern	7.393664	0.970234
4	North West	11.137060	1.461966
5	Yorkshire	11.182059	1.487585
6	N Wales & Mersey	11.210216	1.512416
7	East Midlands	13.465848	1.804975
8	Midlands	15.026957	2.062601
9	Eastern	14.028455	1.909865
10	South Wales	18.315906	2.368863
11	South East	15.989410	2.167559
12	London	18.516693	2.454909
13	Southern	17.833397	2.446575
14	South Western	20.489868	2.728435

BETTA User Guide

Also on 4 February, Ofgem published a BETTA User Guide. This guide provides a high level overview of the main elements of the BETTA proposals including background to the process by which some conclusions were reached. Subsequent sections set out the actions different categories of Users will need to undertake to prepare and be ready for BETTA and how those elements of the current arrangements that will be redundant under BETTA are run-off.

The penultimate section covers the BETTA go live decision and envisages that the following process will be employed:

- *“the Secretary of State will write to the transmission licensees, ELEXON and the Authority seeking confirmation of go-live readiness in mid February;*
- *written advice will be provided from the transmission licensees and ELEXON to the Secretary of State in late February;*
- *submission of the Authority’s advice to the Secretary of State in early March;*
- *a Ministerial meeting with the transmission licensees, Ofgem and ELEXON in early March at which the BETTA go-live decision will be taken in principle; and*
- *Secretary of State will confirm the BETTA go-live date, through a direction, following the Ministerial meeting in early March.”*

The guide can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10081_2605.pdf

Applications for connection and use of system under British electricity trading and transmission arrangements (BETTA)

On 8 February, Ofgem/DTI issued an open letter advising of the potential difficulties the transmission licensees face in meeting the timescales specified in their licences for issuing connection offers given the “unprecedented” number of connection applications in 2004. The problem is identified as being particularly acute in Scotland where a total of 222 applications for 13.4GWs of connections were received in 2004 compared to 52 applications for a total of 2.5GWs in 2003.

The letter indicates that there will be delays and there may be changes to the processes licensees employ (all of which will be “closely scrutinised” by Ofgem/DTI) but that this will not change the order in which offers will be issued.

Other BETTA Issues

The Issuing of Local Offers for Connection to and use of Local Transmission Systems in Scotland in the Run-Up to the BETTA Go-Live Date

On 1 February, Ofgem/DTI issued an open letter indicating that it is proposing to issue directions to the Scottish transmission licensees relieving them of their some of their obligations to make local offers to parties seeking connections in Scotland. The licensees will still be bound to enter into connection agreements where local offers have already been made and to issue offers where a local application has been received for use of the Scottish network before BETTA go live. The licensees will also still be obliged to support NGC in meeting its obligation to make GB offers. Parties applying for connection/use of system in Scotland, before BETTA go live, will still be obliged to apply for a local offer from the local transmission licensee.

If BETTA is delayed the obligations may be reinstated. Comments were requested by **14 February**.

The letter can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/10042_2205.pdf

Limitation of Liability under the STC and CUSC

On 4 February, Ofgem directed NGC to amend the STC to change the limitation of liability provisions in line with its conclusions document issued in December 2004. The change comes into effect at BETTA go live



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Further communications are promised.

The letter can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10116_2905.pdf

Proposed amendments to the electricity transmission, generation, distribution and supply licences in relation to the legal cutover to BETTA An Ofgem/DTI consultation document

On 15 February, Ofgem/DTI published proposed licence changes to all four forms of licence to deal with issues arising from the cut-over to BETTA. The consultation covers implementation of those provisions that will now continue beyond go-live (e.g. the late issuing of some GB offers, by NGC, for connection/use of system), practical arrangements for dealing with the changes to the new business processes (Ofgem concludes that no legal changes are needed for this purpose), and ensuring that the legal framework will effectively cut-over to the new arrangements.

The paper sought views on the proposed licence changes and legal drafting to cover the continuing implementation of BETTA post go-live and the cut over to the new legal framework, Ofgem/DTI's view that no changes are needed to facilitate the cut over of the business processes, and any further changes that may be needed. Responses were requested by **28 February**. The paper states that Ofgem/DTI will publish its conclusions paper in early March.

The consultation can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10244_4605.pdf

BETTA Go-live and contingency planning

On 18 February, Ofgem/DTI issued an open letter indicating that it is anticipated that the Secretary of State will make a decision on the BETTA go-live date, and issue a direction to this effect, in "early March" and that it is still expected that this will be 1 April 2005.

The letter, whilst stressing that delay is unlikely, also:

- considers the events that might require deferral and suggests that in most cases BETTA should be implemented with the consequences of the events dealt with under the enduring arrangements;
- sought views, by **25 February**, on the possible consequences of delays; and

- notes that, if there is a delay after the Secretary of State has announced the go live date then, intervention in the England & Wales market might be necessary because parties may not have sufficient time to trade out of the contract positions they have entered in anticipation of BETTA. The letter suggests that there is no equivalent need for intervention in the Scottish market in these circumstances.

Two possible forms of intervention are considered: ex post contract notification and invoking the single price provisions in Section G of the BSC. Ofgem/DTI prefer the second approach. Views were invited on the form of intervention that might be appropriate, the notice period that would require intervention, and the period for which the single imbalance price should apply in these circumstances (three days was suggested).

The open letter can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10281_5005.pdf

Treatment of Embedded Exemptable Large Power Stations under BETTA Ofgem conclusions on Code changes

On 22 February, Ofgem issued its conclusions on the drafting of Code and licence changes to be implemented to deal with Embedded Exemptable Large Power Stations (EELPSs) in the light of its conclusions issued in January and comments received on the proposed drafting. Directions to make the Code changes were anticipated in the "next few working days". The licence changes will be progressed with the DTI.

The conclusions document can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10314_5505.pdf

Credit Cover for Transmission Owners An Ofgem Conclusion Document

On 22 February, Ofgem issued its conclusions document on the treatment of Credit Cover between Transmission Licensees under BETTA – specifically the credit risk to transmission owners of non payment by NGC due to insolvency. The paper concludes that the risk of NGC insolvency is very low and the risk of non payment under administration is extremely unlikely. However, TOs' revenues are dependent on payment from a single company, the arrangements don't underwrite TOs' risks if NGC fails and the consequences of non payment of administrative expenses for a protracted



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period are very severe (the paper notes that exposure to non payment can be mitigated through pass through – although this is conditional).

Ofgem notes that one proposal, the “payment trust proposal”, has attracted support. Under this proposal payments under the CUSC would be placed in the account of a trustee specifically set up for the purpose and, in the event of NGC’s insolvency, the funds would be distributed directly to TOs, with only the balance going to NGC. However, Ofgem concludes that significant additional work is required to fully assess this proposal and the likely costs and timescales for implementation. Ofgem invites any party that supports this approach to develop the proposal to address a number of specific concerns raised by Ofgem and to provide further information on costs, timescales and the amendments that would be necessary (all without prejudice to Ofgem’s final decision).

Ofgem’s final comment is that any arrangement that reduces the TOs’ risks *may* need to be accompanied by a review of the cost of capital in their revenue restriction.

The conclusions can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10332_5605.pdf

Transmission price controls and BETTA statutory licence consultation, impact assessment, and consultation on the statements of the basis of transmission owner charges

Also on 22 February, Ofgem published a consultation on changes to a number of documents that are needed to accommodate the extended price controls for SHETL and SPT and the licence modifications for all three licensees for BETTA. These include the:

- *statutory consultation on the licence changes for SHETL and SPT* - the changes needed to give effect to the extensions to the duration of the price controls (for the case where BETTA is implemented and where it is delayed);
- *statutory consultation on the licence changes for NGC* - the changes needed to give effect to the implementation of BETTA (the current arrangements roll-forward in the event that BETTA is delayed);
- *Impact Assessment for the proposed changes* – this has been updated in the light of comments received; and

- *Transmission Owner charging statements for SPT and SHETL* – the consultation includes draft statements from the two Scottish licensees on the basis of charges to be recovered from NGC on Transmission Owner services, connection charges and outage charges.

Comments on the statutory licence change consultation and draft charging statements are requested by **22 March 2005**.

The document can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10333_BETTA_price_controls_maindoc_feb05.pdf

Information relating to the expected capacity on the Scotland-England interconnector for 2005/2006 - Ofgem conclusions

On 28 February Ofgem issued an open letter giving its decision, following the consultation issued on 1 February, that SHETL and SPT should be relieved of the licence obligations requiring them to prepare information on the amount of interconnector capacity that will be available from 2005/6. The decision is given effect via directions from Ofgem to the licensees under licence condition SLC B15 that includes provision relating to the implementation of BETTA.

The open letter can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10390_6105.pdf

DTI

The Electricity (Fuel Mix Disclosure) Regulations 2005

The DTI has laid the above regulations, which are due to come into effect on 18 March 2005, before Parliament. The new regs have been registered as (SI) 2005 No. 391 and are due to be published on the HMSO website on Friday 4th March in the afternoon (<http://www.legislation.hmso.gov.uk/stat.htm>).

The Trade & Industry Committee

Debt and Disconnection: Gas and electricity supply companies and their domestic customers

On 8 February the TIC published its Fifth report of 2005 which covers its investigation into the disconnection of domestic customers.



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The inquiry was triggered by the death two pensioners in 2003 following disconnection of their heating supply. The TIC accepts supply companies' arguments that a ban on disconnection would lead to a significant rise in fuel debt. However it argues that, if companies are to retain the right to disconnect they must demonstrate that they have taken all practicable measures to resolve problems earlier and must provide more support and advice to customers in financial difficulties, particularly the vulnerable.

The full report and recommendations can be found at:

<http://www.publications.parliament.uk/pa/cm200405/cmselect/cmtrdind/297/29702.htm>

EU Emissions Trading Scheme

On 2 February, DEFRA announced that it had received a response from the European Commission on its revised National Allocation Plan. The announcement states

"We are considering further how to respond to the points raised in the Commission's letter. We remain confident that the proposed amendments are justified and compatible with the requirements of the relevant legislation."

It can be found at:

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

UK Publishes revised list of installation level allocations for the EU emissions trading scheme

On 14 February, DTI/DEFRA announced the "revised provisional" allocation of carbon emissions allowances for individual installations. The total allocation is 756 million allowances based on the revised national allocation government has submitted to the EC in October 2004 but which has yet to be approved. If the total UK allocation is less than the proposed 756 million tonnes CO₂ then DTI/DEFRA state that the short-fall would be recovered from the electricity generation sector.

Operators have until **4 March 2005** to comment on any errors of fact.

The revised provisional installation level allocations, and other information, can be found at: <http://www.defra.gov.uk/environment/climatechange/trading/eu/nap.htm>

National Audit Office

Renewable Energy

On 11 February, the NAO published its report on its examination of the DTI's achievements in supporting renewable energy and progress against government targets, key factors that will affect future growth in renewable energy, and the cost to the consumer and tax payer of support for renewable energy. The main findings are that:

- NAO's consultants estimate that 9.9% of Great Britain's electricity will be from eligible renewable sources by 2010 – i.e. very close to the Government's target;
- NAO identify five key factors as critical to success in achieving Government's 2010 target:
 - planning;
 - timely reinforcement of the grid system;
 - confidence on the wholesale market price for electricity;
 - stability in Government policy; and
 - additional support for technologies that are not economic under the Renewables Obligation; and
- Support for renewables is estimated to cost consumers £1bn a year by 2010, mainly via the cost of the Renewables Obligation, which is several times more expensive than other measures for reducing CO₂.

The report can be found at:

<http://www.nao.org.uk/pn/04-05/0405210.htm>

NFPA Green Power Auction Results

NFPA issued a press release on 18 February announcing the prices from the auction of green electricity from NFFO contracts (prices are for electrical output together with, depending on the generation technology, Climate Change Levy Exemption Certificates (LECs) and Renewables Obligation Certificates (ROCs)). Average prices for the different technologies are reproduced below.

Technology Band	Capacity MW	Average Price p/kWh (unweighted)
Biomass	76	5.17
Hydro	13	6.96
Landfill Gas	392	6.97
MIW	151	2.43
Wind	106	6.75



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The BSC and CUSC

BSC New Modifications

Authority Decisions

On 28 January the Authority, in line with the BSC Panel's recommendation, **REJECTED P167** "Erroneous Calculation of Bid Offer Acceptance ("BOA") Volume". P167 had sought to change the calculation of Bid/Offer acceptance volumes when a party had redeclared its MEL or MIL (Maximum Export Limit/Maximum Import Limit) after gate closure but not redeclared its FPN (Final Physical Notification). The change would have meant that where the MEL is below its FPN or the MIL is above its FPN then the acceptance volume would have been calculated relative to the MIL or MEL, rather than the FPN.

On 9 February the Authority, in line with the BSC Panel's recommendation, **APPROVED P179** (Housekeeping Modification).

Modification of the Balancing and Settlement Code ("BSC"): Direction in relation to Ofgem/DTI conclusions "On the recovery of the costs incurred as a result of the run-off of the Settlement Agreement for Scotland (SAS)"

On 2 February, the Authority directed NGC to modify Section D of the BSC to implement the changes necessary to recover SAS operational run off costs from BSC Parties for repayment to the Scottish distribution companies. The change came into effect on 9 February.

Proposed Transitional Modifications

The Authority has **APPROVED** two Proposed Transitional Modifications:

- **PTM004** - BETTA Cutover; and
 - **PTM005** - Use of SAS Data,
- both were implemented on **23 February 2005**.

BSC Parties – joiners and leavers

Two new Parties acceded to the BSC in February: **Northern Ireland Electricity Plc** on 1 February and **Airtricity Ltd** on 9 February.

BSC Miscellaneous

Connect Utilities Limited has been Accredited and Certified to provide both half hourly and non half hourly Meter Operator (HHMO & NHHMO) agency services.

Revised Market Definition Statement

On 10 February the Authority, in line with the recommendation of the BSC Panel, **APPROVED** a revised Market Definition Statement (the statement that identifies the Market Index Data providers, the power exchange data that is to be collected and used to calculate the reverse imbalance price, and a "liquidity threshold"). The new Statement comes into effect when BETTA goes live.

The decision letter can be found at:

http://www.elexon.co.uk/documents/Homepage/Review_document/Decision_letter_MIDS_vfinal.pdf

New Chief Executive at ELEXON

On 15 February Nicholas Durlacher, Chairman of ELEXON announced that Stuart Senior is to join ELEXON on 3 May 2005 as Chief Executive. Mr. Senior's previous employers include Marks & Spencer, British Gas and Coopers & Lybrand. Brian Saunders will be leaving ELEXON at the end of April.

CUSC Panel Meeting

The February Meeting of the CUSC Panel meeting was cancelled.

CUSC Authority Decisions

On 2 February Ofgem issued a direction to NGC to amend the CUSC to accommodate the possible late issuance of GB offers under transmission licence condition SLC C18. The change came into effect on 9 February.

IPA NEWS

Three new staff have recently joined the IPA Marketing and Business Development Team.

Olga Kimmins who is from Russia, has been living in the UK for 4 years and has moved from Durham, where she was previously working as an Assistant Librarian at St. John's College. Prior to this Olga worked for 5 years in an International Relations department of a large Russian company involved in power engineering. Olga will be researching public procurement opportunities.



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Allan Maclean was previously working at accountants and business consultants Atkinson Donnelly in Hamilton, as a Marketing Co-ordinator. He will be working with Olga researching public procurement opportunities.

Anthony Robson joins the team as Contract Manager. He has a Diploma in Legal Practice, Bachelor of Laws (with French Law) and a Diploma in Legal Studies. Previously he has worked for Macdonald Henderson, Davidson Chalmers and Tods Murray.

New Recruit For the IPA Renewables and Emissions Trading Team

Charlie Blair has recently joined the Renewables and Emissions Trading team. Charlie previously worked with a UK solar PV company and has an MSc in Environmental Technology

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IPA Energy cannot be held accountable for the accuracy of the information nor can IPA be held responsible for the consequences of any actions or decisions taken on the basis of the information published here. Parties must refer to the formal documents to confirm the official position.

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