



IPA Energy Consulting

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

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

The newsletter aims to assist electricity market participants who already have a good broad understanding of the GB electricity trading arrangements, and the key documents that underpin them, to keep track of the major consultations that affect the development of the wholesale electricity market. A number of other consultations / decisions that may be relevant are also noted.

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

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

HEADLINES

- Opus Energy Limited has raised a new “BSC issue”, to be considered by the pricing standing modification group, on the treatment of so-called “sleeper bids”.

Ofgem Issues and Consultations

Ofgem Europe Information site

Launched: 1 August

Ofgem has launched a new information site on Europe. The site provides information on Ofgem's activities in Europe including Ofgem's work with other European energy regulators through the CEER (Council of European Energy Regulators) and ERGEG (European Regulators Group for Electricity and Gas). The site can be accessed at: <http://www.ofgem.gov.uk/ofgem/index.jsp> (under “information sites”; “Europe”).

Summary paper on Great Britain's gas and electricity markets

Issued: 1 August
Response: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/12014_18005.pdf

Ofgem has published a 7 page summary of the GB gas and electricity markets. The stated aim of the summary is to support the DG TREN (Directorate General of Transport and Energy) review of the

liberalisation process by identifying (“where possible”) the factors that have contributed to the successful liberalisation of the GB markets and the development of competition.

Edited “snippets” from various sections of the paper are recorded below.

Market structure - the present ownership structure of the GB gas and electricity markets is seen as “generally favourable to the development of effective competition” and much is made of the benefits of an independent TSO (transmission system operator).

Network regulation - Ofgem refers to the benefits of the gas entry arrangements and notes it is working hard to extend these benefits to gas network exit capacity and to the electricity network.

Recent developments - Ofgem notes its concerns about recent gas price rises and the interaction with the European gas market and its support for the decision of the European Commission to open an inquiry into the gas sector across Europe.

Current concerns – again the main focus is the operation of the European gas market, although there is also reference to the cash out review and transparency of upstream offshore gas production.

A review of the Energy Efficiency Commitment for 2002 – 2005 - A report for the Secretary of State for Environment, Food and Rural Affairs

Issued: 2 August
Response: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/12015_18105.pdf

Ofgem has published a review of the Energy Efficiency Commitment for 2002 - 2005 (EEC) (now superseded by the Energy Efficiency Commitment for 2005 - 2008 (EEC 2005 - 2008)).

The target energy savings for EEC 2002 - 2005 was 62 TWh from domestic gas and electricity consumers; half of which had to come from the “priority group” (households in receipt of certain income related benefits and tax credits). The target for 2005 - 2008 is 130 TWh.



The technical term is “fuel standardised, lifetime discounted TWh” as all forms of energy savings, not just electricity and/or gas, qualify and the benefits are determined from estimated lifetime savings.

To meet the EEC, suppliers with more than 15,000 gas or electricity domestic consumers are required to develop and implement schemes that will yield life time energy savings equal to their allocated share of the total target. The schemes have to be approved, and monitored, by Ofgem in order to qualify. Certain types of scheme are rated more highly than others.

The review covers performance in 2004 - 2005 and the full EEC period of 2002 – 2005. It provides analysis of the measures used and the outcomes of the programme, the carry over to 2005 – 2008, and emerging issues.

In aggregate, suppliers delivered energy saving measures of 86.8 TWh (140% of the obligation) over the three year period. The excess from solvent suppliers, which amounts to ~25 TWhs, can be carried forward to meet their EEC 2005 – 2008 commitments. However, there is a small shortfall against the target which arises because two suppliers failed to meet their obligations (the failure of one (TXU) was made up by another supplier (Powergen) on a voluntary basis – although less than 50% was from the priority group). The majority of the energy savings come from insulation schemes which accounted for 56% of the total.

Environmental Action Plan Review 2004/5

Issued: 12 August
Responses: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12071_184_05.pdf

Ofgem has published its fourth annual review of its 2001 Environmental Action Plan. The review covers its activities in the environmental arena in 2004/5 and reviews priorities for 2005/6. The review’s appendices include details of the membership of Ofgem’s Environmental Advisory Group, Climate Change Levy exemption statistics (which, amongst other things, includes details and location of accredited generating stations – just under a third of which are outside the UK), and Emissions data (this shows emissions data from gas and electricity sources in 1990 and 2000 – 2003 and covers Carbon Dioxide, Methane, Nitrous Oxide, Sulphur Hexafluoride, Hydrofluorocarbons and Perfluorocarbons).

Ofgem’s Five Year Strategy 2006-2011

Issued: 12 August
Response requested by: **30 September**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12131_CSconsultation.pdf

Sir John Mogg has published an open letter inviting contributions to the development of Ofgem’s 2006-2011 Strategy. The letter outlines the initiatives that resulted from previous contributions and seeks view, in particular, on:

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
3. the priority of areas of work that you think we should tackle, in response to the challenges you identify.”

The forward timetable is:

August 2005: Initial consultation on our strategy for the next five years
September 2005: Deadline for responses
Nov/Dec 2005: Authority considers draft Proposed Corporate Strategy and Plan 2006-2011
January 2006: Publish Proposed Corporate Strategy and Plan 2006-2011
February 2006: Authority public session on the Proposed Corporate Strategy and Plan
February 2006: Deadline for responses
March 2006: Publish Corporate Strategy and Plan 2006-2011

Notice under Section 11A of the Electricity Act 1989 - Assistance for areas with high distribution costs

Issued: 16 August
Response requested by: **13 September**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12153_18605.pdf

Ofgem has published a statutory consultation on modifications to the transmission licence conditions covering the scheme introduced under the Energy Act to replace the “Hydro Benefit”. The scheme provides for the GB SO to make payments to



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specified distribution network operators, to offset high distribution costs, and recover the cost from suppliers.

Gas and Electricity Supply Licence Review Way Forward

Issued: 17 August
Responses: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12156_187_05.pdf

Ofgem has published a document setting out its proposed approach to reviewing the supply licence conditions (for gas and electricity) following its consultation earlier this year.

Ofgem confirms its proposal to review gas and electricity licences, including those licence conditions relating to the non-domestic market, and for the review to proceed over an eighteen month to two year period with new licence conditions coming into effect in June 2007. Ofgem indicates that at the end of the review it will consider whether there is merit in conducting further reviews covering the Standard Licence Conditions of other types of licence. Ofgem is aiming to allow a twelve week period for the two key consultation documents covering policy (~ June 2006) and legal text (~ November 2006).

Ofgem has identified 5 Principles to form the overall framework of the review. These were proposed in the February consultation and Ofgem confirms its initial view that they are appropriate.

Principle 1

A licence condition or self-regulation (such as an industry wide Code of Practice) is only necessary where there is a clear need for additional protection for the particular circumstances of gas and/or electricity customers (or specific groups of them), over and above that provided by general consumer protection legislation.

Principle 2

Notwithstanding principle 1, given the essential nature of gas and electricity, there is likely to be a continuing need to protect vulnerable customers by licence conditions and/or self-regulation.

Principle 3

Licence conditions that relate to compliance with industry codes and agreements are only likely to be necessary if they do not themselves contain adequate sanctions for suppliers who breach them.

Principle 4

Licence conditions that are considered necessary will be clearly drafted and will provide a flexible framework within which the maturing competitive market can evolve.

Principle 5

Licence conditions should not restrict suppliers from differentiating themselves in the competitive market and be drafted in a way that will allow suppliers to implement any necessary changes at their own rate without having to move at the pace of the slowest. This means that suppliers who are able to comply quickly with the new SLCs may be able to gain a competitive advantage over those that remain subject to the current SLCs."

Ofgem is to establish a Steering Group (Chaired by Ofgem) to help conduct the review supported by various workgroups covering specific topics, in line with the proposed "themed" approach to the review. The document states that Membership of the Steering Group and Workgroups will be open to Suppliers, energywatch, and other customer representatives. However, elsewhere in the document it states that the Steering Group will consist of "representatives of industry parties (primarily suppliers)...."

Ofgem invites requests to participate in the Steering Group and the Workgroups (which are expected to cover vulnerable customers and codes of practice, industry codes, contracts and information, Section D issues, Section B issues (in particular supplier of last resort), duty to supply and metering issues). It also issues an invitation to be included on the "SLR" distribution list (email andrew.wallace@ofgem.gov.uk).

Decision on the Long Term Development Statements (LTDs) for Electricity Distribution Networks

Issued: 19 August
Responses: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12171_189_05.pdf

John Scott has published an open letter setting out the conclusions Ofgem has drawn from responses to the May consultation/usability questionnaire on the value of LTDs and their further development.

In the light of the comments, and progress on a DTI project directly related to the further development of the LTDs (due to completed later this year), Ofgem has decided to leave the form of the statements unchanged for 2005 and to pass the comments received during its consultation to the DTI project. Ofgem will reconsider the options for further development once the DTI project is complete.

Request for extension to timescales: Consent pursuant to SLC C8

Dated: 24 August
Response: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12237_194_05.pdf

Ofgem has approved a request from NG to extend the timescale for making an offer to a DNO in respect of an embedded generator connecting to a DNO network. However, Ofgem has determined that the extension should be for 4 months rather than the 6 months proposed by NG.

Renewables Obligation - Atlantic Electric and Gas Limited

Press release & notice issued: 31 August
Response: n/a

Link to press release:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12248_r37_31aug05.pdf

Link to notice:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12246_19505.pdf

Ofgem has issued a notice on the failure of Atlantic Electric and Gas Limited to meet its Renewables obligation for 2004/5. The accompanying press release indicates that failure results in short fall in the buy-out fund of £699,055 for the Renewables Obligation and £15,067 for the Renewables Obligation Scotland.

Government Bodies & Other Bodies

Energy Emergency Executive Committee Joint Response Team

Incident Response Plan

Issued: (not dated)
Response: n/a

Link:
http://www.dti.gov.uk/energy/domestic_markets/security_of_supply/incident_response_plan.pdf

The Energy Emergency Executive Committee (E3C) has published the Incident Response Plan (IRP) for dealing with civil emergencies that affect the gas and electricity industries. The plan provides the framework under which a Joint Response Team (JRT) will be formed and operate. The JRT is the body, to be chaired by the DTI, which will be responsible for handling emergencies that affect the gas and electricity industries and will act as the interface between government and industry. The document states that the IRP is intended to complement and not replace existing industry emergency arrangements.

DTI

A cost recovery mechanism for protected energy companies in energy administration Consultation on proposed licence modifications

Issued: 4 August
Response requested by: **27 October**

Link:
http://www.dti.gov.uk/energy/consultations/cost_recovery.pdf

DTI has issued a consultation on proposed changes to electricity transmission and distribution and gas transporter licences to give effect to the new requirements, flowing from the Energy Act 2004, for a special administration scheme for "protected energy companies" (essentially, licensed gas and electricity transporters). The consultation covers the recovery of any shortfall in the sums recovered from the protected companies to cover certain debts and financial assistance provided by the Secretary of State to a company in energy administration. The shortfall would be recovered from other licensed energy companies as specified by the Secretary of State after the shortfall is identified.

The main elements of the proposed scheme include:

- if a distribution company is in energy administration:



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- ◆ the recovery process will be initiated by the Secretary of State issuing a Shortfall Direction specifying, amongst other things:
 - the amount of the shortfall, the total amount to be raised, which licensees should be required to contribute (DTI seeks views on whether this should be restricted to DNOs or whether Independent Distribution Network Operators should also be included), and how much each must contribute (or how the amount is to be calculated);
 - how that contributor can raise its contribution;
 - when contributions must be made to the DNO in energy administration, when the sums must be paid out by that DNO and to whom;
- ◆ within 14 days the DNO in energy administration would serve a notice on itself and other DNOs (& IDNOs if included) in GB specifying their contribution and other information as per the Direction, copies will be sent to the Authority and Secretary of State and published on its website;
- ◆ each affected DNO (& IDNO if included) would be able to raise its charges, in line with the requirements in the contribution notice, to enable it to recover its contribution (it is anticipated that this will be via charges to suppliers – but this is subject to a decision at the time the direction is issued);
- ◆ if the increase in charges does not recover the correct amount, then there will be a further change in charges to accommodate the error;
- ◆ DNOs will NOT be subject to the licence conditions requiring them to give notice of the change in charges and, under the new licence condition, will be prevented from entering agreements that do not allow this change and required to use “best endeavors” to amend existing agreements that would prevent recovery;
- ◆ DNOs will be required to provide an annual statement on recovery of charges for each 12 month period that they are subject to the Direction;
- ◆ changes will be made to the licence to ensure that these measures do not fall within the price control revenue restriction;
- ◆ it will be left to suppliers to determine how best to recover these charges from customer. It is recognised that suppliers may need to pay installments over an extended period of time to allow them to increase charges to consumers (and will be able to do so **if** allowed for in the Direction)– but suppliers are advised to take the possibility of such payments into account when entering contracts with customers;
 - if the GBSO is in energy administration the process is broadly the same as for distributors, the main differences being:
 - ◆ that the obligations would all fall on the GBSO;
 - ◆ it is anticipated that the cost would be recovered through an increase in the Transmission Network Use of System charges paid by suppliers – however the actual recovery mechanism will depend on the decision taken at the time the Direction issued; and
 - if a Transmission Owner is in energy administration the arrangements mirror those for the GBSO except that the transmission owner in energy administration would issue the contribution notice to the GBSO (the TO would not be obliged to make any contribution itself).

The arrangements for gas transporters are also covered but are not reported here.

Consultation on the sourcing of industrial energy pricing data in the Quarterly Energy Prices publication

Issued: 15 August

Response requested by: **11 November**

Link:

<http://www.dti.gov.uk/energy/consultations/qficonsult2.pdf>

DTI has issued a consultation on revisions to the way it will collect energy price data (the Quarterly Fuels Inquiry survey). The consultation states that changes are needed to the QFI because of the declining quality of the non-gas and non-electricity data.

The main changes being proposed include:

- to stop collecting data under the QFI for all companies except those that fall in the “large consumption” size band from 2006; and
- move to using the Eurostat data series (the New Eurostat Price Transparency Survey) as the main source of industrial energy price series.



DTI is also seeking views on what actions it can undertake to make the collection of industrial price information more effective and less onerous.

Carbon prices A Climate Change Project Offices Guide

Published: 25 August
Response: n/a

Link:
<http://www.dti.gov.uk/ccpo/pdfs/ccpo-brochure-carbon-prices.pdf>

DTI has published a short guide on the Kyoto agreement and EU ETS which includes historic prices and identifies factors that will influence future prices. On future price projections it notes that "Future price expectations show a wide range due to the uncertainties surrounding the volume and value of the future carbon market. Brokers and market analysts give an average expected market price of € 5-10 /tonne CO₂ for the ETS in 2005-2007, however, with a large uncertainty (€2- 45/tonne CO₂). Most specialists assume that prices will be higher during the second phase of the EU ETS (2008-2012)."

There is also "A beginners guide to baselines and additionality" (link: <http://www.dti.gov.uk/ccpo/pdfs/ccpo-beginners-baselines.pdf>) and "A beginners guide to joint implementation" (link: <http://www.dti.gov.uk/ccpo/pdfs/ccpo-beginners-ji.pdf>)

Energy Savings Trust (EST)

Delivering the Government's 2020 vision for local energy generation

Published: 16 August
Feedback to: no formal deadline but, ideally, before the end of September

Link: http://www.est.org.uk/uploads/documents/about_est/Delivering%20Gov%202020%20Vision.pdf

EST has published a consultation setting out its views on the major constraints preventing the early development of a mass market for microgeneration and some of the regulatory and other changes needed to address these problems.

EST indicates that it will publish a conclusions document, based on feedback, by the end of the year.

EU Emissions Trading Scheme

Potential benchmarks for EU ETS operators

Published: 2 August (dated July)
Response: n/a

Link:
http://www.dti.gov.uk/energy/sepn/euets_benchmark_s.shtml

DTI has published the report by consultants on the "feasibility and limitations" of using benchmarks to allocate emission allowances in Phase 2 of the EUETS.

Phase II EU ETS Sector Consultation Meetings – Allocation Methodology

Published: 26 August
Responses: respondents are invited to include comments with their responses to the July consultation document (due by 27 September for Part B responses)

Link:
http://www.dti.gov.uk/energy/sepn/allocation_methodology.shtml

DEFRA has issued a paper supplementing the consultation on Phase II issues published in July. The paper covers:

- sector classification (Government is considering changes to the sector classification for Phase II);
- treatment of CHP (which covers the requirements if a separate sector is established for CHP);
- the allocation methodology (the preferred approach is essentially the same as for Phase I but with shortened baseline period (2000 – 2003), and with the possible exception of CHP and electricity generation where benchmarking may be adopted); and
- other issues.

There are also separate annexes showing the proportional share of each sector's allocation that each incumbent would receive under the preferred allocation methodology (the methodology used for the power generation sector is the same as for all other sectors - not benchmarking).



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NFPA

NFPA Green Power Auction results

Press release issued: 22 August 2005

NFPA has announced the results of the latest green power auction which began on 17 August.

The average price was 9.00p/kWh. The average prices by technology band are given below.

Technology Band	Average price p/kWh (unweighted)
Biomass	7.43
Hydro	9.41
Landfill Gas	9.31
MIW	4.65
Wind	9.05

GB SO Reports and Consultations

The Statement of the Use of System Charging Methodology

Effective from 1 April 2005 (revised 8 August)

Issued: 8 August

Response: n/a

Link:

http://www.nationalgridinfo.co.uk/charging/pdfs/UO_SCM1R1-GBFinalAugust2005.pdf

NGC has issued the first revision of the BETTA Statement of Use of System Charging Methodology incorporating minor changes highlighted by the Authority, to aid the clarity of the document, when it gave its approval in April. The changes were circulated for comment on 22 July - but no responses were received.

Modification Proposal to the Use of System Charging Methodology GB ECM 02 Negative Demand Tariffs

Issued: 3 August

Response requested by: 31 August

Link:

http://www.nationalgrid.com/uk/indinfo/charging/pdfs/GB_ECM_02_Neg_Demand_Tariffs_FINAL.pdf

Following responses to its questionnaire, NGC has reviewed a number of options to deal with the issue of negative demand charges

(where charges to demand side users would be negative if no adjustments are made to the methodology). The current methodology collars charges at £0/kWh and returns the “excess income”, which results from the application of the collar, to all suppliers via a uniform small reduction in their charges.

NGC’s preferred approach is to remove the need for the collar by changing the G:D split (the proportion of total costs recovered from generation and demand) so that, in aggregate, demand pays 100% of NGC’s TNUoS charges. For the avoidance of doubt, generators would still be subject to network use of system charges that vary from zone to zone (and can be positive and negative) but the net income to NGC from generation would be zero. NGC propose that the change is implemented in a single step with effect from 1 April 2007. The long lead time is proposed to give the market time to incorporate the effect of the change into contractual arrangements.

Until this change is implemented, NGC propose that the current arrangement that collar charges should be retained. However, NGC also sees merit in changing the charging base in affected zones so that HH customers would be charged on the same basis as NHH demand and makes a particular request for comments on this alternative approach. NGC propose that this approach should be included in the charging methodology as “a secondary mechanism”.

The proposals have been developed to enable NGC to comply with Condition 1 placed on it when the Authority approved its first charging methodology under BETTA.

Proposed Revisions to the Balancing Principles Statement (“BPS”) and the Procurement Guidelines (“PGs”)

Published: 21 August

Effective from: 2 September

Link:<http://www.nationalgridinfo.co.uk/balancing/pdfs/BPS%20and%20PGs%20May%202005%20Decision%20Letter%20v1signed.pdf>

Ofgem has approved the changes to the Procurement Guidelines (PGs), and Balancing Principles Statement (BPS) under Standard Licence Condition C16 proposed in the final report submitted by National Grid in June.



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The BSC and CUSC

BSC New Modifications

P193 (Improved Arrangements for Modification Proposals raised by the BSC Panel), was raised by National Grid Transmission plc on 26 August. The Modification seeks to change the BSC to allow the BSC Panel to raise a modification and determine how it should be progressed at the same meeting – thus reducing the paperwork and timescale for processing such modifications.

P194 (Revised Derivation of the 'Main' Energy Imbalance Price) was raised by National Grid on 26 August. The Modification proposes changing the way in which accepted Bids/Offered used to determine the main energy imbalance price are identified. Under the proposed process, the determination of the NIV (Net Imbalance Volume) would be unchanged. However, the maximum volume of priced balancing actions within the NIV that would be used to set the price would be capped at 100MWh. Where the volume exceeds 100MWh, only the top 100MWh most expensive priced acceptances would be used in the calculation of the relevant price.

BSC – joiners and leavers

Maverick Energy Ltd and **Independent Energy (UK) Ltd** both withdrew from the BSC in August.

BSC Miscellaneous

Issue 18 – Sleeper Bids

On 10 August, Opus Energy Limited wrote to ELEXON about the treatment of so-called “sleeper bids” stating that the ability of generators to post bids up to a theoretical maximum of £99,999 needs examination. The letter suggests that one option is to impose a requirement on all participants for their offers and bids to be “related to their reasonable costs”. The issue is to be considered by the PSMG (pricing standing modification group) – the first meeting is scheduled for 1 September.

The letter and an NGC presentation on this type of bid can be found at:

<http://www.elexon.co.uk/changeimplementation/ModificationProcess/groups/issues/issues.aspx?issueID=20>

Review of Credit Assessment Price (CAP) – Consultation Responses

The Panel has endorsed the proposed increase in the level of CAP to £28.00/MWh with effect from 1 October. It has also recommended that the next review of CAP should be scheduled such that the next CAP value becomes effective from 1 April 2006.

See BSC Panel headlines for further details: http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/BSC_Panel_Meetings_Documents/Headlines_95.pdf

BSC Architecture Principles Document Consultation

Issued: 23 August

Response due: **20 September**

Link:

<http://www.elexon.co.uk/consultations/default.aspx>

The consultation outlines, and seeks views on, general principles for the ‘architecture’ of the BSC Documentation which, when finalised, would be used as guidance on the requirements/role of each type of BSC document.

CUSC

CUSC Amendment Proposals

New CAPs

Eight new CAPs were raised in **July** (& omitted in error from last month’s summary – for which apologies!).

CAP096 - Revisions Resulting from Interconnector Separation – raised by NGC. This CAP seeks to modify the CUSC in line with changes arising from the licensing of interconnectors and the transfer of the NGC interconnector business to a separate legal entity (NGT Interconnectors Ltd). However, NG has given formal notice to initiate the process for withdrawing this proposal.

CAP097 - Revisions to Contractual Requirements for Small and Medium Embedded Power Stations under CUSC 6.5 – raised by NGC. The CAP flows from the new requirements for “LEEMPS” and proposes a number of new provisions that clarify the connection requirements and obligations between NGC and Small and Medium Embedded Power Stations under the specified clause in line with Grid Code requirements.



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CAP098 - Reassessment of Suppliers Value at Risk – raised by BizzEnergy Limited. The CAP proposes increasing the frequency of charging reconciliations to reduce the value at risk (and hence security cover) and the risks associated with of forecasting errors.

CAP099 - Incorporation of additional credit management tools – raised by BizzEnergy Limited. The CAP proposes changes to the CUSC to allow the use of a number of new financial tools to manage credit risk exposure.

CAP100 - Revision of CUSC Amendment Provisions to ensure that Amendment Reports contain a collective CUSC Panel Recommendation – raised by NGC. The CAP has been raised following the publication of the order that covers the new right of appeal which includes provisions to prevent an appeal being raised where the Authority's decision aligns with the majority view of the Amendments Panel. The CAP proposes incorporating new provisions in the CUSC to allow the Amendments Panel to make a recommendation as to whether a CAP should, or should not, be implemented and for this recommendation to be recorded in the final report to the Authority.

CAP101 - Removal of the Amendments Panel Chairman's Casting Vote - In context of Amendments Panel Recommendation vote – raised by NGC. The CAP complements, but is not dependent on, CAP100. It proposes removing the Panel Chairman's right to a casting vote in the event of a hung Panel decision on a CAP recommendation. The hung vote would then be recorded in the CAP report.

CAP102 - Revision of CUSC Amendment Provisions – raised by NGC. The CAP proposes allowing the Proposer of an Amendment to specify whether they consider the CAP has security of supply implications and should, therefore, be excluded from the new appeals mechanism. However, NG has given formal notice to initiate the process for withdrawing this proposal.

CAP103 - Flexibility of Working Group Internal Procedures- raised by NGC. The CAP proposes allowing working groups to revise the timetable for circulation of draft working group reports to members and to revise working group membership between CUSC Amendments Panel meeting.

A further 2 CAPs were raised in August.

CAP104 - Amendment to System to Generator Inter-trip related terms concurrently defined in the Grid Code and the CUSC was raised by National Grid. The Amendment proposes removing references of system to generator intertrips in the CUSC and replacing them with references to the definitions in the Grid Code wherever the current definitions are identical.

CAP105 - Change of Company Name for National Grid Company plc (NGC) – raised by National Grid. The Amendment proposes changing the name of National Grid Company plc (NGC), in the CUSC, to National Grid Electricity Transmission plc (NGET) in line with the recent changes to the Company Name.

DISCLAIMER

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

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Summary of August 2005 Consultations & New BSC and CUSC Mods and Decisions

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

CARRIED FORWARD FROM LAST EDITION...		Issued	Response Due
DTI	<p>Electricity Safety, Quality and Continuity (Amendment) Regulations 2005</p> <p>The consultation, draft guidance document, regulatory impact assessment and draft SI can be found at: http://www.dti.gov.uk/energy/consultations/</p>	7 June	2 September
DEFRA	<p>Consultation on the draft Regulations for transposing the Linking Directive</p> <p>The consultation and associated documents can be found: http://www.defra.gov.uk/corporate/consult/euets-linkingdir/index.htm</p>	10 June	19 August
DTI	<p>Microgeneration Strategy and Low Carbon Buildings Programme</p> <p>DTI The consultation can be found at: http://www.dti.gov.uk/energy/consultations/microgen.pdf</p>	23 June	23 September
Ofgem	<p>Social Action Strategy</p> <p>The strategy can be found at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11775_15505a.pdf & the accompanying press release (“rising fuel prices threaten progress on tackling fuel poverty”), at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11772_r29_30june05.pdf</p>	30 June	1 September
Ofgem	<p>Refocusing Ofgem’s Asset Risk Management (ARM) Activity</p> <p>The letter & questionnaire can be found at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11901_17005_ofgem.pdf</p>	14 July	31 August
NGT	<p>Draft Modification Proposal to the GB Connection Charging Methodology GB ECM 01 One-off Charges for System to Generator Intertripping Schemes</p> <p>The consultation can be found at: www.nationalgrid.com/uk/indinfo/charging/mn_modifications.html</p>	15 July	12 August
DEFRA	<p>EU Emissions Trading Scheme – Phase II</p> <p>http://www.defra.gov.uk/corporate/consult/euets-phasetwo/index.htm</p>	19 July	Part A by 13 September, Part B by 27 September
EAC	<p>New Inquiry Keeping the Lights on: Nuclear, Renewables, and Climate Change</p>	21 July	21 September for written

	The announcement of the new inquiry can be found at: http://www.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_21_07_05b.cfm		submissions
Ofgem	Open Letter on Extending National Grid Company's Transmission Owner Price Control for 2006/07 The open letter can be found at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11959_17105.pdf	22 July	19 August
Ofgem	Transmission price control review Initial consultation The consultation can be found at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11942_17205.pdf	22 July	9 September
Ofgem	Regulation of Independent Electricity Distribution Network Operators The decision can be found at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11958_17605.pdf	26 July	9 September
DTI/Ofgem	Regulation of offshore electricity transmission The consultation can be found at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11963_17805.pdf	27 July	19 October
DTI	Adjusting transmission charges for renewable generators in the North of Scotland The document can be found at: http://www.dti.gov.uk/energy/consultations/s_185_consultation.pdf Illustrative Transmission Charges for Scottish Islands (by NGT) http://www.dti.gov.uk/energy/consultations/island_charges.pdf Impact of GB Transmission Charging on Renewable Electricity Generation http://www.dti.gov.uk/energy/consultations/seef_report.pdf	27 July	19 October
DTI	Consultation on the use of net and gross calorific values for calculating energy balances The consultation can be found at: http://www.dti.gov.uk/energy/consultations/net_gross_cv.pdf	31 July	31 October
NEW in August			
Energy Emergency Executive Committee (E3C)	Incident Response Plan Link: http://www.dti.gov.uk/energy/domestic_markets/security_of_supply/incident_response_plan.pdf	undated	n/a
Ofgem	Ofgem Europe Information site	Launched: 1 August	n/a

	The site can be accessed at: http://www.ofgem.gov.uk/ofgem/index.jsp (under “information sites”; “Europe”).		
Ofgem	Summary paper on Great Britain’s gas and electricity markets Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12014_18005.pdf	1 August	n/a
Ofgem	A review of the Energy Efficiency Commitment for 2002 – 2005 A report for the Secretary of State for Environment, Food and Rural Affairs Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12015_18105.pdf	2 August	n/a
DTI	Potential benchmarks for EU ETS operators Link: http://www.dti.gov.uk/energy/sepn/euets_benchmarks.shtml	2 August	n/a
NG	Modification Proposal to the Use of System Charging Methodology GB ECM 02 Negative Demand Tariffs Link: http://www.nationalgrid.com/uk/indinfo/charging/pdfs/GB_ECM_02_Neg_Demand_Tariffs_FINAL.pdf	3 August	31 August
DTI	A cost recovery mechanism for protected energy companies in energy administration Consultation on proposed licence modifications Link: http://www.dti.gov.uk/energy/consultations/cost_recovery.pdf	4 August	27 October
Ofgem	Environmental Action Plan Review 2004/5 Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12071_184_05.pdf	12 August	n/a
Ofgem	Ofgem’s Five Year Strategy 2006-2011 Link to open letter: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12131_CSconsultation.pdf	12 August	30 September
DTI	Consultation on the sourcing of industrial energy pricing data in the Quarterly Energy Prices publication Link: http://www.dti.gov.uk/energy/consultations/qficonsult2.pdf	15 August	11 November
Ofgem	Notice under Section 11A of the Electricity Act 1989 Assistance for areas with high distribution costs Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12153_18605.pdf	16 August	13 September

Ofgem	Gas and Electricity Supply Licence Review Way Forward Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12156_187_05.pdf	17 August	n/a
Ofgem	Decision on the Long Term Development Statements (LTDs) for Electricity Distribution Networks Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12171_189_05.pdf	19 August	n/a
Ofgem	Request for extension to timescales: Consent pursuant to SLC C8 Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12237_194_05.pdf	24 August	N/a
DTI	Carbon prices A Climate Change Project Offices Guide Link: http://www.dti.gov.uk/ccpo/pdfs/ccpo-brochure-carbon-prices.pdf A beginners guide to baselines and additionality” Link: http://www.dti.gov.uk/ccpo/pdfs/ccpo-beginners-baselines.pdf) and A beginners guide to joint implementation Link: http://www.dti.gov.uk/ccpo/pdfs/ccpo-beginners-ji.pdf	25 August	N/a
DEFRA	Phase II EU ETS Sector Consultation Meetings – Allocation Methodology Link: http://www.dti.gov.uk/energy/sepn/allocation_methodology.shtml	26 August	Responses: respondents are invited to include comments with their responses to the July consultation document (due by 27 September for Part B responses)
Ofgem	Renewables Obligation - Atlantic Electric and Gas Limited Link to press release: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12248_r37_31aug05.pdf Link to notice: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12246_19505.pdf	31 August	N/a

BSC & CUSC Mods & Decisions August 2005 (& new CAPs from July)			
BSC New Mods....			
P193	Improved Arrangements for Modification Proposals raised by the BSC Panel	26 August	National Grid Transmission plc
P194	Revised Derivation of the 'Main' Energy Imbalance Price	26 August	National Grid
BSC Mod Decisions...			
New CAPs.....			
CAP096	Revisions Resulting from Interconnector Separation. NG has given formal notice to withdraw this proposal.	July	NG
CAP097	Revisions to Contractual Requirements for Small and Medium Embedded Power Stations under CUSC 6.5	July	NG
CAP098	Reassessment of Suppliers Value at Risk	July	BizzEnergy Limited
CAP099	Incorporation of additional credit management tools	July	BizzEnergy Limited
CAP100	Revision of CUSC Amendment Provisions to ensure that Amendment Reports contain a collective CUSC Panel Recommendation	July	NG
CAP101	Removal of the Amendments Panel Chairman's Casting Vote - In context of Amendments Panel Recommendation vote	July	NG
CAP102	Revision of CUSC Amendment Provisions. NG has given formal notice to withdraw this proposal.	July	NG
CAP103	Flexibility of Working Group Internal Procedures	July	NG
CAP104	Amendment to System to Generator Inter-trip related terms concurrently defined in the Grid Code and the CUSC	August	NG
CAP105	Change of Company Name for National Grid Company plc (NGC)	August	NG
CAP Decisions...			