



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 November 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

- The European Court has ruled against the EC and determined that the UK Government was entitled to request amendments to its National Allocation Plan to increase the total number of UK allowances. The EC will now need to consider whether to approve the amendment.
- During his speech to the CBI on 29 November, Tony Blair formally announced the launch of the 2006 Energy Review, which will include whether new nuclear power can be "facilitated".
- Ofgem has published its final proposals for the one year extension of NGET's current price control. The proposals will deliver a price control income of £943.2m in 2006/7, a 6% real terms increase over the 2005/6 level. NGET has until 9 January to confirm whether or not it accepts the proposals.

Ofgem Issues and Consultations

Issue: Changes to generation, supply, distribution and transmission licences as a consequence of the new licensing regime for interconnectors.

Title: Decision in respect of licence modifications required as a consequence of the introduction of interconnector licences: statutory notices under section 11 and section 11A of the Electricity Act 1989

Issued: 10 November
Response due: n/a

Link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12812_239_05.pdf

Link to September consultation:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12302_19905.pdf

Ofgem has issued a decision letter and statutory notice on the licence changes it considers are required to existing licences (other than interconnector licences) to facilitate the introduction of gas and electricity interconnector licences. The letter indicates that all affected licensees had accepted the proposed changes to the Special Conditions in their licences and that there were no statutory objections to the proposed collective modifications to the standard conditions.

Ofgem intends the changes to come into effect on the same date as the prohibition on operating an interconnector without a licence comes into effect. However as this date is yet to be finalised by the DTI, Ofgem is proposing to issue a notice at the point the timing is confirmed.

Subject to one drafting change, the licence changes are as proposed in Ofgem's September consultation which considered the proposed modifications to be mostly 'house-keeping' changes.

Issue: Ofgem is seeking views on whether to undertake a review of competition on the non-domestic gas and electricity supply sector

Title: Non-domestic supply market review: consultation

Issued: 11 November
Response due: 13 January 2006

Link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12822_240_05.pdf

Ofgem has published an open letter seeking views on whether it should undertake a review of competition in the non domestic gas and electricity supply markets and, if so, what the scope of the review should be.



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The letter notes that it last undertook such a review in 2003 and, at that time, concluded that further reviews of the non domestic sector were not needed. In light of this, it is seeking “specific evidence” that a further review is necessary. Amongst other things, the letter gives background to the development of the market since 2003, the nature of concerns that have been raised by customers, and a broad indication of the evidence it would require in order to justify undertaking a review.

Issue: NGET’s discharge of the conditions attached to the Authority’s approval of its use of system charging methodology for 1 April 2005 (Condition 1 – negative demand charges).

Title: Fulfillment of conditions attached to the Authority’s approval of the GB transmission use of system charging methodology

Issued: 14 November
Response due: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/12841_241_05.pdf

See below under System Operator consultations.

Issue: Transmission Licence modification to change the publication date for the Seven Year Statement (SYS)

Title: Notice under section 11A(3) of the Electricity Act 1989

Issued: 14 November
Response due: **14 December 2005**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/12842_242_05.pdf

Ofgem has issued a statutory consultation on changes to NGET’s licence following its request to change the publication date for the SYS to 31 May of each year rather than 31 March as currently required for 2006 onwards.

Issue: Provision of (competitive) gas and electricity connection services

Title: Gas and electricity connections - Industry review results 2004/05

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/12909_245_05.pdf

Ofgem has published a fact sheet outlining the findings of its 2004/05 annual review of the nature and level of competition in connections in the gas and electricity sectors and comparisons with the findings of the previous review.

Issue: Statutory consultation on changes to the licences of three Independent DNOs

Title: Notice under section 1 of the Electricity Act 1989

Issued: 21 November
Response due: **19 December 2005**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/12925_24605.pdf

Ofgem has issued a statutory consultation on changes to the financial ring fencing provisions in the licences of Independent Power Networks Ltd; Laing Energy Limited; and Global Utility Connections Limited.

Issue: New Governance arrangements for distribution issues (& a new multilateral agreement – the Distribution Connection and Use of System Agreement (DCUSA)).

Title: Governance in the Electricity Distribution Commercial Arrangements - Conclusions and Final Proposals

Issued: 23 November
Response due (for comments on the proposed licence modifications and other identified issues): **7 December 2005**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/12932_Gov_in_Elec_Dist_Comm_Arrs_Ofgem_Conclusions.pdf

Ofgem has published its conclusions and proposals for new, collective, governance arrangements for distribution commercial arrangements. The document:

- details the history of the development of the proposals;
- covers a number of issues identified in responses to consultations; and



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- sets out Ofgem's preferred model for a new multilateral agreement, the Distribution Connection and Use of System Agreement (DCUSA).

The document also provides an initial draft of the Collective Licence Modification needed to give effect to the new code and invites comments on the drafting.

Issue: Statutory notice amending standard condition 4C (which covers non discrimination in the provision of use of system and connection to the system) in the Distribution Licence.

**Title: The Electricity Act 1989
Modification of standard condition 4C of all the electricity distribution licences granted or treated as granted under sections 6(1)(c) of the Electricity Act 1989**

Issued: 23 November
Effective from: **1 December 2005**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12933_248_05.pdf

Title: Refocusing Ofgem's ARM 2002 Survey to BSI-PAS 55 Certification

Issued: 24 November:
Response due: **16 January 2006**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12965_250_05.pdf

Ofgem has published an open letter setting out its proposal that it should not rerun the bespoke ARM 2002 Survey (Asset Risk Management Survey) but instead encourage each Network Company to undertake BSI-PAS 55 certification on a voluntary basis (Ofgem notes that it sees this as a measure of adequacy not of excellence). The letter also seeks views on the merits of creating a Stakeholder Working Group to develop a commonly agreed scoring methodology and to act as a forum for further discussion.

Issue: Ofgem's determination of what constitutes "Innovative Action" for the purposes of the Energy Efficiency Commitment (EEC).

Title: Energy Efficiency Commitment 2005-2008 Innovative Action - Decisions document

Issued: 24 November
Response due: n/a

Link (decisions):
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12963_249_05.pdf
Link (summary of responses):
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12964_249_05b.pdf

Ofgem has published a decision document on the criteria to be met for an energy efficiency measure to qualify as an "innovative action" under the 2004 EEC Order and so qualify for 50% uplift in the number of EEC credits that attach to the action. Although Ofgem also note that, ultimately, what constitutes an innovative action is a question of law and that any opinion in the document is not a statement of law and does not constitute legal advice.

Ofgem has also published an update of suppliers' performance to date under the 2005 – 2008 EEC (http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12727_EECOct05.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/energyefficiency).

Issue: Rollover of NGET's price control to 2006/7

Title: - Extending National Grid Electricity Transmission plc's Transmission Owner Price Control for 2006/07: Final Proposals

Published: 25 November
Responses due: NGET has until **9 January 2006** to confirm whether it accepts the proposals.

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12992_253_05.pdf

Ofgem has published its final proposals for extending the duration of NGET's current price control period for an additional year to 31 March 2007.

The proposals will deliver a price control income of £943.2m in 2006/7; a 6% real terms increase over the 2005/6 level.

NGET has until 9 January to accept the proposals. If it does, Ofgem will consult on licence modifications to give effect to the change in early February 2006.

Issue: Competition in the Provision of connections to distribution networks



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Title: Initial consultation letter – Proposal for extending the scope of contestable works in relation to competition in electricity connections

Issued: 25 November
Response due: **16 January 2006**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/12972_251_05.pdf

Ofgem has published an open letter consulting on the provision of connection reinforcement and diversionary works that are:

“completely physically and electrically separate from existing DNO infrastructure and do not require access to existing DNO operational areas, fully funded by a single third party or customer [emphasis as per document]”

on a contestable basis and the principles, risk and compliance issues associated with this proposal.

Issue: report of DNOs’ performance under their incentivised quality of service activities.

Title: 2004/05 Electricity Distribution Quality of Service Report

Published: 30 November
Response due: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/13039_258_05.pdf

Ofgem has published a report on the quality of service performance, by distribution network operators (DNOs), over the period 1 April 2004 to 31 March 2005 – which covers the third year in which DNOs were subject to financial incentives on their quality of service.

The report indicates that the underlying average number of customer interruptions per 100 customers has fallen by 16 per cent and the number of customer minutes lost has reduced by 16 per cent since the incentive arrangements were introduced in April 2002.

Issue: The GB Queue for Connections

Title: 05 - Request for extension to period for issuing an Offer to the Applicant in respect of the Premises: content pursuant to standard licence condition C8 (Requirement to offer terms)

Issued: 30 November
Response due: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsatta/ch/13038_257_05.pdf

Ofgem has agreed to a request from NGET to extend the timescales for making a connection offer to an applicant that applied after the BETTA go-live date (and so is subject to Standard Licence Condition C8 (SLC 8) rather than SLC 18 which applies to applicants who applied before the Go-live date) to ensure that it does not receive an offer before those waiting in the GB queue (i.e. those being processed under SLC 18). Ofgem has agreed the request and stipulated that the offer must be made within 10 working days of the last offer being issued under SLC 18.

GOVERNMENT AND OTHER BODIES

Tony Blair

Issue: The 2006 Energy Review – progress against the Energy White paper objectives and the future of nuclear power

Title: Energy policy 'back with a vengeance' (speech to the CBI)

Issued: 29 November
Review: 2006

Link to Press Release (including terms of reference):
http://www.dti.gov.uk/energy/energy_review_press_notice.pdf

Link to Speech to the CBI: <http://www.number-10.gov.uk/output/Page8606.asp>

In his speech to the CBI on 29 November, the Prime Minister formally announced the review of Energy Policy. The review, which is to be chaired by Malcolm Wicks, will examine progress against the medium and long-term goals in the Energy White paper.

In his speech, the Prime Minister stated “it will include specifically the issue of whether we can facilitate the development of a new generation of nuclear power stations”, although there is no specific reference to nuclear in the brief terms of reference in the DTI’s press release. The aim is to publish a policy statement on energy in early summer 2006.



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DTI

Issue: Grants for microgeneration

Title: Energy Minister Announces Funding Level for the Low Carbon Building Programme

Issued: 2 November

Response: n/a

Link:

<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=176001&NewsAreaID=2>

DTI has issued a press release giving details of the level of funding available under the new "Low Carbon Buildings Programme" (LCBP) that comes into effect in April 2006 and which replaces the "Clear Skies Programme" and the Major Photovoltaic Development programme (MPD). The Minister has announced a £30m package over the next three years (the LCBP will run for six years); £1.5m is to be brought forward to meet increased demand under the Clear Skies and the MPD before they end in March next year.

Issue: Planning guidance for marine renewables

Title: Planning and Consents for Marine Renewables Guidance on Consenting Arrangements in England and Wales for a Pre-Commercial Demonstration Phase for Wave and Tidal Stream Energy Devices (Marine Renewables)

Published: 7 November

Response: n/a

Link:

<http://www.dti.gov.uk/renewables/publications/pdfs/guidanceonconsentingarrangements.pdf>

DTI has published new guidance on the application of existing lease and consenting procedures for all small-scale marine renewable energy generation demonstration devices in English and Welsh territorial waters and the whole of the UK Renewable Energy Zone (REZ) but excluding that part beyond Scottish territorial waters.

Issue: Climate Change and Sustainable Energy Private Member's Bill (Second Reading) - Government amendments to reduce the administrative burden for microgenerators under the Renewables Obligation and extend the timescales during which Government can reduce transmission charges for renewable generators in the Scottish Islands.

Title: Climate Change and Sustainable Energy Private Member's Bill - Extension of Private Members Bill

Second Reading: 11 November

Next Stage: Committee stage

Link to information about the Bill:

<http://www.marklazarowicz.org.uk/bill/draft.htm>

Link to press release:

<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=177510&NewsAreaID=2>

Mark Lazarowicz's Climate Change and Sustainable Energy Private Member's Bill received its second reading in the House of Commons on 11 November. The Bill proposes a number of measures to support reduction in carbon emissions and promote sustainable energy and microgeneration.

Government has indicated its broad support for the Bill in a press release from Malcolm Wicks. The press release also states that the Government is seeking to introduce two amendments to the Bill to deliver other policy objectives. The two amendments cover:

- a 10 year extension of the timescales during which Government can adjust transmission charges for renewable generators in the Scottish Islands which would allow the scheme to run to 2024; and
- changes to the Renewables Obligation, identified during the current review of the Renewables Obligation, to simplify the administrative arrangements for microgenerators.

Issue: The state of competition in EU gas and electricity markets

Title: "Serious Malfunctions" in EU Energy Market Need Correcting – Wicks

Issued: 22 November

Response due: n/a

Link:

<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=178680&NewsAreaID=2>

DTI has issued a press release about Malcolm Wick's speech to the European Autumn Gas Conference, in which he talks about UK's position at the top of the European league for competitiveness in its gas and electricity markets.



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The press release also refers the Minister's call for "full and frank" discussions with his European counterparts on the "serious malfunctions" identified by the Commission in the European energy market as identified in its interim report of 15 November.

Issue: Carbon sequestration & storage

Title: North sea rim accord paves way for sub-sea storage

Issued: 30 November
Response: n/a

Link:
<http://www.gnn.gov.uk/content/detail.asp?NewsAreaID=2&ReleaseID=179735>

DTI has issued a press release covering a new accord between Norway and Great Britain which could lead to use of the North Sea rim for carbon storage.

EU Emissions Trading Scheme (EU ETS)

Issue: Process for selling any unused allowances remaining in the New Entrant Reserve (NER) at the end of Phase I

Title: Consultation on proposed auction or sale methods of disposal of allowances in the EU Emissions Trading Scheme (consultants' report)

Issued: 2 November
Response due: n/a

Link:
<http://www.defra.gov.uk/corporate/consult/euets-salemethods/index.htm#ermreport>

DEFRA has published a consultants' report on methodologies for disposing of any unallocated emissions allowances remaining in the New Entrant Reserve; the report draws on industry discussions and the response to DEFRA's consultation on this issue. The report recommends use of either an ascending clock auction or a (sequence of market orders) sale method with the decision on which option to use being dependent on the volume of allowances to be disposed of and the liquidity of the carbon market at the time of disposal.

The press release indicates that Government is considering the recommendations and will be continuing to monitor the remaining number of allowances in the NER. It also indicates that findings will feed into the Phase II decision-making process and will be considered in detail if a decision is made to auction any allowances in Phase II.

Issue: The legal dispute between the UK Government and the European Commission about whether the UK could seek an amendment to its National Allocation Plan to increase the total number of UK allowances (the court ruled against the EC).

Title: European Court Rules in Favour of UK on Emissions Trading Scheme

Issued: 23 November
Response due: n/a

Link to DEFRA Press Release:
<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=178892&NewsAreaID=2>

Link to EC Press Release:
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=CJE/05/100&format=HTML&aged=0&language=EN&guiLanguage=en>

Link to full decision (click on "T-178/05"):
<http://curia.eu.int/jurisp/cgi-bin/form.pl?lang=en&Submit=Submit&docj=docj&umaff=&datefs=2005-11-23&datefe=&nomusuel=Commission&domaine=&mts=&resmax=100>

The European Court in Strasbourg has issued its decision in the dispute between the UK Government and the European Commission about the UK's ability to propose an amendment to its National Allocation Plan to increase the total number of allowances. The Court has ruled that the Commission does not have the right to restrict a Member State's ability to propose such an amendment. The Commission will now need to decide whether to approve the proposed amendment.

The EC's press release also indicates that the Court also stated that the Commission has failed to explain how a 2.7% increase in the UK's emissions allowances could destabilise the market when announced 7 weeks before market opening and at a time when the EC had yet to approve a further nine States' plans.

Issue: Phase II of the EU Emissions Trading Scheme decisions on some aspects of the UK's NAP (Expansion; the New Entrant Reserve; Allocation Methodology; aspects of benchmarking proposals for the electricity generation sector)

Title: EU Emissions Trading Scheme Phase II



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Issued: 24 November
Response due:

Link:
<http://www.defra.gov.uk/environment/climatechange/trading/eu/phaseII-scheme.pdf>
Link to Q&A:
http://www.dti.gov.uk/energy/sepn/euets_phase2_qa.pdf

DEFRA/DTI have published a short note giving some early decisions in respect of its consultation on Phase II of the EU ETS. A summary of responses and Government's response to the consultation will be published with the draft NAP for Phase II.

A high level summary of the decisions is given below.

Expansion – the “rock wool” & “gypsum” sectors and additional activities in the glass and offshore sectors will be included under Phase II. Further consideration is being given to inclusion of additional activities at petrochemical plants and integrated steelworks and a final decision on expanding to foundries will be made after the EC publishes its guidance document.

New Entrant Reserve – a free allocation is to be available to New Entrants but the level of allocation and detailed rules on eligibility have not yet been decided.

Allocation Methodology – replacement of the “commissioning rule” with a first year of operation rule.

Electricity generating sector benchmark - no details are provided on the benchmarks but the document indicates that, for the purpose of the benchmarks, the electricity sector is to be subdivided into the following sub-sectors:

- (i) gas-fired generators;
- (ii) coal-fired generators which have opted in to the Large Combustion Plants Directive (LCPD) by the end of 2005;
- (iii) coal-fired generators which have not opted in to the LCPD by the end of 2005;
- (iv) other (which will be further sub-divided); and
- (v) CHP (although CHP may be treated as a separate sector).

The document states that the benchmark allowance for each sub-sector would be calculated according to a standard load factor and an emissions factor. The accompanying Q & A briefing provides a little more detail.

Issue – EC survey on Emissions trading

Title: Companies want longer-term certainty and predictability

Issued: 28 November
Response: n.a

Link to press release:
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1484&format=HTML&aged=0&language=EN&guiLanguage=en>
Link to highlights report:
http://europa.eu.int/comm/environment/climat/pdf/hi ghlights_ets_en.pdf

The European Commission has issued a press release on a report which provides the “ first highlights” from a survey of stakeholders views on the EU emissions trading scheme. The press release states that one of the main findings is that.....

“companies across sectors demand longer-term certainty and predictability about the scheme and in particular the allocation of emission allowances. The more certainty and lead-time they have, the easier it will be for them to invest in the right technologies for the future”.

GB SO REPORTS AND CONSULTATIONS

Issue: Formal notification from NGET that the TNUoS charges will change for 2006/7

Title: Notification of the intention to change the electricity transmission network Use of system (TUNoS) charges for 2006/7

Issued: 1 November
Response due: n/a

NGET has written to Ofgem giving the requisite 150 days notice that it will make changes to its TNUoS charges for 2006/7.

The letter indicates that the factors that affect TNUoS charges include forecast of system peak, price controls, the expansion constant, changes in the transmission network and the pattern of generation and demand, and modifications (changes to accommodate a new Limited Duration TEC (LDTEC) are foreshadowed).

NGET also indicate that charge out rates for National Grid engineering charges for variable price applications are being reviewed and are expected to change.



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Issue: Ofgem's rejection of NGET's proposed changes to the TNUoS charging methodology to remove negative demand charges in Scotland

Title: Decision in relation to Modification Proposal to the Use Of System Charging Methodology GB ECM-02: Negative Demand Tariffs

Issued: 1 November

Response due: n/a

Link:

http://www.nationalgrid.com/NR/ronlyres/BDFD6C19-8273-4C48-A9E4-D89A324D2EBB/4499/Decision_letter.pdf

The Authority has rejected NGET's proposal to change the split in the recovery of TNUoS charges from demand and generation from the current 73:27 to 100:0, from 1 April 2007, in order to remove negative demand charges in Scotland.

The Authority's letter indicates that it has decided to veto the proposed changes because of concerns about proportionality and an expectation of a negative impact on customers which outweigh the benefits (which include better cost reflectivity and removing perverse incentives to generators).

Subsequently, on 14 November, Ofgem published a letter confirming that NGET had, nevertheless, met the requirements of condition 1 (negative demand charges) of the Authority's approval of its 1 April use of system charging methodology – Link: (http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12841_241_05.pdf).

Issue: Approval of changes to the Connection Charging Methodology to accommodate changes to the treatment of generator intertripping schemes following approval of CAP076 (Treatment of Generator Intertripping Schemes)

Title: Decision in relation to Connection Charging Modification Proposal GBECM 01: One-off charges for System to Generator Intertripping Schemes

Issued: 11 November

Implementation Date: **1 December 2005.**

Link:

http://www.nationalgrid.com/NR/ronlyres/95465795-5567-4540-BB2B-5E7F718BDEB8/4658/051111_ext_decisionletterfinal.pdf

The Authority has approved NGET's proposed changes to the connection charging methodology to cover one off charges for certain categories of generator intertrip schemes. This follows changes introduced into the CUSC that categorise different forms of scheme according to why they are required.

Issue: Publication of information/modeling on future TNUoS tariffs

**Title: INFORMATION PAPER
Condition 5 – Publication of Long-Term Tariffs**

Issued: 17 November

Response due: No formal response date but comments preferred by end November.

Link: does not appear to be available

As required by condition 5 of Ofgem's approval of NGET's BETTA TNUoS charging methodology, NGET has published a paper detailing modeling of the future track of transmission network use of system tariffs. The paper describes modeling against a base case which reports the locational element of TNUoS charges for different charging zones in light of changes in generation and demand backgrounds (as set out in the SYS) and network developments for the next five years. The modeling also examines:

- the impact of RPI indexation on the expansion constant (the base case uses the current expansion constant inflated to 2006/7 values and then held constant);
- injection of 500MWs of generation at a selected node on the network (10 nodes are selected giving 10 separate results) in 2007/8; and
- injection of an additional 200 MWs of demand at a selected node (9 nodes are selected giving 9 separate results).

The paper also discusses the sensitivity of the choice of generation zones to various factors post 2007/8 (the start of the new price control at which point the zonal boundaries would generally be fixed for the duration of the control) and possible mechanisms for dealing with this (e.g. moving selected generation/demand nodes between zones). NGET specifically asks for views on a number of identified zoning issues including the impact of changes to the transport model to rectify previously incorrect information on the nature of the 275kV circuits at Cruachan.

Direct comparisons for generation are slightly confused by the change in the zonal boundaries between 2006/7 and 2007/8.

However, the basecase analysis suggests that the most significant changes for generation occur in parts of Scotland and the Penninsular region with an increase of more than £5/kW in Caithness over the five year period; an increase in Skye of over £3/kW between the beginning and end of the period (despite dropping by nearly £9/kW in 2006/7); and an increase over the period of nearly £3/kW in the Penninsular zone. By comparison, the largest change in demand charges occurs in South Wales where charges drop by ~£4/kW from the 2005/6 level; all other charges move by less than £1.5/kW. The biggest year on year variation is for Skye generation zone which drops from £19.84/kW to £11.08/kW between 2005/6 and 2006/7 and then increases again to £22.58/kW in 2007/8. However, this is due to there being no generation in this zone in 2006/7 due to commissioning delays.

The potential impact of changes in the allowable price control revenue or charging base (or the possible impacts of the treatment of offshore transmission assets) are not modeled.

THE BSC AND CUSC

The BSC

New Modification proposals

On ELEXON's recommendation, the BSC Panel has agreed to raise a Modification Proposal to allow changes to be made to the BSC to reflect the changes being made to the Fuel Security Code (FSC). The Modification will be raised once the review of the FSC has concluded.

Modification: P196 (Treatment of Long Term Vacant Sites in Settlements) was raised by E.ON UK on 25 November. The Modification proposes changes to the BSC, based on work by the group considering "Issue 14" (Long Term Vacant Sites and Shut Down Meters), to deal with the treatment of properties that are "long term vacant". The modifications proposes setting the Estimated Annual Consumption (EAC) of long term vacant sites to zero and suggests criteria for determining that a site is long term vacant.

Modification decisions

Modification: P190 (Removal of the obligation on the CDCA to provide a witnessing and sealing service in respect of all Metering Equipment associated with CVA Metering Systems).

Status: APPROVED on 14 November

Implementation date: 28 June 2006

Panel recommendation: approve modification

The change will remove the current requirement for the CDCA (Central Data Collection Agent) to conduct a witnessing and sealing service and allow the CVA MOA (Central Volume Allocation Meter Operator Agent) to "seal" metering equipment.

Modification: P182 (Review and redefinition of the Non Half Hourly Settlement performance measures).

Status: REJECTED (original and Alternative) on 21 November

Panel recommendation: Reject

Modification: P195 (Neutrality for CCGT BMUs Switching Between Gas and Distillate)

Status: REJECTED on 25 November

Panel recommendation: Reject

BSC – joiners and leavers

UK Electric Power Ltd withdrew in November and **OM London Exchange** is to withdraw on 1 December.

BSC Miscellaneous

BSC Panel – DNO representative

David Lane has returned to the BSC Panel as the Distribution System Operator Representative (appointed by the Energy Networks Association).

IPA News

IPA's Peter Graham has won "British Individual of the Year 2005" for his work on a Tariff Policy and Utility Reform Project in Kyrgyzstan at this year's annual British International Expertise Awards, organised by the **bccb** (British Consultants and Construction Bureau). IPA were also short-listed for "British Small Consultancy Firm of the Year 2005".

This is the second year in a row IPA have been awarded for British International Expertise, after winning "British Small Consultancy Firm of the Year 2004" last year.

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Summary of November 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	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
DTI & Scottish Executive	The Review of the Renewables Obligation in England & Wales and in Scotland: Statutory Consultations Link to E&W documents: http://www.dti.gov.uk/renewables/renew_2.2.5b.htm Link to Scot Exec documents: http://www.scotland.gov.uk/Publications/2005/09/13105127/51293	16 Sept	1 Dec (Scot Exec) 9 December (DTI)
Ofgem	Enduring transmission charging arrangements for distributed generation A discussion document Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12472_211_05.pdf	30 Sept	9 December
DTI	Title: Draft Fuel Security Code Links (Draft Code & policy document): http://www.dti.gov.uk/energy/domestic_markets/security_of_supply/draft_rev_fuel_security_code.pdf & http://www.dti.gov.uk/energy/domestic_markets/security_of_supply/draft_rev_fuel_security_code_support.pdf	5 October	18 November
NGET	Title: Introducing a New Charge for Limited Duration TEC Initial Thoughts Consultation Link: http://www.nationalgrid.com/uk/Electricity/Charges/modifications/	5 October	5 November
Ofgem	Title: Notice under section 11A (1) and (3) of the Electricity Act 1989 (Transmission) Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12550_221_05.pdf	10 October	8 November
Ofgem	Title: Notice under section 11A (1) and (3) of the Electricity Act 1989 (distribution) Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12549_220_05.pdf	10 October	8 November
DEFRA	Title: 19 October 2005 - Linking Directive Regulations laid before Parliament	19 October	Comments on the

	<p>Link: http://www.defra.gov.uk/environment/climatechange/trading/eu/kyoto/index.htm</p>		<p>accompanyin g guidance is requested by 31 January 2006</p> <p>Regulations effective from: 13 November 2005</p>
DEFRA	<p>Title: Consultation on the first amendment to the Greenhouse Gas Emissions Trading Scheme Regulations 2005</p> <p>Link: http://www.defra.gov.uk/corporate/consult/etsregs05-amend1/index.htm</p>	24 October	16 January
Ofgem	<p>Title: Open letter on Ofgem's Electricity Distribution Customer Service Reward Scheme</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12667_230_05.pdf</p>	26 October	9 December
Ofgem	<p>Title: Notice under Section 11(2) of the Electricity Act 1989 (SP Transmission Ltd)</p> <p>Title: Notice under Section 11(2) of the Electricity Act 1989 (National Grid Electricity Transmission plc)</p> <p>Title: Notice under Section 11(2) of the Electricity Act 1989 (Scottish Hydro-Electric Transmission Ltd)</p> <p>Title: Cost recovery and incentive mechanism for transmission investment for renewable generation baseline projects</p> <p>Links: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12698_235_05a.pdf http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12697_235_05c.pdf http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12695_235_05b.pdf http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12694_235_05d.pdf</p>	28 October	25 November
Ofgem	<p>Title: Transmission Investment for Renewable Generation - Scottish Power Transmission Limited's Submission to Ofgem to Upgrade the Scotland / England Interconnector</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12722_238_05.pdf</p>	31 October	18 November
New in November.....			

NGET	<p>Title: Decision in relation to Modification Proposal to the Use Of System Charging Methodology GB ECM-02: Negative Demand Tariffs</p> <p>Link: http://www.nationalgrid.com/NR/ronlyres/BDFD6C19-8273-4C48-A9E4-D89A324D2EBB/4499/Decision_letter.pdf</p> <p>See also (http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12841_241_05.pdf).</p>	1 Nov	n/a
NGET	<p>Title: Notification of the intention to change the electricity Transmission Network Use of System (TUNoS) charges for 2006/7</p>	1 Nov	n/a
DTI	<p>Title: Energy Minister Announces Funding Level for the Low Carbon Building Programme</p> <p>Link: http://www.gmn.gov.uk/Content/Detail.asp?ReleaseID=176001&NewsAreaID=2</p>	2 Nov	n/a
DFERA/DTI	<p>Title: Consultation on proposed auction or sale methods of disposal of allowances in the EU Emissions Trading Scheme (consultants' report)</p> <p>Link: http://www.defra.gov.uk/corporate/consult/euets-salemethods/index.htm#ermreport</p>	2 Nov	n/a
DTI	<p>Title: Planning and Consents for Marine Renewables Guidance on Consenting Arrangements in England and Wales for a Pre-Commercial Demonstration Phase for Wave and Tidal Stream Energy Devices (Marine Renewables)</p> <p>Link: http://www.dti.gov.uk/renewables/publications/pdfs/guidanceonconsentingarrangements.pdf</p>	7 Nov	n/a
Ofgem	<p>Title: Decision in respect of licence modifications required as a consequence of the introduction of interconnector licences: statutory notices under section 11 and section 11A of the Electricity Act 1989</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12812_239_05.pdf</p> <p>Link to September consultation: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12302_19905.pdf</p>	10 Nov	n/a
NGET	<p>Title: Decision in relation to Connection Charging Modification Proposal GBECM 01: One-off charges for System to Generator Intertripping Schemes</p> <p>Link: http://www.nationalgrid.com/NR/ronlyres/95465795-5567-4540-BB2B-5E7F718BDEB8/4658/051111_ext_decisionletterfinal.pdf</p>	11 Nov	Implement 1 December
DTI/Private member	<p>Title: Climate Change and Sustainable Energy Private Member's Bill - Extension of Private Members Bill</p>	Second Reading:	

	<p>Link to information about the Bill: http://www.marklazarowicz.org.uk/bill/draft.htm</p> <p>Link to press release: http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=177510&NewsAreaID=2</p>	11 Nov	
Ofgem	<p>Title: Non-domestic supply market review: consultation</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12822_240_05.pdf</p>	11 Nov	13 January
Ofgem	<p>Title: Fulfillment of conditions attached to the Authority's approval of the GB transmission use of system charging methodology</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12841_241_05.pdf</p>	14 Nov	n/a
Ofgem	<p>Title: Notice under section 11A(3) of the Electricity Act 1989</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12842_242_05.pdf</p> <p>Ofgem has issued a statutory consultation on changes to NGET's licence following its request to change the publication date for the SYS to 31 May of each year rather than 31 March as currently required for 2006 onwards.</p>	14 Nov	14 Dec
NGET	<p>Title: INFORMATION PAPER Condition 5 – Publication of Long-Term Tariffs</p> <p>Link: does not appear to be available</p>	17 Nov	End Nov if possible
Ofgem	<p>Title: <u>Gas and electricity connections - Industry review results 2004/05</u></p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12909_245_05.pdf</p>	17 Nov	n/a
Ofgem	<p>Title: Notice under section 1 of the Electricity Act 1989</p> <p>Issued: 21 November Response due: 19 December</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12925_24605.pdf</p>	21 Nov	19 December
DTI	<p>Title: "Serious Malfunctions" in EU Energy Market Need Correcting – Wicks</p> <p>Link: http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=178680&NewsAreaID=2</p>	22 Nov (EC paper 15 Nov)	n/a
European Court	<p>Title: European Court Rules in Favour of UK on Emissions Trading Scheme</p>	23 Nov	n/a

	<p>Link to DEFRA Press Release: http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=178892&NewsAreaID=2</p> <p>Link to EC Press Release: http://europa.eu.int/rapid/pressReleasesAction.do?reference=CJE/05/100&format=HTML&aged=0&language=EN&guiLanguage=en</p> <p>Link to full decision (click on "T-178/05"): http://curia.eu.int/jurisp/cgi-bin/form.pl?lang=en&Submit=Submit&docj=docj&numaff=&datefs=2005-11-23&datefe=&nomusuel=Commission&domaine=&mots=&resmax=100</p>		
Ofgem	<p>Title: Governance in the Electricity Distribution Commercial Arrangement</p> <p>Conclusions and Final Proposals</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12932_Gov_in_Elec_Dist_Comm_Arrs_Ofgem_Conclusions.pdf</p>	23 Nov	7 December
Ofgem	<p>Title: The Electricity Act 1989 Modification of standard condition 4C of all the electricity distribution licences granted or treated as granted under sections 6(1)(c) of the Electricity Act 1989</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12933_248_05.pdf</p>	23 Nov	1 december
DEFRA	<p>Title: EU Emissions Trading Scheme Phase II</p> <p>Link: http://www.defra.gov.uk/environment/climatechange/trading/eu/phaseII-scheme.pdf</p> <p>Link to Q&A: http://www.dti.gov.uk/energy/sepn/euets_phase2_qa.pdf</p>	24 Nov	n/a
Ofgem	<p>Title: Refocusing Ofgem's ARM 2002 Survey to BSIPAS 55 Certification</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12965_250_05.pdf</p>	24 Nov	16 January
Ofgem	<p>Title: Energy Efficiency Commitment 2005-2008 Innovative Action Decisions document</p> <p>Link (decisions): http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12963_249_05.pdf</p> <p>Link (summary of responses): http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12964_249_05b.pdf</p> <p>Ofgem has also published an update of suppliers performance to</p>	24 Nov	n/a

	date under the 2005 – 2008 EEC (http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12727_EECOct05.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasoftware/energyefficiency).		
Ofgem	Title: - Extending National Grid Electricity Transmission plc's Transmission Owner Price Control for 2006/07: Final Proposals Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12992_253_05.pdf	25 Nov	NGET has until 9 January to confirm whether it accepts the proposals.
Ofgem	Title: <u>Initial consultation letter – Proposal for extending the scope of contestable works in relation to competition in electricity connections</u> Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12972_251_05.pdf	25 Nov	16 January
EEC	Title: Companies want longer-term certainty and predictability (EC Survey about EUETS) Link to press release: http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1484&format=HTML&aged=0&language=EN&guiLanguage=en Link to highlights report: http://europa.eu.int/comm/environment/climat/pdf/highlights_ets_en.pdf	28 Nov	n/a
Tony Blair	Title: Energy policy 'back with a vengeance' (speech to the CBI) Link to Press Release (including terms of reference): http://www.dti.gov.uk/energy/energy_review_press_notice.pdf Link to Speech to the CBI: http://www.number-10.gov.uk/output/Page8606.asp	29 Nov	2006
	Title: 2004/05 Electricity Distribution Quality of Service Report Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/13039_258_05.pdf	30 Nov	n/a
Ofgem	Title: 05 - <u>Request for extension to period for issuing an Offer to the Applicant in respect of the Premises: content pursuant to standard licence condition C8 (Requirement to offer terms)</u> Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/13038_257_05.pdf	30 Nov	n/a
DTI	Title: North sea rim accord paves way for sub-sea storage Link: http://www.gnn.gov.uk/content/detail.asp?NewsAreaID=2&ReleaseID=179735	30 Nov	n/a

BSC Mods & Decisions November 2005			
BSC Mods decisions.....			
P190	Removal of the obligation on the CDCA to provide a witnessing and sealing service in respect of all Metering Equipment associated with CVA Metering Panel recommendation: approve modification	APPROVED	Implement 28 June 2006
P182	Review and redefinition of the Non Half Hourly Settlement performance measures Panel recommendation: Reject	REJECTED	n/a
P195	Neutrality for CCGT BMUs Switching Between Gas and Distillate Panel recommendation: Reject	REJECTED	n/a
BSC – new Mods.....			
P196	Treatment of Long Term Vacant Sites in Settlements	Raised by E.ON	On 25 Nov