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Fax: 44 (0) 207 0615362Mr David Halldearn
BETTA Project
Office of Gas and Electricity Markets (Ofgem)
9 Millbank,
London SW1P 3GE6th February 2003

Dear David,

**The Balancing and Settlement Code Under BETTA
Response to First BSC Consultation Document December 2002**

Please find below the comments made on behalf of EDF Trading Ltd and EDF (Generation) on your consultation document concerning the BSC to apply throughout Great Britain. These have been deliberately focused on the Interconnector Issues referred to in Section 5.66 - 5.69 of the consultation document, since these are the most relevant to us as signatories of the BSC and as trading parties on the Anglo-French Interconnector in the England and Wales electricity market.

There is no doubt that all the current BSC rules and processes could be transcribed across to apply to the Moyle Interconnector and, thereby, to the those parties involved in its trading and operation. However to do so would apply and reaffirm current anomalies and it would miss an opportunity to readdress issues, which unnecessarily prevent or hinder trading across the interconnectors. The issues are:

1. The appointment of an Interconnector Administrator and an Interconnector Error Administrator is a pre-requisite before any party can trade across an interconnector (BSC K5.4 refers). The approach to date has been that the External System Operator should take on those roles, together with the commercial responsibilities and liabilities that accompany them. It also means that they must install certain systems and communication links at their expense in order for the individual trading parties to interface with the new electricity market. Furthermore, once taken on, the External System Operator cannot resign or withdraw and, if the Interconnected System Operator doesn't agree to act in this capacity then the interconnector can be shut down. In effect, it has been regarded that the External System is connecting to the E&W System, rather than the other way round or as an interconnector that allows for reciprocal trading and assistance. It is our view that it should not be expected that the roles should be undertaken by the External System. Instead, it should initially be the responsibility of the ISO (the GBSO in this instance), with the ability to contract this work to the External System Operator following a negotiation maybe. The ESO would then be fully aware of the implications of the responsibilities made necessary by the E&W market arrangements, should the ESO decide to take on that duty, The BSC as written imposes duties and responsibilities on parties outside its jurisdiction and this would benefit from change.
2. System to System trades as envisaged under R7.5 of the BSC should not be encouraged in our view. The provision of ancillary and balancing services should be provided from those parties who have contracted for the use of the interconnector and hence have the

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ability to trade over it. If the GBSO wishes to trade directly then it should acquire capacity in its own right from the owners of the interconnector on a non-discriminatory basis.

3. NETA does not interface well with neighbouring systems. It can accommodate contracted flows notified well in advance, but the Interconnector Users' ability to enter the Balancing Mechanism is very dependent on the arrangements in the External System. It is not flexible enough to accommodate market structures similar to itself. The arrangements, therefore, in Northern Ireland will need to be investigated to see if the Interconnector Users can enter the Balancing Mechanism ie to enter Bids and Offers, and hence be treated on a non-discriminatory basis as other trading parties in the new GB market.
4. Parties in E&W currently have the ability to apply for Trading Unit status and hence benefit from having their BMUs aggregated for BSC and BSUoS Charging purposes (as well as TNUoS benefits). However, TU status is prohibited to Interconnector Users (BSC KS.7 refers) and yet it would allow equitable and logical treatment of the interconnector energy flows, whilst recognizing the net effect of superposition of individual physical contractual trades. The BSC should be changed accordingly in our view. There is a linkage here with the CUSC under which Interconnector Users pay the BSUoS charges.
5. The Credit Cover provisions in the BSC for Interconnector Users are particularly anomalous, since the CC required is based on historic performance and yet for Interconnector Users there is no correlation between that and existing or future performance. This is due to differing Capacity allocations, trading strategies and trading conditions. New arrangements are a necessity to avoid undue penalties and costs, that in turn hinder cross border trade.

I hope the above points describe the issues in sufficient detail, but should you wish to discuss any of the points then please don't hesitate to contact me either at the above address or on 07884 3 10870.

With kind regards


Steve Drummond

UK Market Adviser to EDF