

David Halldearn
BETTA Project
Office of Gas and Electricity Markets (Ofgem)
9 Millbank
London
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23 January 2004

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Dear David,

**The Balancing and Settlement Code under BETTA
Ofgem/DTI Conclusions and second consultation on the legal text of a GB BSC
November 2003**

Thank you for the opportunity to respond to this consultation. This response is submitted on behalf of ScottishPower UK Division, which includes the UK energy businesses of ScottishPower, namely ScottishPower Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Energy Retail Ltd.

ScottishPower UK Division continues to support the introduction of BETTA on the basis that it includes satisfactory proposals for transmission charging and losses in a GB market and the division of responsibilities between the GBSO and the Transmission Owners (TOs). Our comments on the issues raised in this consultation are given in the attached response.

I hope that you find these comments useful. Should you have any queries on the points raised, please feel free to contact us.

Yours sincerely,

Mike Harrison

Commercial Manager, Trading Arrangements
ScottishPower Energy Management Limited

THE BALANCING AND SETTLEMENT CODE UNDER BETTA

SCOTTISHPOWER UK DIVISION RESPONSE

1 General comments

1.1 ScottishPower UK Division welcomes this third consultation on the GB BSC and second draft legal text. We note that many of the issues raised by respondents, including ScottishPower, to the previous consultation on the GB BSC have been, or are being, taken forward elsewhere within the BETTA programme. In particular, we acknowledge and support:

- The introduction of GB consultations by Ofgem on BSC modification proposals following the Second Reading of the Energy Bill
- The consideration of cross-code governance issues and joint working arrangements between Code panels
- Elexon's work on Scottish metering dispensations, non-standard BMU configurations, and SVA profiling issues

1.2 Please refer to our responses to the relevant consultations for our views on the above matters. Our comments on this consultation will focus primarily on issues which are either new to this consultation, or have not yet been consulted or concluded upon.

2 Governance

2.1 ScottishPower UK Division accepts that there may be no need to change the composition of the BSC Panel when the GB BSC is implemented. However, we do believe that it is important that the preferences of Scottish market participants are reflected in the membership of the Panel and look forward to receiving confirmation in the forthcoming consultation on transition issues that an election will be held for the GB Panel.

3 Cost Recovery

3.1 ScottishPower UK Division agrees that Elexon's BETTA Support Costs should be recoverable across GB under Section D of the GB BSC following BETTA Go-live. In relation to the operational costs to administer the run-off arrangements for settlement in England and Wales under the BSC and in Scotland under the SAS, we continue to believe that the most practical and cost-effective route is to recover all such costs on a GB basis under the GB BSC following BETTA Go-live, particularly given that BSCCo will perform the run-off role. This could be achieved by pooling all post-BETTA costs associated with run-off of the pre-BETTA arrangements under the BSC and SAS, for recovery from GB BSC parties in a similar way to the recovery of pre-NETA Pool run-off costs from BSC parties.

4 Settlement metering

- 4.1 ScottishPower UK Division welcomes Ofgem/DTI's recognition of the need for early establishment of a process for granting dispensations to Scottish plant, which has now commenced through Elexon's consultation on Scottish metering dispensation applications. We note that Elexon's conclusions report on that consultation has recently been issued, and recommends approval of all the dispensation applications received. We urge Ofgem to confirm their agreement with Elexon's recommendations by approving the applications and granting the dispensations as soon as possible.

5 BM Unit representation

- 5.1 ScottishPower's response to the previous GB BSC consultation raised a GB issue with the current BSC rules for determining the status of BM Units as Production or Consumption. Given that all BM Units at both Scottish pumped storage stations have a Demand Capacity in excess of their Generation Capacity, if these rules are applied in the GB BSC then this would result in these BM Units being classified as Consumption. However, their inherent nature of operation suggests they should be classified as Production. Although pumped storage plant exists in England and Wales which already fall within these rules, we believe that this issue is unique to Scottish pumped storage plant since their counterparts in England and Wales have a Generation Capacity in excess of their Demand Capacity. Hence for such plant the current BSC rules result in a classification of Production, which is indeed consistent with their inherent nature of operation.
- 5.2 We believe therefore that in relation to this issue the current BSC has a defect which only becomes apparent when it is incorporated into the GB BSC. While it may be possible to raise a BSC modification in England and Wales to seek to address this defect, we believe that this is a procedurally inefficient, and potentially *ultra vires*, means of addressing the problem, given that the modification would have no practical application in England and Wales. We therefore ask Ofgem/DTI to recognise this as an issue which arises as a consequence of BETTA, and to reconsider our earlier suggestion that the option for generators to nominate the P/C status of pumped storage BM Units should be introduced into the GB BSC.

6 SVA profiling

- 6.1 ScottishPower UK Division welcomes Ofgem/DTI's recognition of the need to consider issues arising from the current use of separate arrangements for SVA profiling in the two markets, and supports the work carried out by Elexon in this regard.
- 6.2 On the basis of Elexon's analysis and the views of the expert group convened to discuss these issues, we support the proposal that, in relation to Profiles, the GB BSC should allow for different day-types to be accommodated in Scotland from those in England and Wales, and that the single profiling arrangement as recommended by industry experts should be adopted GB-wide.

7 Small generators

- 7.1 We note that Ofgem/DTI issued a separate consultation in November 2003 on matters relating to the treatment of small generators under BETTA, please refer to our response to that consultation for our views on the issues raised. In terms of issues relating to the GB BSC, we are concerned that under Ofgem/DTI's proposals the trading option chosen by nearly all small generators in England and Wales, namely supplying their local network through contracting with their local supplier, is denied to small generators connected at 132kV in Scotland as a result of their obligation to sign onto the industry codes. Whether or not the small generator is relieved of the obligation to be a party to the BSC, the absence of this trading option is clearly discriminatory and must be rectified. The possible development of commercial consolidation services, which are unlikely to be cheap, is not an adequate substitute and should be viewed as being no more than the "least worst" option.

8 Transmission losses

- 8.1 We note that Ofgem/DTI have accepted the outcome of the DTI consultation on the application across GB of zonal transmission losses on an average basis. ScottishPower UK Division has consistently opposed the application of zonal losses, welcomed the DTI conclusions and looks forward to the designation of a GB BSC which provides for continuation of the existing uniform basis for allocation of transmission losses.

9 BMRS zones

- 9.1 ScottishPower UK Division believes that the appropriate resolution of BMRS zonal data to reflect the inclusion of Scottish generation and demand in a GB BSC is to provide one extra zone for the whole of Scotland, while retaining the existing five zones for England and Wales.
- 9.2 Given that the BMRS will show day ahead and indicative demand forecasts, we believe that it is inappropriate to combine any parts of Scotland and England in the same zone, given that there are significant differences between the daily demand shape in the different countries. Accurate demand forecasting will be extremely difficult without this separation. It is also inappropriate to provide two additional zones for Scotland, one for each transmission licensee area, since this would be contrary to the requirement that the generation in any given zone should not be predominantly in the hands of a given generator. The appropriate solution therefore is to provide one additional single zone covering the whole of Scotland, and we believe that this would have no significant impact on our IT systems.

10 Half-hour data for transmission owners

- 10.1 ScottishPower UK Division supports the proposal that if it is concluded that access to half-hourly metered data by transmission owners is necessary then the GB BSC and STC should provide for this subject to an assessment of the costs involved.

11 Business days

- 11.1 In relation to the definition of Business Days in the GB BSC, ScottishPower UK Division believes that while it may not be necessary to reflect Scottish Bank Holidays in the Credit Calendar, the implications of not reflecting such days in the Settlement Calendar should be considered. For example, parties operating and banking in Scotland may be required to make early payment of charges (for example on 31 December in order to meet a payment due on 2 January), or require staff to work on Scottish Bank Holidays (such as 2 January), in order to meet a Settlement Calendar which only takes account of Bank Holidays in England and Wales. This is clearly discriminatory against Scottish participants. However, we believe that it should be fairly simple to accommodate Scottish Bank Holidays in the Settlement Calendar for the GB BSC.

12 Participation in BETTA

- 12.1 ScottishPower UK Division notes Ofgem/DTI's views that the activities of all participants in progressing BETTA towards implementation is being coordinated through the BPG. Our concern is that the BPG includes only central participants and does not include any of the trading parties who will be affected by the transition to BETTA. We believe that a body which includes trading participants is required to ensure smooth implementation of BETTA. Such a body could act as a forum for discussion and resolution of programme issues, industry readiness for Go-Live, and testing and trialling requirements and arrangements. We look forward to early publication of the consultation paper on the transition arrangements and to the establishment of such a forum.

13 Modifications to the England and Wales BSC

- 13.1 We have not identified significant additional GB implications for any of the modifications listed in paragraph 5.11, being those which have been both approved by the Authority and implemented in the England and Wales BSC since baseline used for the previous GB BSC consultation. We believe the GB implications of P122 to be minor, since any effects on credit cover calculations will be immaterial as it only affects a partial adjustment to CALF for one day out of the seven used in the calculation.
- 13.2 Of the modifications listed in paragraph 5.15, being those approved but not implemented since the previous GB BSC consultation, we believe that both P82 and P125 should be excluded from the GB BSC. We agree that the remaining modifications listed have no significant additional GB implications, although it may be appropriate to consider any additional implementation costs to extend P98 to GB.

14 Proposed draft text for the GB BSC

- 14.1 ScottishPower UK Division supports the approach of presenting the draft legal text for the GB BSC change-marked against the operational version of the BSC, backed

up with a list of changes to the BSC since the baseline used in the previous GB BSC consultation.

- 14.2 We have no comment on the changes marked in the legal text presented with this consultation, except to note that they appear to be consistent with Ofgem/DTI's current proposals, although further changes may be necessary according to the conclusions from this consultation. Further, as noted by Ofgem/DTI, the definitions will require review for consistency with other codes.