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27 July 2004

Dear Colleague,

**BETTA consultation on Non Standard BMU Configurations associated with Cascade Hydro Schemes and associated GB Grid Code and GB BSC drafting**

In April 2004, Ofgem/DTI published a conclusions document<sup>1</sup> ('the April 2004 BSC document') following three previous consultations on the development of a Balancing and Settlement Code (BSC) to apply GB wide under BETTA ('the GB BSC'), together with 'near final' draft legal text of the GB BSC. Ofgem/DTI also published a conclusions document ('the April 2004 CUSC document') on the Connection and Use of System Code (CUSC) to apply GB wide under BETTA ('the GB CUSC'), together with near final legal text<sup>2</sup>. In May 2004, Ofgem/DTI published a conclusions document ('the May Grid Code consultation') on the Grid Code to apply GB wide under BETTA ('the GB Grid Code') and a second consultation on draft legal text<sup>3</sup>.

The April 2004 BSC conclusions document noted that should further changes be required to the draft GB BSC legal text in the period prior to the designation of the text by the Secretary of State (currently planned for September 2004), then any changes would be consulted on as required and such would be likely to take the form of an 'open letter consultation' rather than a full consultation. Similar principles for further development prior to go-active were established in the April CUSC document and the May Grid Code consultation explained that Ofgem/DTI intend to publish a further "conclusions" document. Last month Ofgem/DTI published a consultation document on arrangements to bring about transition to the version of the GB BSC to apply under

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<sup>1</sup> "The Balancing and Settlement Code (BSC) under BETTA: Ofgem/DTI conclusions and publication of near final legal text of the GB BSC", Volumes 1 and 2, April 2004, Ofgem 90/04a and 90/04b

<sup>2</sup> "The Connection and Use of System Code (CUSC) under BETTA: Ofgem/DTI conclusions and publication of near final legal text of the GB CUSC", Volumes 1 and 2, April 2004, Ofgem 91/04a and 91/04b

<sup>3</sup> "The Grid Code under BETTA: Ofgem/DTI conclusions and second consultation on the text of a GB Grid Code and conclusions on change management between the STC and each of the GB CUSC, GB BSC and GB Grid Code", Volumes 1 and 2, May 2004 Ofgem 99/04a and 99/04b

BETTA<sup>4</sup> ("the June BSC transition consultation"). This month Ofgem/DTI have published a consultation document on the arrangements to bring about transition to the versions of the GB CUSC and the GB Grid Code to apply under BETTA<sup>5</sup> ("the July CUSC transition consultation").

This open letter consultation sets out proposed changes to the GB Grid Code and to the GB BSC. Ofgem/DTI propose that, to the extent that the outcome of this open letter consultation brings about change to the GB Grid Code and GB BSC then such change should be implemented between go active and go live in accordance with the processes set out in the June BSC transition consultation and in the July CUSC transition consultation. The proposed changes to the GB Grid Code, which have been developed by National Grid Transco plc (NGT) with the co-operation of the Scottish transmission licensees, have arisen as a result of the recommendations made by ELEXON in a consultation report that they published in May of this year<sup>6</sup> ("the ELEXON report"). ELEXON have also developed proposed changes to the GB BSC. It is currently envisaged that no changes to the text of the enduring GB CUSC as published in April 2004 are required as a result of these recommendations. The proposed changes are discussed below, together with a description of the issue the changes seek to address and an explanation of Ofgem/DTI's conclusions in relation to these issues.

## **Timetable**

Any comments on the proposals in this letter should be sent by 11 August 2004, to:

David Halldearn  
BETTA Project  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

Alternatively, comments can be emailed to [BETTA.consultationresponse@ofgem.gov.uk](mailto:BETTA.consultationresponse@ofgem.gov.uk). If you wish to discuss any aspect of the legal drafting contained in appendix 1, please contact Patrick Smart, email: [patrick.smart@ofgem.gov.uk](mailto:patrick.smart@ofgem.gov.uk), telephone 020 7901 7350.

## **Main issues in ELEXON consultation report**

The third Ofgem/DTI consultation document on the BSC under BETTA published in November 2003<sup>7</sup> ('the November 2003 document') acknowledged that parties are likely to require confidence prior to BETTA go-live in respect of requests to the BSC Panel for non-standard BM

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<sup>4</sup> "Provisions for the transition to the GB BSC under BETTA; including licence conditions for accession and compliance and NGC's BSC licence condition, changes to the BSC Framework Agreement, and transitional drafting for the GB BSC. Ofgem/DTI consultation", June 2004 Ofgem 138a/04 and 138b/04

<sup>5</sup> "Provisions for the transition to the GB CUSC, the GB Grid Code and GB connection and use of system agreements under BETTA; including associated licence conditions for NGC and for generation, distribution and supply licensees; changes to the CUSC Framework Agreement; and transitional drafting for the GB CUSC and GB Grid Code. Ofgem/DTI Consultation, July 2004". Ofgem 152/04.

<sup>6</sup> "ELEXON Betta Project: Report to Ofgem/DTI on Non Standard BM Unit and Class 5 Trading Unit Consultation", ELEXON, May 2004

<sup>7</sup> "The Balancing and Settlement Code under BETTA: Ofgem/DTI Conclusions and second consultation on the legal text of a GB BSC", November 2003 Ofgem 152/03 and 152a/03

Unit (BMU) configurations or in respect of unusual Trading Units. The November 2003 document proposed that such confidence could be provided through deemed BSC Panel decisions written into the transitional legal framework and requested that ELEXON seek information from parties in Scotland and undertake a separate consultation on such requests. ELEXON subsequently invited requests from SAS signatories in Scotland, consulted upon issues associated with requests for non-standard BMUs and unusual Trading Units and published their findings in the ELEXON report. The ELEXON report can be viewed on the ELEXON website<sup>8</sup>.

The June BSC transition document explained that in referring to deemed GB BSC Panel decisions, no decision by the GB BSC Panel would be required in respect of any proposal by Ofgem/DTI which is put into effect through legal drafting which will be designated by the Secretary of State. Instead, legal drafting has been proposed for Section I of the GB BSC which will list the proposed decisions and which will oblige GB BSCCo to add the new decisions to the relevant register of such decisions.

ELEXON received 9 requests for non standard BMUs, 6 of which related to Cascade Hydro Schemes and 2 requests for unusual Trading Units. In respect of the requests for non standard BMUs that did not relate to Cascade Hydro Schemes and the requests for unusual Trading Units, Ofgem/DTI have proposed in the June BSC transition consultation that the requested configurations be registered and proposed legal drafting for the BSC to effect this.

The requests to ELEXON for non standard BMUs were lodged by Scottish and Southern Energy plc (SSE) who stated that the relevant Cascade Hydro Schemes had been designed to be operated in cascade mode in order to satisfy statutory obligations<sup>9</sup>. The individual transmission connected generating units were therefore not capable of being operated independently from the other generating units within each scheme and they therefore failed to satisfy one of the mandatory criterion set down in section K of the GB BSC for generating plant and apparatus to be a single BMU.

Ofgem/DTI note that of the six responses to the ELEXON consultation, two proposed that the non standard BMU requests from SSE in respect of their Cascade Hydro Schemes should not be accepted. Edison Mission Energy (EME) expressed the view that the constraints surrounding the operation of the individual generating units within each Cascade Hydro Scheme were commercial rather than operational. EME note that all generators experience constraints around the availability and use of their required energy source. They expressed the view that the resulting commercial risks could be managed through normal market activities such as pricing. EME considered that special treatment of participants should be avoided in order to avoid unfair advantage and market distortion.

British Energy Generation (UK) Ltd did not support SSE's requests. They noted the interdependencies between the generating units within these schemes but considered that the issues could be better managed through changes to the Grid Code.

NGT were neutral on the request but expressed the concern that, should the proposed configurations be given effect, they will require certain information relating to the point of connection in order to be able to balance the transmission system effectively and safely. They

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<sup>8</sup> [www.ELEXON.co.uk](http://www.ELEXON.co.uk)

<sup>9</sup> "The Hydro-Electric Development (Scotland) Act, 1943

stated that they would be willing to support these requests but that they would continue to require the provision of certain information at generating unit level and that certain changes to the GB Grid Code may be required in order to ensure the continuing provision of that information. Specifically, NGT stated that they would require changes;

- to define Cascade Hydro;
- to require the submission of forecast data, equivalent to physical notifications, in respect of each genset within each Cascade Hydro Scheme;
- to require the making available of details of the plant to be used to deliver Bid or Offer acceptances on each Cascade Hydro Scheme BMU;
- to allow Mandatory Services provision and instruction to apply at generating unit level; and
- to allow emergency instructions to apply to the individual generating unit level.

NGT also suggested that certain changes to the GB CUSC may also be required.

PowerGen UK expressed the view that it would be sensible to allow a Cascade Hydro Scheme to be registered as a single BMU but they suggest that should the GB system operator be provided with information relating to the “inner workings” of such BMUs then this information should also be made available to the market. ScottishPower UK Division (ScottishPower) and Scottish and Southern Energy plc (SSE), the requesting party, also supported the requests.

### **Ofgem/DTI views and Way forward**

Ofgem/DTI note that EME were of the view that the constraints identified by SSE can be managed through commercial market activities. Whilst Ofgem/DTI agree that SSE’s legal and environmental obligations can be effectively managed without having to register Cascade Hydro Schemes as single BMUs, they accept that these obligations drive the operational management of the scheme such that they are to be operated as a single cascade.

Ofgem/DTI also note that EME considered that specialised treatment of market participants will bring about unfair advantage and market distortion. Ofgem/DTI are of the view that a market participant could only be considered to be treated in a specialised manner if the market rules allowed for that market participant to reap benefits not available to others or if a decision making body were to unduly discriminate in favour of a particular participant against other market participants. Ofgem/DTI note that no BSC signatory or class of BSC signatory is excluded from the right to request a determination of a BMU configuration under K3.1.6 of the BSC and that the criteria to be satisfied in order for such a request to qualify as valid are clearly set out in K3.1.5. To date, Ofgem/DTI is unaware of comparable requests having been made to the BSC Panel and therefore any decision in respect of this particular request can not discriminate against other BSC parties.

Ofgem/DTI note the support from PowerGen UK and ScottishPower. Ofgem/DTI also note that PowerGen UK were of the view that any generating unit specific information provided to the GB system operator by the BMU registrant in respect of these non standard BMU configurations should also be made available to the market. Ofgem/DTI is of the view that BMUs registered for Cascade Hydro Schemes may be likened to those registered for CCGT modules in that they would constitute BMUs comprising of more than one generating unit. The GB BSC will not, in its current form, require the publication of data relating to the operation of individual generating

units at CCGT BMUs and so it would not seem appropriate to place such a requirement in respect of Cascade Hydro Scheme BMUs.

Ofgem/DTI note the concerns expressed by NGT in respect of the provision of information relating to the operation of the individual generating units should SSE's request be given effect through changes to the relevant register in the GB BSC. Ofgem/DTI also note that NGT would be prepared to support the request subject to progression of necessary changes to the GB Grid Code.

In light of the factors outlined in this letter, in particular the extent to which the generating units in each Cascade Hydro Scheme are capable of being operated independently of each other, Ofgem/DTI propose that the BMU configurations associated with the 6 Cascade Hydro Schemes in the North of Scotland requested by SSE should be included in the relevant register and that changes to Section I of the GB BSC should be put in place to effect this. These changes are shown in appendix 2.

Following the publication of the ELEXON report, Ofgem/DTI requested NGT to consider the changes to the GB Grid Code and the GB CUSC that would be required should SSE's request be deemed accepted. Following further consideration, NGT consider that changes to the enduring GB CUSC to apply under BETTA are not necessary should SSE's request be deemed accepted, although certain changes from the standard form of the Bilateral Connection Agreement may be required in respect of the agreements to apply at each connection point within these Cascade Hydro Schemes. NGT have developed proposed amendments to the GB Grid Code text published in May of this year ("GBGC Draft 2") aimed at delivering the requirements set out in the bullet points listed earlier in this letter. These amendments are set out in appendix 1.

Ofgem/DTI note that there may be changes to the proformas in the Data Registration Code required pursuant to any amendments that may be made to the Planning Code. An amended version of the Data Registration Code is not included in appendix 1 but to the extent that any consequential amendments are required then they will be made at the same time as any amendments to the Planning Code that may result from the conclusions to this consultation.

As noted above, any comments on the draft legal text contained in appendix 1 and appendix 2 to this letter should be sent by 11 August 2004.

## **Appendix 1 – Proposed draft legal text for GB Grid Code**

Ofgem/DTI propose that GB Grid Code is amended as follows<sup>10</sup>:

SEE APPENDED DRAFT TEXT

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<sup>10</sup> This text is change-marked against the draft GB Grid Code legal text, published in May 2004.

## **Appendix 2 – Proposed draft legal text for GB BSC**

Ofgem/DTI propose that the GB BSC is amended as follows:

### **ANNEX I-2: TABLES**

#### **SSE Application For Non-Standard BM Unit Configurations**

<b>Applicant</b>	<b>BM Unit Name</b>	<b>Site</b>	<b>Summary of Dispensation Application</b>	<b>Commencement Date</b>
Scottish and Southern Energy plc	Beaully	Deanie Culligran Aigas Kilmorack	To allow the hydro generating units at the sites to be associated with a BM Unit and to allow the generators within the BM Unit to be operated in a cascade mode i.e. where the common energy source, the water, is used through the generating units as it makes its way from the high level catchment areas to sea level.	BETTA Go-Live
Scottish and Southern Energy plc	Clunie	Clunie Pitlochry	To allow the hydro generating units at the sites to be associated with a BM Unit and to allow the generators within the BM Unit to be operated in a cascade mode i.e. where the common energy source, the water, is used through the generating units as it makes its way from the high level catchment areas to sea level.	BETTA Go-Live

Scottish and Southern Energy plc	Killin	Lubreoch  Cashlie  Lochay	To allow the hydro generating units at the sites to be associated with a BM Unit and to allow the generators within the BM Unit to be operated in a cascade mode i.e. where the common energy source, the water, is used through the generating units as it makes its way from the high level catchment areas to sea level.	BETTA Go-Live
Scottish and Southern Energy plc	Moriston	Ceannacroc  Livishie  Glenmoriston	To allow the hydro generating units at the sites to be associated with a BM Unit and to allow the generators within the BM Unit to be operated in a cascade mode i.e. where the common energy source, the water, is used through the generating units as it makes its way from the high level catchment areas to sea level.	BETTA Go-Live
Scottish and Southern Energy plc	Conon	Mossford  Luichart  Orrin  Torr Achilty	To allow the hydro generating units at the sites to be associated with a BM Unit and to allow the generators within the BM Unit to be operated in a cascade mode i.e. where the common energy source, the water, is used through the generating units as it makes its way from the high level catchment areas to sea level.	BETTA Go-Live



Scottish and Southern Energy plc	Garry	Quoich  Invergarry	To allow the hydro generating units at the sites to be associated with a BM Unit and to allow the generators within the BM Unit to be operated in a cascade mode i.e. where the common energy source, the water, is used through the generating units as it makes its way from the high level catchment areas to sea level.	BETTA Go-Live
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