

BETTA User Guide

A summary of the new British Electricity Trading and Transmission Arrangements (BETTA) and a high-level guide to the key activities required to implement the new arrangements and run-off the pre-BETTA arrangements.

Ofgem/DTI

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Summary

This purpose of this document is to summarise the new British Electricity Trading and Transmission Arrangements (BETTA) and to set out the key steps that participants will need to undertake to ensure that they are ready to participate in the new arrangements. The document also summarises the key steps in the process leading to the decision to go-live.

Ofgem/DTI have consulted extensively on the design and implementation of the proposed BETTA arrangements and it is intended that they will take effect on and from a date (the BETTA “go-live date”) which is currently anticipated to be 1 April 2005¹.

The Secretary of State is expected to confirm the BETTA go-live date on or about the 8 March 2005. It is Ofgem/DTI’s expectation that industry participants will be in a position to comply fully with the BETTA arrangements set out in the licences and codes on and from the BETTA go-live date.

This document is intended as a guide only, and it should not be interpreted as the definitive description of all the activities necessary to comply with parties’ licence and/or code obligations. Furthermore, this document should not be seen as a definitive description of the activities required to participate in the new arrangements and it shall not fetter the Authority’s discretion in any way. The focus of this document is to summarise the new arrangements and supporting obligations in the codes and documents and highlight the key preparatory activities required by participants. It will still be for individual companies to ensure, in the usual manner, compliance with such obligations and to take such steps as are necessary to comply with their enduring GB obligations ensuring that appropriate testing has been undertaken to the extent considered necessary by the individual party.

This document focuses on those parties whom it is anticipated will have a significant amount of preparatory work to undertake rather than setting out an exhaustive list of all activities required by all groups of participants. It covers:

- ◆ generators entering the GB market (this is expected to be particularly relevant to users in Scotland)

¹ For planning purposes the date is currently assumed to be 1 April 2005, Chapter 10 outlines the process by which the go-live date will be confirmed.

- ◆ new obligations on Embedded Exemptable Large Power Stations (EELPS) (principally those in Scotland)
- ◆ suppliers entering the market (principally suppliers of users in Scotland)
- ◆ distribution licensees (principally those in Scotland)
- ◆ interconnectors users and administrators, and
- ◆ activities to support the run-off of non-GB arrangements at and after the BETTA go-live date.

The document also provides details of the process that will be followed for the decision about, and the direction of, the BETTA go-live date. It also covers the means by which that decision will be taken by the Secretary of State and that decision and direction will be communicated.

The programme is still currently on track to meet the 1 April 2005 planned BETTA go-live date. However, some activities remain to be completed in the forthcoming weeks by the transmission licensees, Ofgem/DTI and ELEXON and others. It should also be noted that further consultations are likely as the detailed cut-over activities to support the implementation of the new arrangements are finalised. Therefore participants are advised to check the Ofgem, DTI, National Grid Company plc (NGC) and ELEXON websites on a regular basis. Contacts within Ofgem, DTI, each of the transmission licensees and ELEXON are included in Chapter 11 of this document.

Table of contents

1. Introduction.....	1
2. The new arrangements - overview	5
3. Generators entering the GB market – principally generators in Scotland	18
4. Embedded exemptable large power stations	32
5. Suppliers entering the GB market	37
6. Trading parties.....	42
7. Distribution Network Operators.....	43
8. Interconnectors	48
9. Run-off of non-GB arrangements	52
10. The BETTA go-live decision.....	60
11. Contact details.....	62

1. Introduction

Background

- 1.1. The rationale for the BETTA reforms is set out in a consultation paper of December 2001² ('the December 2001 consultation paper') and a report of May 2002³ ('the May 2002 report'). The planned date for BETTA go-live is 1 April 2005, although it should be noted that most of the legal framework required for BETTA was introduced on 1 September 2004. A significant part of that framework did not have an effect on and from that date for users in Scotland.
- 1.2. Since May 2002, Ofgem/DTI have published a number of consultation and conclusions documents on BETTA and its component parts. Copies of these papers and non-confidential responses to them can be found on the Ofgem website⁴.
- 1.3. On 30 January 2003 the DTI published a draft of the Electricity (Trading and Transmission) Bill (the E(TT) Bill) together with a Regulatory Impact Assessment (RIA), which explained the purpose and impact as well as the expected costs and benefits of the proposed primary legislation to enable the BETTA reforms. The E(TT) provisions of that draft Bill were incorporated into the Energy Bill which became the Energy Act 2004 following Royal Assent on 22 July 2004.
- 1.4. It is Ofgem/DTI's expectation that BETTA will go-live on 1 April 2005 and industry participants will need to be in a position to comply fully with BETTA on and from the BETTA go-live date. To facilitate this, provision has been made for the transition from the existing arrangements for the trading and transmission of electricity in Scotland and in England & Wales to the new GB-wide arrangements.
- 1.5. Transition from the existing arrangements to BETTA started on 1 September 2004, soon after the Energy Bill received Royal Assent. At that time (referred to

² 'The Development of British Electricity Trading and Transmission Arrangements (BETTA): A consultation paper', Ofgem, December 2001. Ofgem 74/01.

³ 'The Development of British Electricity Trading and Transmission Arrangements (BETTA): Report on consultation and next steps' Ofgem/DTI, May 2002. Ofgem 38/02.

⁴ www.ofgem.gov.uk (see "BETTA publications").

as BETTA “go-active”) the Secretary of State made a Licensing Scheme in accordance with Schedule 17⁵ of the Energy Act 2004 and designated changes to certain other documents to introduce the legal and regulatory framework for BETTA and for the transition to and implementation of BETTA.

- 1.6. Also at BETTA go-active, licence obligations were placed upon transmission, generation, supply and distribution licensees to take such steps and do such things as were within each licensee’s power to give full and timely effect to the implementation of the new arrangements. Additionally, specific obligations were placed upon parties to the industry codes, namely the Balancing and Settlement Code (BSC), Connection and Use of System Code (CUSC), the Grid Code and the new System Operator/Transmission Owner Code (STC) which describes the new arrangements between the transmission licensees. Consultation has been undertaken with all participants in developing the revised arrangements to apply under BETTA. However, it was recognised that further detailed thinking would be required to understand how the detailed cut-over to the new arrangements would operate, noting that additional consultation may be required where it was identified that further changes to the legal framework were needed.
- 1.7. Interested parties are reminded to check the Ofgem, DTI, NGC and ELEXON websites on a regular basis to ensure that they are aware of the most recent consultations on these matters.

Structure of this document

- 1.8. Chapter 2 of this document describes, at a high-level, the key aspects of the new arrangements and indicates for the purpose of background only, the key activities and functions being implemented in the transmission sector.
- 1.9. Chapters 3 to 8 describe, at a high-level, the activities that it is anticipated will need to be undertaken by specific groups of participants in order that they will be ready for the cut-over to BETTA. The focus of this document is to describe the steps that it is likely that certain industry participants will need to undertake in order to get ready for BETTA go-live. This principally affects those wishing to

⁵ The Licensing Scheme was made on 26 August 2004.
BETTA User Guide
Ofgem/DTI

connect to and use the GB transmission system and those wishing to trade electricity, that is buy and sell electricity in the forward markets and through the balancing mechanism. Ofgem/DTI are aware that NGC and ELEXON have been holding seminars and industry meetings where the detailed arrangements are being communicated. The purpose of this document is to complement such communications.

- ◆ Chapter 3 – covers the steps required to be taken by generators entering the GB market, principally generators in Scotland
- ◆ Chapter 4 – covers the activities required by EELPS, principally those in Scotland
- ◆ Chapter 5 – covers the activities required by suppliers entering the GB market, principally suppliers of users in Scotland
- ◆ Chapter 6 – covers some of the activities for trading parties who chose to participate in the new arrangements
- ◆ Chapter 7 – covers the activities required by distribution licensees to support the new GB arrangements and run-off the pre-BETTA arrangements, principally activities for those parties in Scotland, and
- ◆ Chapter 8 – covers the activities required by interconnector operators and users.

1.10. Chapter 9 describes the arrangements for the run-off at or after the BETTA go-live date of the non-GB arrangements, such as the current arrangements for electricity trading in Scotland (under the Settlement Agreement for Scotland (the SAS)) and the arrangements for trading across the existing interconnector between Scotland and England, which will become part of the GB transmission system on and from the BETTA go-live date.

1.11. Chapter 10 describes the process and timetable by which the BETTA go-live decision will be taken and indicates key decision points leading up to the BETTA go-live date.

1.12. Chapter 11 provides contact details at Ofgem, DTI, NGC, ELEXON, Scottish Hydro Electric Limited (SHEL), Scottish Power Transmission Limited (SPTL) for

each of the key activities required to facilitate the implementation of the new arrangements and the run-off of the existing pre-BETTA arrangements.

Other related BETTA documents

- 1.13. As part of the BETTA process this document makes references to other aspects of the BETTA project. A full record of the BETTA documents published to date can also be found on the BETTA area of Ofgem's website. Parties are also recommended to refer to the Energy section of the DTI website⁶, the National Grid Company (NGC) website⁷ and the BETTA sections of the ELEXON website⁸.

⁶ www.dti.gov.uk/energy

⁷ www.nationalgrid.co.uk

⁸ www.elexon.co.uk

2. The new arrangements - overview

- 2.1. This chapter summarises the key aspects of the BETTA arrangements. The purpose of this chapter is to add further detailed background such that participants have a greater understanding of the overall BETTA arrangements.

GB trading

- 2.2. The principal objective of the BETTA reforms is the creation of a single, competitive wholesale electricity trading market in Great Britain. The GB trading arrangements are based upon the current England & Wales trading arrangements. On and from the BETTA go-live date, participants in Scotland and England & Wales will be in a position to trade GB energy in the forward markets. Parties wishing to trade in the GB market will be able to trade their energy forward through bilateral over the counter trades, through exchanges or in any other manner they deem appropriate. As is the case with the existing market arrangements in England and Wales (which are essentially being extended to apply on a GB basis under BETTA, albeit with some changes) it is envisaged that participants will operate as far as possible like in any other commodity market whilst at the same time making provision for the electricity system to be kept in physical balance at all times to maintain security and quality of supplies. The GB trading arrangements will include:

- ◆ forward and futures markets that allow contracts for electricity to be struck several years ahead⁹
- ◆ power exchanges which give participants the opportunity to “fine tune” their contract positions or trade energy forward as appropriate⁹
- ◆ a balancing mechanism, which operates at Gate Closure (1 hour before real time), in which bids and offers for electricity can be made to enable the system operator to balance the supply and demand on transmission system, and

⁹ It is anticipated that the existing E&W arrangements for wholesale trading will be adapted to apply on a GB basis under BETTA. The facilitation of a forward and futures market and/or power exchange is outside the scope of the central BETTA Programme.

- ◆ a settlement process for: charging or paying participants whose notified contract positions do not match their metered volumes of electricity (two imbalance cash out prices); the settlement of accepted balancing mechanism offers and bids; and distributing the surplus or deficit arising from the two imbalance cash out prices.
- 2.3. The arrangements for settling energy imbalance and Balancing Mechanism actions are set out in the Balancing and Settlement Code (BSC). The GB version of the BSC was based upon the England & Wales document with some appropriate amendment such that it applies on a GB basis.

GB Transmission-related functions

GB system operator

- 2.4. The second principal element of BETTA is the introduction of a single set of arrangements for access to and use of the transmission system in Great Britain. In order to achieve this, a single system operator has been appointed, independent of generation and supply interests, who will take responsibility for a number of transmission-related activities on a GB basis. This includes contracting with users for connection and use of the GB transmission system, real-time balancing of the transmission system, directing the configuration of the transmission system, transmission outage planning and, in conjunction with the other transmission licensees, ensuring co-ordinated investment planning on the transmission system.
- 2.5. Licence conditions for a GB system operator¹⁰ have been developed and consulted upon over the last 2 years¹¹. Such licence conditions were introduced into the transmission licences on and from the BETTA go-active date. However, only some parts of those Standard Licence Conditions (SLCs) had effect on or from that date. The remainder will have effect on and from the BETTA go-live date.

¹⁰ Standard Licence Conditions C of the transmission licence.

¹¹ The regulatory framework for transmission licensees under BETTA – Ofgem/DTI consultation. Volumes 1 to 4 – November 2002. Regulatory Framework for transmission licensee under BETTA- Second consultation on electricity transmission licences under BETTA 59/03- An Ofgem/DTI consultation June 2003. Regulatory framework for transmission licensees under BETTA- Third consultation on electricity transmission licences

- 2.6. NGC will take on the role of GB system operator and the point at which such licence conditions will be given full effect will be the point at which they begin to operate the GB transmission system. Preparatory activities are currently on track for NGC to assume these responsibilities from 1 April 2005.

Transmission owners

- 2.7. Similarly, licence conditions relating to the new role of the Scottish transmission licensees in their capacity as transmission owners¹² under BETTA, were introduced into the transmission licences at BETTA go-active. However, only some parts of those Standard Licence Conditions (SLCs) had effect on or from that date. The remainder will have effect on and from the BETTA go-live date. These conditions include making available those parts of the transmission system which are intended for the purpose of conveying electricity and providing such other services and information to the GB system operator as appropriate; these will be given full effect at the BETTA go-live date and again preparatory activities are being undertaken by SHETL and SPTL in anticipation of their enduring roles from BETTA go-live.

System operator/transmission owner code (STC)

- 2.8. The contractual arrangements underpinning the revised transmission sector structure under BETTA are captured in a new code, the STC. The most up to date version of the STC will be posted on the NGC website. However, the only parties to the STC are the transmission licensees and consequently there are currently only three parties.

Access to the GB transmission system

- 2.9. Pre-BETTA, in both England & Wales and in Scotland, access to the transmission system is provided by the relevant transmission licensee (SHETL in the north of Scotland, SPTL in the south of Scotland and NGC in England & Wales). In each case the licensee is only providing access to and use of its own transmission system.

under BETTA- An Ofgem/DTI consultation December 2003. Publication of 'near final' transmission licences under BETTA-April 2004 82/04.

¹² SLCs in section D of the transmission licence.

- 2.10. Generators connected to the transmission system in Scotland can at present only gain access to the England & Wales market by first acquiring access to the England-Scotland Interconnector, through a contract with either SHETL or SPTL under the terms of each of their Access and Allocation Codes and then contracting for access to the England & Wales transmission system and market. Similarly, those in England & Wales wishing to trade in Scotland, would need to put in place arrangements to access the Scottish market.
- 2.11. A single GB-wide set of arrangements for trading energy and for access to and use of the GB transmission system will be implemented on and from the BETTA go-live date. At this time the separate contractual arrangements for use of the England-Scotland interconnector will no longer be applicable. On and from the BETTA go-live date, the GB system operator will be the party responsible for contracting with all users for connection to and use of the GB transmission system¹³. The arrangements for connection and use of the GB transmission system are embodied within the CUSC. The CUSC has been based largely upon the England & Wales CUSC with appropriate amendments being made such that it applies on a GB basis under BETTA.

The England Scotland Interconnector

- 2.12. In conjunction with the arrangements to introduce a single GB harmonised set of contractual arrangements for connection to and use of the GB transmission system, there will be a change in the treatment of the interconnector assets between Scotland and England & Wales. The assets will be treated as general transmission infrastructure assets and absorbed into the regulated transmission asset base of the relevant transmission licensees for price control purposes.

The allocation of access rights to the GB transmission system

- 2.13. In August 2004, Ofgem/DTI published its conclusions on the arrangements for the initial allocation of GB transmission system access rights under BETTA¹⁴. The

¹³ The system consisting (wholly or mainly) of high voltage electric lines owned or operated by the transmission licensees within GB and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between substations or to and from any interconnector and includes any electrical plant or meters owned or operated by any transmission licensee within GB in connection with the transmission of electricity. This definition is taken from the Transmission Licence.

¹⁴ The initial allocation of GB transmission system access rights under BETTA – An Ofgem/DTI conclusions. BETTA User Guide

conclusions document confirmed that parties who had a signed agreement for connection with a transmission licensee or apply for a connection prior to or on 1 January, 2005 would receive an offer of terms from the GB system operator comparable to the offer of terms that they would have received under the enduring (i.e. post-BETTA) arrangement except that:

- ◆ the offer would not be contingent on the completion of network reinforcement works on circuits relating directly to the interconnection¹⁵ (or works on circuits consequential, in the context of the relevant offer, to such network reinforcement), and
- ◆ parties connecting in Scotland would not receive an offer which was contingent on completion of works in England & Wales, and parties connecting in England & Wales would not receive an offer which was contingent on the completion of works in Scotland.

2.14. The document further outlined that, in identifying contingent infrastructure for the purposes of preparing offers for parties that have signed a connection agreement or applied for connection on or before 1 January 2005, the GB system operator would consider first, and in sequence, parties who had signed agreements as at 1 September 2004 assuming that all parties would have signed a local offer would accept the associated GB offer. Furthermore, it stated that in considering applicants as at 1 September 2004 and those that signed agreements after 1 September 2004, the GB system operator would ensure that the sequence in which parties received offers would not result in a later applicant receiving an offer before an earlier one.

2.15. On 1 September 2004, transmission licence obligations were put in place that outlined the process that the GB system operator and the transmission owners should follow when processing offers for connection to or use of the GB transmission system during the transition period¹⁶. Licence obligations were

document August 2004.

¹⁵ England Scotland Interconnector as defined in the transmission licence.

¹⁶ GB system operator - Schedule 1 to condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period. Transmission owner – condition D15 – obligations relating to the preparation of TO offers during the transition period. It should be noted that these licence conditions now extend beyond the BETTA go-live date as further modifications have been made to them.

placed on all generation, distribution and supply licensees relating to these GB offers.

Charges for connection to and use of the GB transmission system

- 2.16. As GB system operator, NGC will be responsible for operating the GB transmission system under BETTA and must develop the methodologies that are to be used to calculate the charges that electricity generators, suppliers and large customers will pay for connection to, and use of, that system.
- 2.17. The methodologies will establish how NGC recovers, from users who connect to and/or use the GB transmission system, the costs of making available and operating that system. Although there are only two types of charging methodologies; one for connection and one for use of system, there are three types of charge. The Connection Charging Methodology calculates charges for the provision of assets that enable users to connect to the transmission system. The Use of System Methodology covers both Transmission Network Use of System ("TNUoS") charges which relate to the provision of high voltage lines and cables, and Balancing Services Use of System ("BSUoS") charges which relate to the costs incurred by the GB system operator in buying and selling electricity and other services to keep the supply and demand of electricity on the transmission system in balance and the transmission system within safe operating limits in real time.
- 2.18. Following consultation with the industry, NGC submitted its proposals for such methodologies to the Authority for consideration on 30 September 2004. On 15 October 2004, the Authority published a consultation document and an impact assessment concerning those proposals. That document set out the Authority's views on the impact of NGC's proposals and invited views from interested parties. The Authority considered the proposals at its meeting on 25 November 2004 and on 10 December 2004; the Authority published a decision document which set out details of the Authority's decisions on NGC's proposed GB electricity transmission charging methodologies and its reasons for reaching those decisions. That document indicated that, in light of NGC's licence obligations and the Authority's legal duties and obligations, having due regard to its principal objective to protect the interest of consumers where appropriate by

promoting effective competition, the Authority had reached the following decisions concerning NGC's proposals:

- ◆ the Authority decided to approve NGC's proposed connection charging methodology (subject to NGC undertaking a further review of its calculation of charges relating to maintenance of connection assets with a view to furthering the relevant objectives to charge cost reflectively and to facilitate competition in connection works)
- ◆ the Authority concluded that, had it been possible to approve separately NGC's proposed BSUoS charging methodology, that methodology would have been suitable for approval, and
- ◆ the Authority decided not to approve either of the proposed TNUoS charging methodologies as it considered that such an approval would not be consistent with its legal duties and obligations.

2.19. Following the Authority's decisions, NGC issued a revised set of proposals for a use of system charging methodology for industry consultation on 20 December 2004. This consultation closed on 21 January 2005 and NGC submitted a revised set of proposals to the Authority on 28 January 2005. The Authority published an impact assessment concerning those revised proposals on 3 February 2004. It is also expected that NGC will issue indicative charges to the users in the next few days. These indicative charges will be updated and/or confirmed following the Authority's decision on the revised proposals. It is anticipated that such a decision will be taken at the Authority meeting which is scheduled for 24 February 2005.

Discount for small transmission connected generators

2.20. In consulting on issues affecting small generators¹⁷ under BETTA, Ofgem/DTI highlighted one particular area of concern relating to transmission charging and small transmission-connected generators in Scotland.

¹⁷ In this context defined as generators with a maximum generating capacity of less than 100MW.

- 2.21. The transmission system in Scotland comprises a network of high voltage lines comprised of lines wholly or mainly 132kV and above. In England & Wales the transmission system is defined as a network of high voltage lines which are above 132kV. Therefore 132kV lines are generally considered to be transmission lines in Scotland, but distribution lines in England and Wales. This reflects the different function of such lines in the respective areas.
- 2.22. Generators can connect to a distribution network or to a transmission network. The choice will be dictated by a number of factors, including plant size and location. There are no generators less than 100MW connected to the transmission system in England and Wales. However, there is around 1.2GW of generation connected to the 132kV transmission network in Scotland, of which a significant number are less than 100MW.
- 2.23. In England & Wales generators who are connected to the distribution system (including 132kV circuits) can net-off demand and avoid transmission charges. Small generators connected to the transmission system in Scotland (which may also be connected at the same voltage) can not net off demand and therefore Ofgem/DTI considered that they may be disadvantaged relative to similar generators in England & Wales.
- 2.24. Ofgem/DTI concluded that, in the medium term, work should be undertaken to address this matter on an enduring basis. However, in order to ensure small transmission connected generators were not disadvantaged from BETTA go-live, it was concluded that the introduction of a discount against transmission charges would be an appropriate interim measure.
- 2.25. A new SLC (Adjustments to use of system charges (small generators) (SLC C13) was designated on 1 September 2004. The condition set out that an interim discount would be set until 31 March 2008, with scope provided for the discount to be removed before this date if appropriate. The condition also set out that there would be a two-step process for the GB system operator to calculate final charges to transmission users. First, the GB system operator would calculate charges pursuant to its approved charging methodology independent of the proposed interim measure. Second, the GB system operator would modify the charges to provide the discount. It also set out that the costs

of the discount would be met by all customers taking demand from the GB transmission system in a non-discriminatory and non-locational basis.

- 2.26. SLC C13 also determined that it was the responsibility of the Authority to determine the level of the discount. On this basis Ofgem published a “minded to” statement and impact assessment on the discount in December 2004¹⁸. This set out the view that the discount should be set as 25% of the total residual element of NGC’s TNUoS charges. Further, it is proposed that the level of the discount continues to be calculated as 25% of the total residual in future years, the Authority will make final decisions on this in February.
- 2.27. The actual level of the discount will depend of the final tariffs determined by NGC under the process set out in SLC C13. However, based on NGC’s revised initial methodology¹⁹ this would give a discount of approximately £3.67/kW in the charging year commencing 1 April 2005.

Technical aspects relating to the connection, use and operation of the GB transmission system

- 2.28. Under the pre-BETTA arrangements, all electricity transmission licensees were required to have in force a grid code that covered the material technical aspects relating to connection to and operation of the licensee's transmission system. The Scottish transmission licensees discharged this obligation through the Scottish Grid Code, which applies to the transmission systems owned and operated by SPTL in the south of Scotland and SHETL in the north of Scotland, and those who are connected to and/or use them, and NGC through the Grid Code, which applies to the transmission system owned and operated by NGC (England & Wales) and those who are connected to and/or use it.
- 2.29. Under BETTA a single Grid Code will be put in place, based largely upon the Grid Code in England & Wales with appropriate amendment such that it applies on GB basis. The Scottish Grid Code will continue to have effect in Scotland

¹⁸ BETTA “minded to” statement on the interim discount for small transmission connected generators and impact assessment – Ofgem, December 2004 #282/04.

¹⁹ www.nationalgridinfo.co.uk/betta/pdfs/0105_GB_Charging_Revised_Conclusions.pdf

until the BETTA go-live date at which time it will fall away; at that time the GB Grid Code will have full effect.

Regulatory Framework

- 2.30. The electricity industry in Britain is governed by the Electricity Act 1989 (the 'EA'). The EA was amended most recently by the Energy Act 2004 to enable the introduction of new transmission licensing arrangements which were put in place on and from the BETTA go-active date. At the same time, amendments were made to the generation, distribution and supply licences such that arrangements could be put in place to implement BETTA and to ensure that these licensing arrangements would apply on a GB basis on and from the BETTA go-live date.
- 2.31. The EA prohibits participation in the transmission of electricity without a licence or exemption. The EA also gives the Authority the power to grant such licences (exemptions either individual or class exemptions are made by the Secretary of State).
- 2.32. The GB system operator (NGC) is required by its licence to establish and maintain certain industry codes including the CUSC²⁰. The CUSC provides for (in all cases as appropriate) NGC and each CUSC user to be bound by the terms of the Grid Code. The CUSC also provides for: NGC and each CUSC user to enter into agreements in respect of each site where the user's electrical lines or plant is connected to the GB transmission system; and for each CUSC user to enter into agreements with other transmission licensees in respect of each site where the user's lines or plant connect to that licensee's transmission system. In all cases the form of such agreements is specified in the CUSC.
- 2.33. NGC is also required by its licence to have in place a BSC²¹ and to have a Grid Code²² which covers all material technical aspects relating to the connection to and operation of and use of the GB transmission system.

²⁰ Transmission SLC C10.

²¹ Transmission SLC C3.

²² Transmission SLC C14.

- 2.34. All transmission licensees are required to have in force a STC²³ which sets out terms between transmission licensees whereby the GB transmission system and each licensee's transmission system forming part thereof is to be planned developed or operated and transmission services are to be provided.
- 2.35. The Authority is also empowered to grant licences for the generation, distribution and supply of electricity and for the operation of electricity interconnectors, although the regulatory regime for interconnectors is in the process of being introduced and at the current time there are no interconnector licences in place.
- 2.36. All generation, distribution and supply licences contain licence conditions that place obligations on licensees and or prescribe the manner in which the licensee undertakes certain activities. Included within the generation, supply and distribution licences are obligations to accede to and to comply with the CUSC and the BSC and the CUSC obliges all parties to the CUSC to comply with the Grid Code.

Cut-over

- 2.37. The regulatory and contractual framework that was put in place on and from the BETTA go-active date was designed to accommodate an automatic move from the arrangements and obligations that apply immediately prior to BETTA to the new enduring BETTA arrangements existing on and from the BETTA go-live date. All of the enduring arrangements (with a few exceptions which were to be completed during the transitional period) were included in the framework that was put in place on the BETTA go-active date, but their operation was limited for the transition period²⁴. In addition, further transitional arrangements were introduced which continued the pre-existing transmission arrangements for the transition period (i.e. retaining Scottish responsibilities for system operation) as well as placing specific obligations on licensees relating to their preparations for the introduction of BETTA. All of the transitional arrangements (with a few exceptions where transitional arrangements were identified as being required

²³ Transmission SCL B12

²⁴ The transition period is the period between BETTA go-active and BETTA go-live.

after the BETTA go-live date, such as arrangements for run-off) were designed to automatically fall on and from the BETTA go-live date.

- 2.38. However, in considering the detailed activities to cut-over to the new arrangements it has been necessary to consider further the framework that was introduced at BETTA go-active to confirm that it is appropriate for all the transitional arrangements to fall away from BETTA go-live.
- 2.39. In a number of instances Ofgem/DTI have identified a need to retain some transitional arrangements after the BETTA go-live date, in particular in relation to elements of BETTA which will not be completed until after the BETTA go-live date, such as the issuing of all GB offers by NGC and where it is necessary to retain matters to ensure that the pre-BETTA arrangements are appropriately wound down.
- 2.40. Ofgem/DTI have also considered whether or not further changes are required to address the detailed cut-over arrangements that are being developed, for example whether or not in preparing for the introduction of the new GB energy balancing arrangements it is necessary to switch on certain provisions of the codes early and/or whether it becomes necessary for responsibilities to transfer before the BETTA go-live date.
- 2.41. To the extent that further changes are required to the licence to address these matters, these changes will be taken forward by Ofgem/DTI. Where these changes are required to the Grid Code and CUSC they will be taken forward by NGC, with appropriate direction from the Authority and finally where these changes are required to the BSC, by ELEXON, again with appropriate direction for the Authority. The change management arrangements for the STC were activated at BETTA go-active. However, the Authority has the power to direct changes to the STC during the transition period, in certain circumstances.
- 2.42. NGC and ELEXON have already issued consultations in relation to legal changes required to reflect the detailed cut-over to BETTA for the Grid Code and the BSC and NGC are due to issue a consultation on changes required for the CUSC shortly. With regard to the licences, Ofgem/DTI are currently preparing to consult on changes that are required to the electricity licences to facilitate the detailed cut-over to the new arrangements.

- 2.43. Parties should note that up until the point at which BETTA is implemented the existing separate trading and transmission arrangements in Scotland and in England & Wales will continue (including the existing arrangements for the establishment and operation of the Scotland-England interconnection) unless Ofgem/DTI specifically provide for the introduction of alternative arrangements.
- 2.44. Work is progressing for the implementation of BETTA on and from 1 April 2005 and while Ofgem/DTI have no reason to consider, at this time, that this date will not be met, it remains a possibility (albeit unlikely) that BETTA may be implemented on a later date. Parties should be aware that in the event of any such change to the BETTA go-live date they will need to be in a position to continue to operate under the existing separate Scotland and England & Wales arrangements for the trading and transmission of electricity until such time as BETTA is implemented.

3. Generators entering the GB market – principally generators in Scotland

- 3.1. This chapter summarises the key preparatory activities required to be undertaken by generators entering the GB market. Given that many of the GB arrangements are an extension of the prior arrangements in England & Wales, and given that existing England & Wales users will already be party to the documents (because the existing England & Wales CUSC and England & Wales BSC (with appropriate amendments) became the GB CUSC and GB BSC respectively) it is anticipated that the matters described in this section will principally affect generators in Scotland.
- 3.2. It is recognised that certain other classes of generators may also need to undertake certain preparatory activities. It is noted that Ofgem/DTI are still in the process of consulting upon the detailed legal text to support the arrangements for EELPS and for this reason an separate chapter has been included in this document to set out a number of matters relevant to this group of generator.
- 3.3. The actions required for small generators in relation to their connection to the transmission system or to a distribution system are as described below as for other generators. The choices of trading option available to small generators together with other useful information is laid out in the Ofgem "Smaller generators" micro site²⁵. Information on trading options is also available from an ELEXON publication²⁶. Smaller generators requiring further explanation are recommended to consult the ELEXON help desk (020 730 4222).
- 3.4. This chapter therefore summarises the new obligations within the principal codes, supporting documents and the licences to illustrate some of the key activities required by generators entering the market. This chapter covers:
- ◆ the arrangements that need to be put in place for connection to and use of the GB transmission system and the obligations and key activities required under the CUSC, including the provision of credit cover

²⁵ see www.ofgem.gov.uk & then select the Smaller generators Information Site

²⁶ see http://www.elexon.co.uk/documents/Publications/Publications - Information Sheets/embedded_.pdf
BETTA User Guide
Ofgem/DTI

- ◆ the obligations and key activities under the Grid Code including the provision of data and Mandatory Services
- ◆ the arrangements for the provision of Commercial Ancillary Services²⁷ and other balancing services
- ◆ the obligations and key registration activities under the BSC, and
- ◆ the arrangements for trading energy in the forward markets including the supporting contracts that may need to be in place.

3.5. This chapter is intended as a guide only and should not be interpreted as the definitive description of all the activities necessary to comply with licence and/or code obligations, it will still be for individual companies to ensure, in the usual manner, that the necessary preparatory activities are undertaken such that they can comply with licence and code obligations on and from the BETTA go-live date.

Bilateral contracts for connection to and use of the GB transmission system

3.6. The terms and conditions for connection to and use of the transmission system in the whole of Great Britain are embodied in the CUSC (as amended in accordance with a direction from the Secretary of State on 1 September 2004).

3.7. At BETTA go-active, all generation licensees, who had not already done so, were required under the licensing arrangements put in place through powers provided by the Energy Act 2004, to accede to the CUSC Framework Agreement. Between 1 September, 2004 and the BETTA go-live date, the application of the CUSC is limited as provided for in the transition section of the CUSC (Section 12).

3.8. From the BETTA go-live date, all generation licence holders will be required to comply with the enduring CUSC obligations (other generating parties may also be required to undertake similar activities) and have in place a connection and use of system agreement with the GB system operator. The CUSC sets out the

²⁷ Parties should contact NGC for further information on the detail of such services.
BETTA User Guide
Ofgem/DTI

scope of the necessary agreements but it is envisaged that all directly connected generators will require:

- ◆ a bilateral connection agreement substantially in the form of that exhibited in Schedule 2 Exhibit 1 to the CUSC
- ◆ a construction agreement where appropriate (see Schedule 2 Exhibit 3 to the CUSC), and
- ◆ where required under the CUSC, an Interface Agreement (see Schedule 3 Exhibit O to the CUSC).

3.9. Section 12 of the CUSC defines the issues arising out of transition and the applicability or otherwise of the CUSC during the transition period. This section also covers many of the activities required of parties during the transition period and in most cases outlines a timetable by which such activities should be undertaken, for example the provision of security in relation to use of system charges. The section also considers the provision of data during the transition period and, where considered necessary, provision for NGC to request for the validation of any data provided to them by the relevant transmission licensee. To the extent that generators are not familiar with the provisions of the CUSC and the requirements of the transitional section, they should contact NGC to discuss these matters in more detail.

3.10. For generators in England & Wales who currently have in place the agreements outlined above; amendments will need to be made to their existing agreements such that they apply on a GB basis going forward. Again Section 12 of the CUSC outlines the arrangements in respect of any amendments/agreements that need to be put in place to support the connection to and use of the GB transmission system. Participants in England & Wales should ensure that the relevant activities outlined in the CUSC are undertaken in time for BETTA go-live.

3.11. Any relevant generators who have not yet contacted NGC to make arrangements to put in place these agreements should do so as a matter of urgency, NGC will be issuing GB offers to users in accordance with the timetable outlined in SLC 18 of its licence, which also contains default arrangements in the event that parties and NGC have not agreed the terms of their GB arrangements before BETTA go-live and subsequent determination of

any disputes arising as a result of this process will be by the Authority. In relation to parties who will not be connected to the GB transmission system before BETTA go-live, the timescales for the making of these offers and for the introduction of any default arrangements are different from those currently set out in the designated licence condition. Details of these differing dates can be found in a recently published Ofgem/DTI conclusions document that covers this matter²⁸.

Credit Cover under the CUSC

- 3.12. The connection conditions of the CUSC outline the credit arrangements for those wishing to connect to the GB transmission system. Parties wishing to connect will need to make appropriate arrangements to ensure that the CUSC requirements are met. In addition, the CUSC also outlines credit arrangements for those using the transmission system in respect of BSUoS and TNUoS charges again parties are advised to ensure that appropriate credit cover and security arrangements are put in place, prior to BETTA go-live. The timetable for the provision of credit cover and security is outlined in Section 12 of the CUSC

Technical aspects relating to connection and operation of the GB transmission system - Grid Code

- 3.13. As stated in paragraph previously, the Secretary of State modified all electricity generation licences at BETTA go-active to oblige all the holders of such licences²⁹ to accede to the CUSC, which requires parties to comply with the Grid Code (previously licence holders were required to comply with the provisions of every grid code in so far as they applied to the licensee). Between 1 September, 2004 and the BETTA go-live date the application of the Grid Code is limited through an Appendix to its General Conditions.

²⁸ BETTA open letter on proposed changes to Standard Licence Conditions ("SLC") C18 of the transmission licence, other SLCs the CUSC and the STC to reflect the possible late issuance of the GB offers under SLC C18 and other required changes: Ofgem/DTI Conclusions. Invitation of views on the proposal by the Secretary of State to exercise powers to further amend SLC C18 in relation to the treatments of Embedded Exemptable Large Power Stations: Ofgem/DTI consultation.

²⁹ Other generating parties may also be required to comply with certain obligations within the Grid Code.
BETTA User Guide
Ofgem/DTI

- 3.14. The Grid Code covers a number of material technical aspects relating to the connection to, operation of and use of the GB transmission system. The Grid Code also covers the operation of electric lines and electric plant or any distribution system connected to the GB transmission system and thus affects NGC's relationship with all users of the GB transmission system be they generators, suppliers or non-embedded customers. The Grid Code specifies day to day procedures for both planning and operational purposes and covers both normal and exceptional circumstances.
- 3.15. There are many specific obligations within the Grid Code with which parties will be required to comply. However, in summary the Grid Code obligations and requirements are divided into a number of areas:
- ◆ the Planning Code, which provides generally for the supply of certain information by the user in order that planning and development of the GB transmission system can be undertaken
 - ◆ the Connection Conditions, which specify both the minimum technical, design and operational criteria which must be complied with by the GB system operator at connection sites and by users connected to or seeking connection with the GB transmission system or by generators connected to or seeking connection to a user's system
 - ◆ the Operating Code, which is split into a number of sections and deals with the procedures for and the provision of data for demand forecasting, operational and planning data provision, testing and monitoring, demand control, operational liaison, safety co-ordination, contingency planning, the provision of information following events, numbering and nomenclature of HV apparatus and systems tests
 - ◆ the Balancing Code, which is split into 3 sections and deals with the submission of Balancing Mechanism (BM) Unit data by BM participants and certain other information for the following day ahead of Gate Closure, the post Gate Closure process and, special provisions relating to the system frequency control process
 - ◆ the Data Registration Code, which sets out a unified listing of all data required by NGC from users and by users from NGC, and

- ◆ General Conditions, which are intended to ensure, so far as possible that the various sections of the Grid Code work together in practice and include provisions for the establishment of the Grid Code Review Panel. The General Conditions also contain the transitional section which has been included to facilitate the introduction of the BETTA arrangements.
- 3.16. In general it is expected that all CUSC parties will need to comply with the enduring Grid Code obligations from the BETTA go-live date, so it will be necessary to submit data and information during the transition period such that all CUSC parties can comply with their obligations on and from the BETTA go-live date.

Submission of data under the Grid Code

- 3.17. Once the enduring Grid Code obligations come into effect, generators will be obliged to provide NGC with appropriate data as defined in the code. One of the transitional Grid Code provisions put in place at BETTA go-active was to put obligations on Scottish Users to provide, or enable the relevant transmission licensee to provide, NGC with all data that they would need in order to implement, with effect from BETTA go-live, the Grid Code in Scotland. Also contained within this provision is the ability for NGC to request from a Scottish User confirmation and verification of information, including data that was received by a transmission licensee under an existing Grid Code and passed onto NGC in respect of that Scottish User. The transitional section of the Grid Code further states that after the BETTA go-live date, such information (including data) shall be treated as though provided to NGC under the enduring provisions of the Grid Code.
- 3.18. During the transition period, the transmission licensees have been providing NGC with user data such that NGC are in a position to operate the GB transmission system from the BETTA go-live date. Although it is recognised that there are provisions within the transitional section of the Grid Code to deem data, provided during the transition period, to be treated as if provided under the enduring provisions of the Grid Code, NGC advise that it is likely that they will be seeking to validate some of the data provided to them by the transmission licensees directly with users. Where this is necessary, NGT will make contact with the user directly in the forthcoming weeks.

- 3.19. Participants in England & Wales should continue to comply with Grid Code requirements and provide information and data as required.

Communications with the GB system operator under the Grid Code

- 3.20. The Connection Conditions of the Grid Code³⁰ specify the communication requirements for the provision of information to and from NGC. The majority of the information provided under the Balancing Codes is provided electronically using specific communications links. All new users will be required to put in place such communications links (EDT links). Where appropriate NGC will be responsible for the installation of an EDL interface at the user control points. NGC will require that appropriate testing of all communications links has taken place before the BETTA go-live date and before detailed cut-over to the new arrangements has started. Full details of the communication requirements can be found in an annex to the General Conditions in the Grid Code, under the “governance of electrical standards” where interface specifications for EDL and EDT links are outlined as is the process for installing appropriate communication links. Further information on testing requirements should be sought from NGC.
- 3.21. NGC are introducing a system TOGA (Transmission Outages and Generation Availability) to enable it to manage the increase in volume of Operating Code 2 (OC2) data associated with the introduction of BETTA. The system is web-based and will enable users to log onto the new TOGA database to enter and retrieve data. Further information on user guides and interface specification can be found on the NGC website under the Grid Code “associated documents” section.
- 3.22. The transitional provisions in NGC’s transmission licence and the Grid Code provide for NGC to consult on the activation of specific obligations within the codes before the BETTA go-live date such that they are in a position to manage the implementation of BETTA. NGC has issued two recent consultations³¹ on the

³⁰ See Grid Code CC 6.5.8

³¹ T01/04: “Grid Code Transitional Consultation Document, Provision of OC2 data under OC 2.4.1.2.3 (a) and OC 2.4.1.2.4 (b)”, issued 15 November 2004, responses required by 3 December 2004; and T02/04: “Grid Code Transitional Consultation Document, Grid Code – BETTA go-live cut over requirements”, issued 24 December 2004, responses required by 31 January 2005.

need to activate elements of the Grid Code GB-wide in advance of BETTA go-live. On the basis of these consultations, NGC will submit reports to Ofgem proposing that the Authority should direct relevant changes to the Grid Code. Further additional consultations may be necessary in the lead up to the BETTA go-live date. Participants should check National Grid's website for both the details of the consultations already issued and for future detailed consultations.

- 3.23. The provision of outage planning data by generators and NGC under OC2 was brought into effect on 19 January 2005, following appropriate consultation and direction by the Authority. Users requiring additional information about their obligations in this respect should contact NGC or view the appropriate area of their website.

Mandatory Service Agreements

- 3.24. The Grid Code also contains the technical definition of ancillary services (frequency response and reactive power) that certain generating units are required to have the capability to provide. The CUSC contains the contractual arrangements for the provision of these services (Mandatory Ancillary Services) and Schedule 2 Exhibit 4 to the CUSC provides the form for a Mandatory Services Agreement. NGC and relevant generators will be required to have in place an agreement substantially in this form. The arrangements for the payment and for the provision of mandatory reactive power are set out in Schedule 3 of the CUSC. This schedule refers to the provision of reactive power under these arrangements as the "obligatory reactive service" and provides that, unless a generator has entered into a separate agreement referred to as a "market agreement" then the generator will be paid under the default arrangements laid out in Appendix 1 to the CUSC. Payments for frequency response will be based upon rates specified in the individual bilateral mandatory services agreement which will also define the precise technical performance requirements for the site concerned. Those parties who believe that they are not in a position to meet the mandatory service requirements outlined in the Grid Code should contact NGC as a matter of urgency.

Derogations

- 3.25. A derogation is a direction from the Authority which relieves a licensee from its obligation to comply with a standard or code in its licence in specified circumstances to a specified extent, such as the mandatory service obligations in the Grid Code. The derogation will normally have an expiry date so that the need for it can be systematically reviewed and performance towards compliance can be monitored.
- 3.26. A derogation is granted to an individual licensee and can not be transferred. Thus if a non-compliant system or plant item is sold, the new party will need to apply for a new derogation. It will be for the individual licensee to consider whether or not they are able to comply with an obligation and or “technical standard” and seek appropriate derogations where this is not the case.
- 3.27. A guidance note on the derogation from obligations in the licences and codes can be found on the Ofgem website under “Ofgem’s work” “asset and risk management”.

Market arrangements for the provision of commercial ancillary services and other balancing services

- 3.28. Both the Grid Code and the CUSC recognise that there are other ancillary services (both for the provision of frequency response and reactive power and other services such as black start) which some generators can choose to offer to the GB system operator. Users may also elect to enter into other balancing services with NGC, for example, to provide reserve, warming, constraint management services etc. It will be for the individual user to decide whether or not to enter into these market agreements directly with the GB system operator and interested parties should contact NGC to discuss these matters further.

Balancing and Settlement Code obligations

- 3.29. As previously stated, on 1 September, 2004, the Secretary of State for Trade and Industry made changes to the BSC that apply GB-wide with full effect from the BETTA go-live date. The way the BSC will apply in the transition period leading up to BETTA go-live is largely specified in a new transitional section (Section I).

New participant BSC registration activities

3.30. With effect from BETTA go-active, all licensed generators were obliged to accede to (if not already a party) and to comply with the BSC. The new transitional Section I of the BSC outlines the applicability of enduring GB obligations during the transition period and obliges generators³² to undertake preparatory activities such that they are in a position to comply fully with the BSC obligations which will apply GB-wide from BETTA go-live³³. Such activities include:

- ◆ the authorisation and registration of metering systems and aggregation rules, (Section K and L)
- ◆ the authorisation and registration of BM Units and Trading Units (Section K)
- ◆ the installation and testing of appropriate communications links (Section O)
- ◆ putting in place appropriate credit cover arrangements (Section M)
- ◆ the registration of Energy Volume Contract Notification Agents (ECVNAs) (Section P)
- ◆ the registration of Meter Volume Reallocation Notification Agents (MVRNAs) (Section P), and
- ◆ preparation for balancing mechanism activities (Section Q).

3.31. ELEXON is working with new parties on the processes for collection of metering data, the registration of metering systems, aggregation rules, BM Units and Trading Units and the testing and validation of such data. Because the existing BSC procedures would have needed enhancements to define how this should be done a number of new subsidiary documents (BETTA Data Take on Procedures (BDTPs) and Entry Process, Accreditation and Certification Document (EPAC))

³² Other parties may also be required to comply with the relevant obligations set out in the BSC.

³³ Note that the BSC uses the term "BETTA Effective Date" to mean the BETTA go-live date.

have been approved by the BSC Panel to define how such activities will be undertaken.

- 3.32. The role of ELEXON also includes the development of the BSC Agent systems and commercial arrangements that are necessary to support the implementation of the BSC to be in full effect GB-wide. Further information on the latest version of the operational BSC and the associated BETTA participant communications can be found at ELEXON website www.elexon.co.uk . Other ELEXON contacts are shown in chapter 11.

Classification and registration of metering systems and BM Units

- 3.33. Sections K and L of the BSC specify the requirements for registration and provision of metering systems and BM Units under the BSC. The transitional Section I of the BSC modifies the way these sections operate during the transition period to allow different procedures to be used for the registration of certain metering systems.
- 3.34. Section L of the BSC and associated BSC codes of practice and procedures outline the standards for the appropriate settlement metering. New participants will be required to ensure that existing power station metering meets both operational³⁴ and settlement (as specified in Section L) metering requirements.
- 3.35. Ofgem/DTI are aware that some new participants may not be in a position to comply fully with BSC metering requirements and work has been undertaken by ELEXON to identify those parties and to consult on the provision of each dispensations for such parties. Section L of the BSC was modified at BETTA go-active to provide for a number of specified metering dispensations³⁵. To the extent that any generators do not believe that they will be in a position to comply with the BSC metering requirements and have not already applied for appropriate dispensations then they should contact ELEXON as soon as possible.
- 3.36. In the third GB BSC consultation paper, Ofgem/DTI stated that they had asked ELEXON to seek information from Scottish parties and to undertake a further consultation in respect of any proposals for non-standard BM Unit and Trading

³⁴ See Grid Code CC 6.5.6

Unit configurations. Section K of the BSC was modified at go-active to provide for a number of specified non-standard BM Unit and Trading Unit configurations³⁶. Parties who wish to register non-standard Trading Units and BM Unit configurations and have not already done so, should contact ELEXON as soon as possible.

ECVNA/MVRNA authorisations

- 3.37. Generators can buy and sell energy for each settlement period (half-hour) by contracting with another BSC Party and notifying such contracts to the Energy Contract Volume Allocation Agent (ECVAA). If the energy that they produce in any settlement period differs from the total volume of contract sales notified to their production account for that period, any surplus is paid at System Sell Price or the deficit is charged at System Buy Price. Generators should ensure that they have arrangements in place to allow for the notification of energy contract volumes on their behalf, including the authorisation (in accordance with Section P of the BSC) of accredited ECVNAs.
- 3.38. It is also possible under the BSC for parties to allocate the metered volumes from their BM Units to another Energy Account through a Metered Volume Reallocation Notification (MVRN) (see also Section P of the BSC). Any party which believes it will need to submit an MVRN will need to authorise a MVRNA.

Credit Cover

- 3.39. Under the BSC payments to and from trading parties in respect of trading charges arising on any particular Settlement Day are made, on average twenty-nine days later. Thus at any given time, trading parties may have debts (or be due payments) in respect of trading charges incurred, on average, over that twenty nine days. The purpose of such credit cover is to ensure that should a trading party default, sufficient collateral is available to pay these debts. The BSC does not stipulate the amount of credit cover that they must provide. Instead parties decide on the level of credit cover that they wish to provide and credit

³⁵ See BSC Section I, Annex I-2 Table C

³⁶ See BSC Section I, Annex I-2 Tables A & B

checking is intended to ensure that a party can not accumulate a debt over the twenty nine day period that exceeds the amount of credit cover provided. Generators will be required to consider and put in place appropriate credit arrangements.

Communications under the BSC

- 3.40. Section O of the BSC describes the arrangements for sending and receiving data, reports and information and the various methods of communication available under the BSC. In order to send and receive settlement information and receive appropriate reports generators will be required to install appropriate communications links.

Trading in the forward markets

- 3.41. As described in Chapter 2, the new GB wide trading arrangements will be substantially an extension of the existing England & Wales trading arrangements where all new participants will be free to trade in forward markets in a variety of manners. Trades can be undertaken bilaterally with individual counterparts, through exchanges, through brokers or in any other manner appropriate to buy and sell quantities of electricity and manage associated price and volume risk.
- 3.42. In order to trade in such markets it is likely that parties will need to put in place appropriate contractual arrangements (although it should be noted that all such arrangements are outside the scope of the industry codes). Standard trading contracts have been developed for “over the counter” (OTC) trades in the forward markets. The contract currently used by many market participants is the Grid Trade Master Agreement (GTMA) which describes the arrangements for buying and selling energy in the forward markets. The GTMA has been developed by the industry since the implementation of the New Electricity Trading Arrangements in England & Wales and Ofgem/DTI understand that it is the intention that this standardised contract will be used as the basis for some OTC trades on a GB-wide basis. The Energy Trading Committee of the Futures and Options Association (FOA) have recently released new standardised power trading documentation which revises the existing GTMA with a number of operational issues (such as notification and confirmation procedures) clarified

and standardised; The latest version of the GTMA can be found on the FOA website. www.foa.co.uk/documentation/gtma/index.jsp

- 3.43. Parties are also at liberty to trade power through any of the power exchanges offering trading platforms. It will be for individual parties to decide on the appropriateness or otherwise of such trading facilities and whether or not they wish to trade using standard industry contracts and make appropriate arrangements.

4. Embedded exemptable large power stations

The existing arrangements

- 4.1. In England & Wales users, typically generators satisfying the definition “Large” that affect the transmission system as a result of either being connected to it or, if connected to a distribution system that is connected to the transmission system, being of significant size, are in almost all instances licensed. The terms of licences compel such users to enter into agreements with NGC, even where they are not connected to NGC’s transmission system, whereby NGC can, amongst other things, obtain information or services that may be required to operate the transmission system.
- 4.2. However, due to the nature of the transmission system and its definition to include 132 kV in Scotland, generators that are of a smaller capacity than is the case in England & Wales are either connected to the transmission system or, if embedded, may affect the transmission system. This position is recognised in the fact that, amongst other things, pre-BETTA, requirements have been imposed on generators greater than 30 MW in SPTL’s area, and 5 MW in SHETL’s³⁷ area and reflected in the definition of “Large”³⁸ in the Grid Code.
- 4.3. However, unlike in England & Wales, a substantial number of such generators are not required to hold licences either as a result of falling into a class exemption or as a result of having had an exemption granted by the Secretary of State. Due to the vertical integration of transmission and distribution businesses in Scotland, the combined distribution/transmission business previously has been able to impose conditions through their connection agreement with the EELPs that may be necessary for the safe and secure operation of the transmission system, even where the user is not connected to the transmission system.

³⁷ And has been enshrined by the Central Despatch Limit in the Scottish Grid Code.

³⁸ Being greater than 100 MW in E&W, 30 MW in SPTL’s area and 5MW in SHETL’s area.

The new arrangements

- 4.4. Due to the relatively large number of such stations in Scotland, Ofgem/DTI recognised that the impact of EELPS was of particular significance in Scotland. Proposals were based upon the understanding that EELPS can have a substantial effect upon the operation of the transmission system and that, in Scotland; such generators are currently required to comply with a number of obligations set down in the Scottish Grid Code. Under BETTA, NGC, as GB system operator will require conditions on users that may be necessary for the safe, secure operation of the GB transmission system, even in cases where the user is not connected to the transmission system.
- 4.5. The areas where Ofgem/DTI considered that explicit provision should be made in the legal framework to retain elements of the existing treatment of EELPS generators under BETTA included:
- ◆ identifying a mechanism by which such generators and NGC could be required to enter into the appropriate agreements, and
 - ◆ applying to them those elements of the legal framework that applied to large licensable generators that are also considered appropriate for EELPS. It was proposed that such elements should include the provision of information about the generating plant to NGC and a mechanism for requiring such generating plant to meet the Grid Code requirements.

Ofgem/DTI Conclusions

- 4.6. In their November consultation document³⁹ on the matter, Ofgem/DTI proposed that:
- ◆ each EELPS user should be required to either (i) register the EELPS as stand-alone BM Unit(s) and enter into a bilateral agreement based upon the form of the existing Bilateral Embedded Generation Agreement⁴⁰ (BEGA), or (ii) not register the EELPS as stand-alone BM Unit(s) and enter

³⁹ Treatment of Embedded Exemptable Large Power Stations under BETTA: An Ofgem/DTI conclusions and further consultation document – November 2004- 255/04.

⁴⁰ See Exhibit 2 of Schedule 2 of the CUSC.

into a bilateral agreement based upon a new “Bilateral Embedded Licence exemptable Large power station Agreement” (BELLA). It would be a matter for the relevant user to choose which of these options was appropriate in relation to each EELPS

- ◆ disputes between NGC and the EELPS in relation to the form of the BELLA to be entered into should be capable of being referred to the Authority for a determination
- ◆ EELPS entering into a BEGA would be treated in the same way as any other generator entering into a BEGA and would be required to comply with the Grid Code (insofar as it applied to them), and it would be necessary for EELPS to be registered as BM Units in accordance with the BSC. To the extent that generators are unable to comply with the technical provisions of the Grid Code, then it will be necessary for them to seek derogations. As stated in chapter 3, derogations to the Grid Code are derogations to the licence condition requiring compliance with the Grid Code. Ofgem’s view was thus that, where the EELPS was not a licensee, derogations would need to be sought by and granted to NGC, and that derogation will affect the EELPS only through the contractual arrangements between the EELPS and NGC. Where the EELPS was a licensee then derogations would be needed by both NGC and the EELPS
- ◆ the BELLA would not allocate a Transmission Entry Capacity (TEC) to the EELPS, nor create a liability to pay transmission charges. Neither would the BELLA require the generator to become a BSC Party, nor register the EELPS generators as BM Units under the BSC. However, they would be required to comply with all the requirements placed on “Large” power Stations under the Grid Code. These include complying with the minimum technical, design and operational criteria and performance requirements and the provision of communications plant referred to in the Connection Conditions of the Grid Code, for example Operational Metering. This would also include, where required by NGC, submission of physical notifications in accordance with Balancing Codes
- ◆ where works on the transmission system was required to accommodate the connection of the EELPS to the relevant distribution system, the

energisation of the EELPS would be contingent upon the completion of these works. Where the EELPS user entered into a BEGA, the arrangements in relation to any required works would be dealt with in a construction agreement between NGC and the EELPS. Where the user elected to enter into a BELLA, any works would be dealt with as a modification to the connection agreement between NGC and the relevant DNO. In this case, the relevant DNO would not be permitted to energise the EELPS until the necessary works specified in the connection modification had been completed, and

- ◆ the CUSC amendment processes would apply to EELPS users in the same way as other CUSC users and consequently EELPS users would participate in the CUSC amendment processes. The amendment arrangements applying to the BELLA would be equivalent to the arrangements applying to other bilateral agreements.

4.7. On the 24 January 2005, Ofgem/DTI published its conclusions⁴¹ paper on the treatments of EELPS. Ofgem/DTI concluded that it was appropriate to continue to progress the development of EELPS broadly in line with the above proposals set out in November. In light of the responses received however, Ofgem/DTI also proposed that:

- ◆ in certain instances (i.e. where the provision of such services was not essential for BETTA go-live) additional time should be given for the EELPS and NGC to enter into any associated arrangements for the provision of ancillary services, and
- ◆ subject to there being no other material change and the request to switch being made prior to 1 October 2005, Ofgem/DTI proposed that those EELPS that have been required to choose between the BEGA and BELLA options prior to BETTA go-live would be given an opportunity to apply once to NGC to switch between the options without this affecting their

⁴¹ Treatment of Embedded Exemptable Large Power Stations under BETTA- Conclusions and consultation on Code changes – January 2005.
BETTA User Guide
Ofgem/DTI

place in the queue for the purposes of determining any contingent infrastructure under licence condition C18⁴².

- 4.8. Ofgem/DTI also stated their belief that it was important that discussions between NGC and EELPS users should continue to progress in the run-up to the BETTA go-live date and that the relevant agreements should be entered into in the appropriate timescales. Consultation on the detailed legal text to support the implementation of the proposed arrangements can be found in the Ofgem/DTI consultation document published on 24 January 2005, where responses are sought by 7 February 2005. Parties should contact NGC to ensure that such agreements, as appropriate, are entered into.

⁴² It is noted that this does not mean that EELPS cannot apply to move between the two options on an enduring basis.

5. Suppliers entering the GB market

- 5.1. The purpose of this chapter is to outline the key implementation activities required by suppliers entering the market such that they are in a position to meet their enduring GB obligations from the BETTA go-live date. This chapter summarises the key preparatory activities required by suppliers, principally those suppliers of users in Scotland entering the GB market.
- 5.2. This chapter is intended as a guide only and should not be interpreted as the definitive description of the activities necessary to comply with the obligations placed upon them either by licence or by any industry code. It remains for the individual licensee to ensure that they are acting in compliance with their regulatory and contractual obligations which include the obligation to prepare for the implementation of BETTA.

The existing arrangements

- 5.3. Under existing arrangements, suppliers in Scotland who are supplying sites will have entered into a use of system agreement with the relevant transmission licensee SPTL or SHETL.
- 5.4. Suppliers are also responsible for the registration of the metering systems (and their associated meter agents⁴³) at their customers' premises. At present in Scotland all demand site metering systems are registered in the PES Registration Systems (PRS) operated by Scottish Power Distribution Limited (SPDL) and Scottish Hydro-Electric Power Distribution Limited (SHEPDL).
- 5.5. Under the current wholesale electricity trading arrangements in Scotland, electricity is traded via bilateral agreements. To enable parties to settle these agreements the Settlement Agreement for Scotland (SAS) contains the procedures for the calculation and allocation of volumes of energy to suppliers and generators and makes provision for matters ancillary to these processes to facilitate competition in electricity supply in Scotland. Licensed generators and suppliers in Scotland are obliged to be a party to and comply with the provisions of the SAS.

The new arrangements

- 5.6. As previously stated, under BETTA, the CUSC defines the contractual arrangements for connection to and use of the GB transmission system. The BSC covers the arrangements for the determination and allocation to all BSC parties of quantities of energy delivered to or taken off the system and the determination of financial imbalances volumes for those quantities contracted for relative to actual meter readings. The Grid Code covers a number of material technical aspects relating to the connection to and the operation and use of the GB transmission system.
- 5.7. All licensed suppliers have been obliged, since the BETTA go-active date on 1 September, 2004, to accede to and to comply with the CUSC and the BSC and through accession to the CUSC meet the relevant obligations in the Grid Code.

Registration activities under the BSC

- 5.8. As stated in chapter 2, the transitional section of the BSC, Section I, sets out the extent to which the BSC applies to certain parties during the transition period and outlines the process for creating, modifying and complying with Transition Code Procedures. It also outlines the procedures for the registration and testing of metering systems.
- 5.9. Under the new arrangements that will apply with effect from the BETTA go-live date, there will be two principal changes to registration activities:
- ◆ the directly connected demand sites, which are currently registered in the relevant PRS, should instead be registered, as required by the BSC, in the Central Meter Registration Service (CMRS), and
 - ◆ all metering systems for embedded generation, which is not registered in the PRS at present, will need to be registered in those systems (which are referred to a Supplier Meter Registration Services (SMRS) or the Central Metering Registration Service (CMRS) under the BSC⁴⁴).

⁴³ i.e. Data Collector, Data Aggregator and Meter Operator Agents.

⁴⁴ See also Ofgem/DTI conclusions on treatment of embedded exemptable large power stations under BETTA published on 24 January 2005.

- 5.10. Suppliers in Scotland will therefore have to take steps to arrange for the de-registration of directly connected demand sites from the PRS and for their registration in the CMRS. In addition, in relation to any embedded generator, for whose output a supplier intends to take responsibility under the BSC, the supplier will need to make arrangements for the registration of the relevant metering systems in either SMRS or CMRS.
- 5.11. Under BETTA, the registration arrangements laid out in the Master Registration Agreement (MRA) will continue to apply. However, suppliers' agents in Scotland, who are currently accredited under the SAS, will need to be accredited in compliance with the BSC. ELEXON have consulted upon arrangements under which the BSC Performance Assurance Board can, in consideration of accreditation of agents who have been accredited under the SAS, take account of the steps taken to acquire SAS accreditation and certification. These arrangements are laid out in a BSC transitional code subsidiary document, the Entry Processes Accreditation and Certification (EPAC) Document, which has been approved by the BSC Panel.
- 5.12. Suppliers will therefore need to ensure that any of their meter agents (Meter Operators, Data Collectors and Data Aggregators) who are not already accredited and certification under the BSC, seek such accreditation as a matter of urgency. They also need to ensure that their supplier hubs (i.e. combination of a supplier and its agents) are correctly registered in accordance with the entry procedures.

Other BSC activities

- 5.13. Under the BSC, suppliers can acquire the energy they need for each settlement period (half-hour) by contracting with another BSC Party following which they need to notify such contracts to the Energy Contract Volume Allocation Agent (ECVAA). As stated in Chapter 3, if the energy that they consume in any settlement period differs from the total volume notified for that period, the surplus is settled at System Sell Price or the deficit is settled at System Buy Price. Suppliers should ensure that they have arrangements in place to allow for the

notification of energy contract volumes on its behalf, including the authorisation (in accordance with the BSC⁴⁵) of accredited ECVNAs.

- 5.14. Again, as outlined in Chapter 3, suppliers will need to make sure that appropriate credit cover arrangements are put in place such that they are in a position to comply with the BSC credit cover requirements set out in Section M.
- 5.15. Participants who are not already familiar with the BSC and or their transitional obligations should contact ELEXON as a matter of urgency.

CUSC

- 5.16. Section 1 of the CUSC outlines the extent to which the various sections of the code apply to the various categories of participants. All sections of the CUSC will apply to suppliers entering the GB market on and from BETTA go-live date with the exception of Sections 2 and 9. Section 3 of the CUSC outlines the specific rights and obligations relating to suppliers generally and, in relation to certain provisions, suppliers supplying non-embedded customers. Under this section of the CUSC suppliers will, for example, be required to provide information on; the location of metering system, demand forecasts and provide other supporting information such that a use of system agreement can be put in place with the GB system operator.
- 5.17. Section 12 of the CUSC outlines the issues arising out of the transition to enduring GB CUSC and provides for the extent to which the GB CUSC is to apply to each party during the Transition Period. This section also covers many of the activities required of suppliers during the transition period and in most cases outlines a timetable by which such activities should be undertaken, for example the provision of security in relation to use of system charges. The section also considers the provision of data during the transition period and, where considered necessary, provision for NGC to request for the validation of any data provided to them by the relevant transmission licensee. Participants who are not already familiar with the CUSC and or their transitional obligations should contact NGC as a matter of urgency.

⁴⁵ See Section P of the BSC.

The Grid Code

5.18. As stated in chapter 3, the Grid Code covers a number of material technical aspects relating to the connection to and the operation and use of the GB transmission system. Suppliers will be required to comply with enduring requirements of the Grid Code on and from the BETTA go-live date. The provisions of the Grid Code relevant to suppliers include:

- ◆ aspects of the Connection Conditions
- ◆ Operating Codes 1,5 and 7
- ◆ Balancing Codes 1 and 2 for the submission of pre Gate Closure information and for the submission of bids and offers for those choosing to participate in the Balancing Mechanism⁴⁶; and
- ◆ aspects of the Data Registration Code.

5.19. As stated in chapter 2, the Appendix to the General Conditions of the Grid Code covers many of the activities required of suppliers during the transition period and also limits the applicability of the various obligations under the Grid Code during the transition period. The Appendix also considers the provision of data during the transition period and, where considered necessary, provision for NGC to request for the validation of any data provided to them by the relevant transmission licensee.

5.20. Participants who are not already familiar with the Grid Code and or their transitional obligations should contact NGC as a matter of urgency.

Trading in forward markets

5.21. As stated in chapter 2 and 3 there are a range of options available to parties wishing to trade energy in the forward markets. Parties wishing to trade energy in such markets should ensure that the appropriate agreements are in place such that they are in a position to trade in these markets should they chose to do so on and from the BETTA go-live date.

⁴⁶ See paragraph 3.20 for communication requirements under the Grid Code.
BETTA User Guide
Ofgem/DTI

6. Trading parties

- 6.1. The purpose of this chapter is to outline the arrangements for parties choosing to trade in the forward market who wish to and applies in accordance with the BSC to hold energy accounts.
- 6.2. As outlined in the chapter 2, parties can chose to trade in the forward markets in whatever way they deem appropriate. However, in many instances, forward markets and/or bilateral agreements will require the contractual counterparties to become parties to the BSC so that the contract volume notifications can be made. Ofgem/DTI understands for example that parties choosing to trade using a GTMA for OTC trades are required to accede to the BSC Framework Agreement such that they are in a position to have contract volumes notified in relation to their energy accounts to the ECVAAs.
- 6.3. The BSC makes provision for the admission of such parties who, upon accession, will be allocated energy accounts (production and consumptions accounts) from which to notify contracts. In all cases, it will be necessary for an appropriately appointed ECVNA to notify any trades. Most of the BSC provisions relating to non-physical matters (other than for example where a default IEA is to be appointed) are optional. For example BSC parties may choose how much security cover to lodge they may chose which contract volume notifications and metered volume reallocations are made against their energy accounts etc. Parties will however, be required to comply with the communication requirements set out in Section O, to the extent that communications are relevant to them, and provision will need to be made for the installation of appropriate communication links such that information and reports can be provided to the trading party.
- 6.4. For further information on the accession to the BSC as a Trading Party and the requirements of the BSC for such parties, users should contact ELEXON. As outlined in Chapter 3, further information on the GTMA trading contract and the obligations outlined within it can be found on the FOA website.

7. Distribution Network Operators

Background

- 7.1. This chapter summarises the key preparatory activities required to be undertaken by DNOs⁴⁷, principally those in Scotland, who were required to comply with the requirements of the CUSC, Grid Code and BSC on and from the BETTA go-active date.

Arrangements for connection to and use of the GB transmission system

- 7.2. In preparation for the new GB arrangements, DNOs in Scotland will need to take the required steps to move from having direct arrangements with the local Scottish transmission licensee for connection, to contractual arrangements with NGC for connection to and use of the GB transmission system. The process for this transition has been considered in several Ofgem/DTI consultation documents and licence obligations have been placed upon both NGC and the distribution licensees with regard to the arrangements for putting in place agreements for connection to and use of the GB transmission system. NGC will be making GB offers to all transmission connected parties, including DNOs, in accordance with its obligations.
- 7.3. As previously stated, the CUSC outlines the arrangements for connection to and use of the GB transmission system, DNOs in Scotland will be required to have in place a Bilateral Connection Agreement substantially in the form exhibited in the CUSC. All sections of the CUSC, with the exception of 3 and 9, will apply to DNOs in Scotland. As outlined in previous chapters, Section 12 of the CUSC defines the issues arising out of transition and the applicability of the CUSC during the transition period. Section 12 also covers many of the activities required of parties during the transition period and in most cases outlines a timetable by which such activities should be undertaken. The section also considers the provision of data during the transition period and, where considered necessary, provision for NGC to request for the validation of any

data provided to them by the relevant transmission licensee. To the extent that DNOs are not familiar with the provisions of the CUSC and in particular the requirements of the transitional section, they should contact NGC.

Grid Code

- 7.4. As stated in chapter 3, the Grid Code covers a number of material technical aspects relating to the connection to and the operation and use of the GB transmission system. DNOs were required to comply with the requirements of the Grid Code from BETTA go-active. Each sub code of the Grid Code contains provisions relating directly to the DNOs.
- 7.5. As stated in chapter 2, the Appendix to the General Conditions of the Grid Code covers many of the activities required by suppliers during the transition period and limits the extent of applicability of the Grid Code during the transition period. The section also considers the provision of data during the transition period and, where considered necessary, provision for NGC to request for the validation of any data provided to them by the relevant transmission licensee. Participants who are not already familiar with the Grid Code and or their transitional obligations should contact NGC as a matter of urgency.

BSC

- 7.6. On and from the BETTA go-active date, all distribution licence holders were required to accede to and comply with the requirements of the BSC. As stated in chapter 2, the transitional section of the BSC, Section I, sets out the extent to which the BSC applies to certain parties during the transition period and outlines the process for creating, modifying and complying with Transition Code Procedures. It also outlines the procedures for the registration and testing of metering systems.
- 7.7. There are a number of obligations within the BSC that relate to DNOs (defined as Distribution System Operators(DSOs) under the BSC) contained within Sections, H,K,L,M,R and S.

- 7.8. The principal obligations relevant to DSOs are contained within sections K and L of the BSC. The transitional Section I of the BSC modifies the way these sections operate during the transition period to allow different procedures to be used for the registration of certain metering system.
- 7.9. Section K outlines the arrangements for the classification and registration of metering systems at System Connection Points and the process for notifying the CRA of any changes to the location of such connection points including the procedures for the de-energisation of such connections. Section K also outlines the arrangements for the submitting and establishing Line Loss Factors that would apply in respect of metering systems on a DSO's Distribution System (and any associated distribution systems).
- 7.10. Section L of the BSC outlines the requirements for the installation, commissioning, operation and maintenance of metering equipment for the measurement of quantities of energy (both Active and Reactive where relevant).
- 7.11. DSO's who are not already familiar with the BSC and or their transitional obligations under the BSC should contact ELEXON as a matter of urgency.

Amendments to existing agreements

- 7.12. It is possible that as a direct result of an offer for connection to GB transmission system, or as a result of obligations placed directly upon the DNO through its licence or a Code, that the DNO may consider that it will be necessary (or may in fact be required) to make alterations to its own existing contractual arrangements with a user of their distribution system. For example, in relation to EELPS, obligations are being placed upon the distribution licensees to use "best endeavours" to procure that any EELPs connected to their distribution system enter into the CUSC Framework Agreement. Furthermore, depending upon the trading option chosen by the EELPS, contingent infrastructure may or may not be included by NGC in the connection agreement of the DNO. DNOs may wish to consider what provisions and flexibility needs to be included in their connection/use of system agreements with EELPS in order to reflect these arrangements. Further detail on this specific issue can be found in the recently published Ofgem conclusions document on this matter.

- 7.13. Similarly, changes may be required in England & Wales to the existing contractual arrangements that a distribution licensee has in place with users of its distribution system (and others). It is likely that in respect of England & Wales these changes will again be largely consequential in nature, such as changes to reflect the move to a GB Grid Code.
- 7.14. Furthermore, Ofgem/DTI also understands that a number of consequential changes are required to be made to the Distribution Code to reflect the introduction of the GB Grid Code. These changes are being taken forward by the Distribution Code Review Panel in preparation for BETTA go-live.
- 7.15. The two Scottish distribution licensees are currently responsible for the establishment and operation of settlement arrangements in Scotland. Matters relating to the SAS are set out in chapter 8.

Running-off existing arrangements

- 7.16. Chapter 8 of this document describes the designation by the Secretary of State of the BETTA Run-off Arrangements Scheme ('the Scheme') on 22 December 2004. The principal purpose of the Scheme is to ensure the run-off (that is, the bringing to an end) of all non-GB trading and transmission arrangements to the extent that the Authority considers it necessary or expedient to do so to ensure that these arrangements do not prevent or in any way hinder the successful and effective implementation of BETTA⁴⁸. The Scheme places specific obligations on holders of a distribution licence to take forward any required run-off proposals in relation to connection and use of system arrangements. In particular this obligation relates to the Scottish distribution licensees who are party to any joint transmission and distribution agreements that they may have in place.
- 7.17. In addition, distribution licensees are required to examine the arrangements to which they are a party more generally and to consider whether elements of those arrangements (or the arrangement as a whole) might need to be run-off under the requirements of the Scheme. To the extent that such matters are identified they will be obliged to take forward proposals to run-off those matters.

⁴⁸ As described by the relevant conditions, for example, SLC B14 (BETTA Run-off Arrangements Scheme).
BETTA User Guide
Ofgem/DTI

7.18. While the Scheme places equivalent obligations on all distribution licensees, it is possible that in respect of distribution arrangements in England & Wales there may be no arrangements that might be considered to prevent or in any way hinder the successful and effective implementation of BETTA and thus no requirement under the Scheme for matters to be run-off.

8. Interconnectors

Background

- 8.1. There are currently four electricity interconnectors in GB: the Anglo-French interconnector that links France and England & Wales, the Manx Interconnector that links the Isle of Man and England & Wales, the England Scotland Interconnector that link Scotland and England & Wales, and the Moyle interconnector that links Scotland and Northern Ireland.
- 8.2. It is not expected that the arrangements for the Anglo-French and Manx Interconnectors will change substantially as a result of the implementation of BETTA, (although it is noted that the England and Wales market that previously existed on one side of these interconnectors is being replaced with a GB market) given that the GB arrangements are based on those in England & Wales. As a consequence the arrangements relating to such interconnectors are not considered further in this chapter. However, it should be noted that arrangements are currently being considered for the implementation of a licensing regime for interconnectors, such considerations fall outside the scope of this document, parties requiring further information on this matter should contact the DTI.
- 8.3. As described in paragraph 2.12, one of the key parts of the BETTA reforms is the incorporation of the England Scotland Interconnector into the GB transmission system, such that parties are no longer required to put in place separate contractual arrangements for access across the interconnector. The assets associated with the interconnections between England & Wales and Scotland will be treated as general transmission infrastructure assets and included in the regulated transmission asset bases of the appropriate transmission licensee.
- 8.4. Actions required by parties currently using the England Scotland Interconnector are covered in chapter 8 which describes the BETTA Run-off Arrangements Scheme. This chapter describes the actions necessary by parties owning, operating or using the Moyle interconnector in order to prepare for the implementation of BETTA, given that they will need to have arrangements in

place with the GB system operator and comply with the requirements of the appropriate codes and documents.

The new arrangements

- 8.5. Specific provisions for the dealing with interconnectors including the arrangements for registration activities in respect of interconnectors are set out in the BSC⁴⁹. In outline, in respect of an interconnector connected to the transmission system (such as Moyle), it is necessary to put in place two roles to support the users of the interconnector: an Interconnector Administrator (IA) and an Interconnector Error Administrator (IEA). Both of these roles must be fulfilled by a person who is a party to the BSC Framework Agreement and therefore required to comply with the relevant BSC obligations.
- 8.6. The role of the IA is to submit the BM Unit metered volumes for each Interconnector BM Unit based upon the scheduled transfer across the interconnector in respect of each Interconnector User⁵⁰ (except the IEA). The IA provides such metered volumes for each Interconnector BM Unit (except the IEA's BM Units) for each settlement period of each day to the Settlement Administration Agent (SAA).
- 8.7. The IEA is responsible under the BSC for any transfer errors across the interconnector, that is the difference between the aggregate BM Unit metered volumes and the actual flows. No party can import or export across an Interconnector Boundary Point unless an IEA has been appointed and registered in the CMRS. The SAA will then calculate the metered volumes for the IEA's BM Units as the difference between the sum of the metered volumes provided by the IA and the actual metered energy transfer for the interconnector as a whole.
- 8.8. Each party wishing to transfer energy across the interconnector (Interconnector User) is allocated two BM Units: a production BM Unit in respect of any transfers onto the GB transmission system and a consumption BM Unit in respect of any transfers from the GB transmission system.

⁴⁹ See Sections K5, R7 and T4.1 of the BSC.

⁵⁰ See Section R7.4 of the BSC

- 8.9. The GB system operator is responsible for the registration of the interconnector metering systems in the Central Meter Registration Service (CMRS)⁵¹.
- 8.10. Any person who wishes to trade across an interconnector must complete the following:
- ◆ Put in place any necessary contracts with the interconnector owner to obtain the use of the interconnector for the transfer of any electricity purchased or sold
 - ◆ become a party to the BSC and register as an Interconnector User in respect of the interconnector concerned and thus be allocated two Interconnector BM Units
 - ◆ contract with other BSC parties for the sale or purchase of the energy to be transferred across the interconnector
 - ◆ in respect of each settlement period, in common with all other BM Units ensure appropriate data (e.g. Physical Notifications) are submitted to the GB system operator in respect of each of its BM Units, and
 - ◆ Accede to the CUSC Framework Agreement.
- 8.11. Any party that wishes to trade across an interconnector on and from the BETTA go-live date and who has not undertaken at least the first two of the above actions, should contact ELEXON and NGC as a matter of urgency. Further information on the requirements necessary to trade across the Anglo-French interconnector can be found on the NGC website; where the interconnector agreements and application forms are available.

CUSC

- 8.12. As stated in previous chapters, the CUSC outlines the arrangements for connection to and use of the GB transmission system. In addition, to the requirements to have in place appropriate agreements for connection and use of the GB transmission system, there are specific obligations contained within the

⁵¹ See Section K 5.3 of the BSC

CUSC in relation to Interconnector Owners, Interconnector Users and Interconnector Error Administrators.

- 8.13. As stated above the issues relating to transition and the applicability of the CUSC are described in Section 12. This section also covers many of the activities required by parties during the transition period and in most cases outlines a timetable by which such activities should be undertaken, for example the provision of security in relation to use of system charges. To the extent that parties are not familiar with the provisions of the CUSC and the requirements of the transitional section, they should contact NGC immediately.

Grid Code

- 8.14. As stated in chapter 3, the Grid Code covers a number of material technical aspects relating to the connection to and the operation and use of the GB transmission system. Interconnectors will be required to comply with the full requirements of the Grid Code on and from the BETTA go-live date. As stated in chapter 2, the Appendix to the General Conditions covers many of the activities required by parties during the transition period and limits the extent of applicability of the Grid Code during the transition period. The section also considers the provision of data during the transition period and, where considered necessary, provision for NGC to request for the validation of any data provided to them by the relevant transmission licensee. Participants who are not already familiar with the Grid Code and or their transitional obligations should contact NGC as a matter of urgency.

9. Run-off of non-GB arrangements

Background

- 9.1. This chapter describes the arrangements that have been put in place for the run-off of the non GB-trading and transmission arrangements to ensure that those arrangements do not prevent or in any way hinder the successful and effective implementation of BETTA.
- 9.2. In July 2004, Ofgem/DTI published an open letter on the transitional licence arrangements relating to generation, distribution and supply licences proposing that a licence obligation be placed upon all licensees relating to the run-off of the existing trading and transmission arrangements in England & Wales and Scotland. In August 2004, the conclusions document on transitional licence arrangements confirmed Ofgem/DTI's intention to place a licence obligation on all electricity licensees to comply with a BETTA Run-off Arrangements Scheme ('the Scheme') if such a scheme were to be designated by the Secretary of State.
- 9.3. The Scheme was designated by the Secretary of State on 22 December 2004 and puts in place general obligations on parties to run-off any arrangements to which they are a party which may prevent or hinder the successful and effective implementation of BETTA. In certain instances it identifies specific types of arrangements but in any event included within the Scheme is a general obligation which applies to all parties to the Scheme (all licensees and any other party who chooses to sign up to the Scheme by acceding to the Scheme Framework Agreement) to examine the arrangements to which they are a party to identify whether anything within those arrangements will need to be 'run-off' under the Scheme. To the extent that a party identifies such a matter they will be obliged to take forward proposals to appropriately 'run-off' the arrangement, acting in accordance with the Scheme where required to do so.
- 9.4. As stated above, the Secretary of State designated the Scheme on 22 December 2004. Pursuant to that scheme, all three transmission licensees were required to accede to the Scheme Framework Agreement on 22 December 2004, with the remaining licensees being required to accede to that agreement by signing an

Accession Agreement with NGC no later than 10 January 2005 (or such later date that the Authority may direct).

- 9.5. In addition, unlicensed parties may elect to comply with the Scheme. In such instances those parties are able to 'accede' to the Scheme Framework Agreement by entering into an Accession Agreement with NGC. Parties wishing to accede to the Scheme Framework Agreement should contact Guy Phillips at NGC, contact details are provided in chapter 11 of this paper.
- 9.6. In addition to the general obligation discussed at paragraph 9.3 above, the Scheme places specific obligations on parties in relation to the running-off of arrangements for the connection and use of system and for use of the Scotland England Interconnector.

Arrangements for connection and use of system

- 9.7. The objective of the Scheme is to ensure that each party takes the steps or procures that such steps are taken to amend, or terminate (as appropriate) any arrangement (or part there of) which may prevent or in any way hinder the successful and effective implementation of BETTA. Specific provisions are included in the Scheme in the relation to arrangements between a transmission licensee or a distribution licensee as appropriate and a user in respect of:
- ◆ particular construction works required on a licensee's transmission system and the associated construction works of the user
 - ◆ connection to a licensee's transmission system
 - ◆ use of a licensee's transmission system, and
 - ◆ connection to a distribution system providing for access to or use of a licensee's transmission system.
- 9.8. The arrangements that may be required to be run-off in relation to connection and use of system arrangements may include, without limitation:
- ◆ any rights to connect to a licensee's transmission system, to use a licensee's transmission system and any obligations to provide such rights

- ◆ any rights or obligations relating to the import or export of power at the site at which a user's equipment is connected to a licensee's transmission system
- ◆ any rights to obtain, or obligations to provide, data to support the connection to a licensee's transmission system and/or the use of a licensee's transmission system
- ◆ any rights or obligations relating to the calculation or payment of charges for connection to, or termination of connection to, a licensee's transmission system and/or the use of a licensee's transmission system or the provision of any data in relation to such charges
- ◆ any rights or obligations relating to the energisation and/or de-energisation of a connection to a licensee's transmission system
- ◆ any rights or obligations relating to any transmission system outages and the decommissioning, re-commissioning, modification and/or maintenance of assets for connection to a licensee's transmission system and/or use of a licensee's transmission system
- ◆ any rights or obligations relating to the provision, installation, or maintenance of metering equipment relating to connection to a licensee's transmission system and/or use of a licensee's transmission system
- ◆ any rights or obligations relating to the taking of security over assets and/or the provision of credit cover in relation to connection to a licensee's transmission system and/or use of a licensee's transmission system
- ◆ any rights or obligations relating to the testing of the user's plant, apparatus or systems or of the licensee's transmission system to which the user is connected
- ◆ any rights or obligations relating to the co-ordination, establishment and maintenance of safety precautions when work is to be carried out on the

user's plant, apparatus or systems or on the licensee's transmission system to which the user is connected

- ◆ any rights or obligations relating to the balancing of generation and demand on a licensee's transmission system or to the maintenance of frequency control, and
- ◆ any rights or obligations relating to the provision of technical data concerning the configuration, operation or capability of the user's plant, apparatus or systems.

9.9. In respect of the agreements outlined above, the transmission or distribution licensee is required by the Scheme to issue a proposal to all other affected parties by 5.00 pm on 14 January 2005, or such other date as the Authority may direct for these purposes. If the affected parties fail to agree the terms and conditions of the arrangements by 5.00 pm on 14 February 2005 then such arrangements shall be referred to the Authority for determination.

9.10. Parties to such arrangements will be receiving proposals from the transmission licensees or distribution licensees in relation to matters and will need to respond to those proposals, acting in accordance with the provisions of the Scheme, where they are required to do so.

Refund of capital contributions made by Scottish users to SPTL and SHETL prior to the introduction of BETTA

9.11. As stated in Chapter 2, from the BETTA go-live date, NGC will be responsible for contracting with all users of the GB transmission system to provide connection and use of system services and users in Scotland will no longer be required to have in place agreements for connection and use of system with SPTL and SHETL. Furthermore, where an existing transmission user has made a capital contribution to SPTL or SHETL in lieu of ongoing transmission charges for example in relation to the cost of connection assets it is necessary to consider how the un-depreciated amount of such capital contributions would be refunded to users by SPTL and SHETL.

9.12. In December 2004, Ofgem/DTI published their conclusions on how such capital contributions should be handled. The conclusions document stated that this

issue should in the first instance be resolved bilaterally between the parties; however the document provided some guidance on the principles which should be used to calculate refunds. The principles were as follows:

- ◆ in each case, the debt should fall due at midnight on 31 March 2005 (assuming a BETTA go-live date of 1 April 2005)
- ◆ where there is no significant impact on the transmission licensee's cash-flow, repayments should be made on or as near to the due date as is practicable (recognising that there is an interaction with when the relevant agreements will be run-off)
- ◆ where any payments are made before or after the due date, appropriate interest adjustments should be made, this should be set at a fair and economic level
- ◆ where there is a significant impact upon the transmission licensee's cash-flows, the licensee and the user should seek to agree a practicable and expeditious repayment schedule, and
- ◆ disputes between users and the transmission licensee in relation to the repayment schedule and other related matters should be resolved by the Authority under the BETTA Run-off Arrangements Scheme

9.13. Both SHETL and SPTL were required to put forward proposals to users on how such refunds would be effected (as part of their proposals for running off their existing connection agreements) by 14 January, 2005⁵². If any party is not yet in receipt of such proposals they should contact the relevant transmission licensee urgently. If the affected parties fail to agree the terms and condition of the arrangements by 5.00pm on 14 February 2005 then such arrangements shall be referred to the Authority for determination.

Interconnector Arrangements

9.14. In relation to Scotland-England interconnector agreements, the Scheme places separate obligations on parties in relation to arrangements between users and a

⁵² This date was subsequently moved to 28 January 2005 for SPTL.
BETTA User Guide
Ofgem/DTI

transmission licensee for using the Scotland England Interconnector. All other arrangements relating to the Scotland England Interconnector fall within the general obligations in Clause 8 of the Scheme. The arrangements that may be required to be run-off in relation to user arrangements for the Scotland England Interconnector arrangements may include without limitation:

- ◆ provisions between a transmission licensee and any other party relating to any rights to use, transport electricity across and/or connect to the interconnector
- ◆ any right to obtain, or obligations to supply data to support the connection to and use of the interconnector
- ◆ any rights or obligations relating to the calculation of payment of charges for the use of, transportation of electricity across the interconnector, connection to and/or termination of connection to the interconnector
- ◆ any rights or obligations requiring the energisation and/or de-energisation of the interconnector
- ◆ any rights or obligations relating to the provision, installation, maintenance and/or access to metering equipments for the interconnector
- ◆ any rights or obligations relating to the taking of security over any assets and or the provision of credit cover in relation to the use of or transportation of electricity across and or connection to the Interconnector, and
- ◆ any rights or obligations in relation to the provision of ancilliary services and or balancing services to support trading across the Interconnector and the associated registration of metering systems and BM Units.

9.15. In respect of the Interconnector arrangements, the transmission licensees who is party to such agreement is required by the Scheme to issue proposals to all other affected parties by 5.00 pm on 14 January 2005, or such other date as the Authority may direct for these purposes. If the transmission licensee and all other affected parties fail to agree the terms and conditions of the arrangements by 5.00 pm on 14 February 2005 (or such later date as the Authority may direct for

these purposes) then such arrangements shall be referred to the Authority for determination. Parties to such arrangements will be receiving proposals from the transmission licensees in relation to these matters and will need to respond to those proposals, acting in accordance with the provisions of the Scheme, where they are required to do so.

- 9.16. Ofgem/DTI explained that the scope of the Scheme would relate only to the 'running-off' of those matters which may prevent or in any way hinder the successful and effective implementation of BETTA. Any other changes that may be considered appropriate in the context of 'running-off' were either being taken forward voluntarily or in pursuance of licensee's obligations to prepare for the introduction of BETTA and as such would need to be taken forward using other means.

Disputes

- 9.17. As mentioned above, the Scheme makes provision for referring disputes to the Authority for determination. In order that the Authority should have time to give proper consideration to the matter under dispute and given the need for arrangements to be in place for the BETTA go-live date, the Scheme also provides for default arrangements in the event that final determination of a dispute cannot be made by the BETTA go-live date. Licensees (and any other party that is required to comply or who has chosen to comply with the Scheme) are required to put the default arrangements in place on and from the BETTA go-live date pending the settlement of the dispute by the Authority. In relation to some arrangements (including arrangements for connection and use of system) the default arrangements are considered to be a 'Default Proposal' made by the transmission licensee or distribution licensee. In all other areas where no 'issuer' of the proposals was specified the default arrangement will be an interim determination made by the Authority.
- 9.18. Any subsequent settlement by the Authority may take account of and make appropriate adjustments to reflect the difference between the terms as determined by the Authority and those which applied (as a result of the default arrangements) from the BETTA go-live date.

9.19. The Scheme also provides for a party to dispute the terms of a Default Proposal but only where the party concerned reasonably considers that the application of such default arrangements would cause serious or irreparable damage to a particular person or category of person.

SAS run-off

9.20. With effect from the BETTA go-live date, electricity trading in Scotland will cease to be effected under the terms of the SAS. In recognition of this fact, SAS parties have proposed a number of modifications to the SAS to allow for the run-off of the arrangements:

- ◆ a modification to terminate the SAS itself at the end of the run-off process⁵³
- ◆ a modification to limit the period for the raising of disputes to four months after the event⁵⁴
- ◆ a modification to terminate processing of reconciliation calculations for settlement days prior to the BETTA go-live date at the third reconciliation run⁵⁵, and
- ◆ a modification to terminate the provision of system data at the second reconciliation from the BETTA go-live day⁵⁶.

9.21. The Authority has approved all four of these proposals and it is intended that they will all be implemented in the SAS by the BETTA go-live date.

9.22. In addition, Ofgem/DTI have consulted on the question of the recovery of the costs incurred in the run-off of the SAS. Ofgem/DTI's conclusions following this consultation were published on 18 January 2005. Ofgem/DTI anticipate that Scottish Electricity Settlements Limited (SESL) or SAS parties will raise further modification proposals to the SAS to give effect to these conclusions and any other issues that may need to be addressed prior to the BETTA go-live date.

⁵³ MOD 060/04 - "SAS Termination"

⁵⁴ MOD 061/04 - "Provision for disputes during run-off"

⁵⁵ MOD 062/04 - "SAS Run-off reconciliation arrangements"

⁵⁶ MOD 063/04 - "Early termination of system data provision at R2"

10. The BETTA go-live decision

- 10.1. The final decision as to whether BETTA should “go-live” rests with the Secretary of State. That decision will be informed by advice which includes that from the Authority, each of the transmission licensees and ELEXON, who are managing the implementation of the new arrangements. In providing their advice, ELEXON and NGC will also be giving a view on the status of user activities in relation to the activities that users will be undertaking directly with them, for example registrations under the BSC and GB connection agreements for those currently connected to the transmission system.
- 10.2. It will be for individual users to ensure that they evaluate their own plans such that they are in a position to carry out activities in accordance with their licence and code obligations on and from the BETTA go-live date.
- 10.3. The decision that the project should go ahead was effectively taken in September 2004, when the Secretary of State designated the legal framework for BETTA and exercised the powers under the Energy Act 2004. Given that the decision to proceed with the project has already been taken, the nature of the decision to be taken by the Secretary of State in relation to BETTA go-live is essentially from when the new trading and transmission arrangements should take effect, that is whether it should be implemented on 1 April 2005 as currently planned, or whether given the state of readiness of the project, it needs to be delayed.
- 10.4. Progress to date suggests that the BETTA project is still on track for implementation on 1 April 2005, although some important activities are still to be completed.

Go-live decision-making process

- 10.5. As stated above, it is expected that the BETTA go-live decision will be informed by advice from the key participants the transmission licensees ELEXON and the Authority. The following process is envisaged in relation to the BETTA go-live decision:

- ◆ the Secretary of State will write to the transmission licensees, ELEXON and the Authority seeking confirmation of go-live readiness in mid February
- ◆ written advice will be provided from the transmission licensees and ELEXON to the Secretary of State in late February
- ◆ submission of the Authority's advice to the Secretary of State in early March
- ◆ a Ministerial meeting with the transmission licensees, Ofgem and ELEXON in early March⁵⁷ at which the BETTA go-live decision will be taken in principle, and
- ◆ Secretary of State will confirm the BETTA go-live date, through a direction, following the Ministerial meeting in early March.

Arrangements following the decision to implement on 1 April 2005

10.6. On the assumption that the decision to implement the BETTA arrangements on 1 April 2005 is taken in early March, after that time there will still be a number of detailed key cut-over activities that will need to take place. After the decision in principle has been taken, Ofgem/DTI and the companies will be monitoring progress closely to ensure the detailed cut-over arrangements run smoothly and that such activities remain on track. Fast-track decision-making processes have been put in place within the programme to resolve any issues that arise during this cut-over period. Contingency planning has been started to consider how possible scenarios might impede final implementation of the new arrangements.

⁵⁷ Expected to be 8 March 2005
BETTA User Guide
Ofgem/DTI

11. Contact details

11.1. The purpose of this chapter is to provide the principal points of contact for each of the key activities required to implement the new arrangements and at the same time provide contacts for the activities necessary to run-off the existing arrangements.

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Existing Connection and Use of System	John Grady
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