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Our Reference:

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Dear David,

BETTA Go-live and Contingency Planning

I refer to your consultation letter of 18th February regarding contingency planning in the event that the BETTA go-live date has to be deferred having previously been announced as 1st April 2005.

In the event of the circumstances discussed in the letter, and where plans are in place to deal with such events, e.g. the loss of certain transmission related facilities, we accept that under most scenarios it would be less disruptive to introduce BETTA and address the specific consequences that arose, rather than defer BETTA in its entirety.

However, should it become necessary to defer the BETTA go-live date, it is critical that there is no ambiguity over the new revised BETTA go-live date, and that it replaces the original designated date. In the run up to BETTA, many long-term contracts in both the England & Wales and Scottish markets will have had contract change provisions inserted dependent on the introduction of BETTA, where BETTA implementation is defined with reference to the BETTA go-live date. If there is any ambiguity over the definition of the deferred BETTA go-live date, then these contracts could terminate or change early creating significant problems in both markets.

Regarding the specific questions in this consultation we set out our views below.

1) Amend the BSC to accommodate a short-notice deferral

We accept that in the event that a short-notice deferral of any decision to go-live was made, it would be necessary to amend the BSC to accommodate the change.

2) Single imbalance price option

A single imbalance price for the cash out of imbalances caused by a deferral is preferable to ex-post notification of contract positions. This principle should not be restricted to the England and Wales markets, but also to Scotland (through the Scottish Wholesale Price arrangements) where many market participants could find themselves out of balance because of the delay.

3) Minimum notice period

Most market participants can be expected to finalise their portfolio positions once the announcement of BETTA go-live is made. Assuming a minimum notice period of three weeks i.e. notice on March 8th any deferral after this time will require an unwinding of positions. Given the volatility of the electricity and fuel markets it is feasible that generators could suffer losses should they have to replace one sort of generation with another at short notice. In this instance a single imbalance price will be critical to alleviating any additional costs that could arise. However the issue of volatility is such that the single imbalance price needs to cover the most volatile period of the forward curve. Typically this is day to week ahead. Therefore we would propose that the minimum notice period is one week.

4) Duration of single imbalance price

For the reasons given above we would reiterate the minimum period should be one week.

5) Whether or not equivalent intervention in the Scottish market arrangements is necessary.

In the event that the go-live date was delayed, Scottish participants could be out of balance where they had intended to either “import” or “export” between Scotland and England and would now be prevented from doing so because of the continuation of the Interconnector limit. In this situation the reflection of the single imbalance price into Scotland through the Scottish Wholesale Price arrangements should ensure parties imbalance costs are minimised. It is important therefore that the arrangements in both E&W and Scotland continue the reflection of E&W prices, including the single imbalance price, into Scotland.

In summary, we continue to support implementation of BETTA on 1st April, but should it be necessary to defer the date at short notice, the above proposals should minimise disruption to all parties for that short period of time.

I hope you find the answers above useful and should you or your team have any further questions or queries please feel free to contact me on the number above.

Yours sincerely

Rob McDonald
Director of Regulation