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Dear Lesley,

CUSC Amendment Proposal CAP170 – Category 5 System to Generator Operational Intertripping Scheme – Impact Assessment

Thank you for the opportunity to comment on the above Impact Assessment. This response is on behalf of E.ON UK and E.ON Energy Trading.

E.ON UK does not support the implementation of CAP170.

Chapter 3, Question 1: Do respondents consider we have appropriately identified, and where possible quantified, the impacts of CAP170, including environmental impacts? If not what additional quantification is required?

No analysis has been offered of the environmental impact of an intertrip operating, or of the associated restart of the Generating Unit. There will be an impact of additional emissions during start up. For this reason, some Power Stations have limits on the number of times they can start, and no analysis of breaches of these limits has been provided. Analysis should be undertaken to understand whether running the derogated circuits harder pre-fault offsets the environmental impact of a restart following an intertrip.

No statistics of historic or forecast faults on the derogated circuits have been provided. It is therefore not possible to quantify the additional risks being imposed on the generator. Obviously the Risk of Trip is deliberately

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increased, but it is unclear how often an intertrip might be expected to operate, or indeed whether the probable frequency of operation has been considered. Regular trips will increase the need for maintenance, but without knowing the likelihood, it is difficult to offer a meaningful quantification of the increased generator costs.

CAP076 was considered by the Working Group for application to coal and gas fired power stations. No impact of an intertrip on nuclear, biomass, hydro or wind fuelled power stations was undertaken. The examples given by NGET under the Procurement Guidelines and Balancing Principles Statement proposals explicitly consider using a nuclear power station for operational intertrip. The economic pricing of operational intertrips requires specific consideration for all the technologies which may be impacted.

Chapter 3, Question 2: Do respondents consider that there are additional impacts that have not been fully addressed? Where respondents consider that there are additional impacts, what are these impacts?

E.ON has already raised the question of the level of precedent set by the proposal to implement CAP170. As we stated to NGET in our letter of 23rd March 2008, we do not believe that the CUSC as currently drafted envisaged this level of change to Bilateral Agreements being unilaterally imposed without the agreement of signatories, and that this was particularly evident as new CUSC drafting is proposed specifically to allow the imposition of this degree of change. In order to invest, it is necessary to have a reasonably stable regulatory environment. Permitting this level of change to be imposed does not promote the investment in generation which the UK currently requires, and which E.ON and others are seeking to support.

We note above that the price impact on technologies other than coal and gas has not been considered. The practical technical impacts of operational intertrip on other technologies must also be considered if intertrips are to be retrospectively imposed upon existing power stations.

Chapter 3, Question 3: Do respondents wish to present any additional analysis that they consider would be relevant to assessing the direct and indirect impacts of the proposals?

No. We believe that such assessment should be properly undertaken by the

industry in a Working Group under proper governance and with appropriate Terms of Reference.

Chapter 3, Question 4: Do respondents wish to raise any other issues that they have not had the opportunity to raise in the course of NGET's consultations on CAP170 and the consequential changes given the urgent timescales?

Because of the urgent status accorded to CAP170, the documentation was released in a piecemeal fashion over some weeks. It was difficult to consider it all together in a holistic way. However, it is obvious that the Procurement Guidelines and the Balancing Principles Statement do not contain between them a methodology for selecting the Power Stations where Category 5 Operational Intertrips will be installed and utilised. Instead they contain a list of “things to think about” for NGET. Without a robust methodology, it would be difficult to establish grounds upon which a generator could challenge their selection or utilisation.

As highlighted in our letter to NGET on 23rd March, many of the issues we raised have not been addressed by NGET. We assume this is because of the urgent timescales. We stress that we do not believe that CAP170 and its associated changes has had sufficiently robust scrutiny from industry.

Chapter 3, Question 5: Do respondents have any views on the implementation issues associated with CAP170, including the nature, scope and consequential changes to other documents?

No further comments other than made above.

Chapter 3, Question 6: Do respondents consider there are any further risks and unintended consequences associated with CAP170 which the Authority should consider in reaching its decision?

No further comments other than made above.

Chapter 4, Question 1: Do respondents have any views on both the process and timetable that are proposed for the Authority making its decision on CAP170?

It is notable that the changes proposed by CAP170 were not accorded the benefit of rigorous discussion in Working Groups, although they are considered sufficiently large to merit an Impact Assessment. It is difficult to understand the logic of a process which stifles debate. Any change introduced with so little time for consideration and consultation should be drafted as tightly as possible to address the exact difficulty perceived. This principle has not been followed in the preparation of CAP 170, and so E.ON UK cannot support it.

If you have any queries, please do not hesitate to contact me on the above number.

Yours sincerely

Claire Maxim
Trading Arrangements