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Michelle Murdoch
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Initially by email
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Dear Michelle

Balfour Beatty Investments' response to Ofgem's minded to decision to assign TSO obligations under the Capacity Allocation and Congestion Management Regulation (CACM) to Offshore Transmission Owners (OFTOs) within GB

Balfour Beatty Investments welcomes the opportunity to respond to this consultation in our capacity as part owner of three OFTO Licences. We welcome Ofgem's recognition of the fact that many of the Articles contained in the CACM regulations are not relevant to OFTOs. As an OFTO we lack the regulatory and administrative resources that are available to onshore TSOs, therefore it is entirely appropriate that Ofgem looks to reduce the burden of demonstrating compliance with CACM to those Articles that require the participation of OFTOs.

Responding to the four questions posed in the Consultation

1. Do you agree that we have correctly identified the Articles of the CACM Regulation which place an obligation on OFTOs?

In general we are supportive of the approach that Ofgem has taken to filtering out those Articles in the CACM that have no direct relevance to the OFTOs. We would like to think that Ofgem will apply the same pragmatic approach to the implementation of future ENTSO-E codes. Regarding the Articles identified in Annex 1 as being directly applicable to OFTOs, you will see below our specific responses to each of these Articles.



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2. Do you agree with Ofgem's application of Article 1(3) in assigning obligations to GB OFTOs?

As per response 1, we are generally supportive of Ofgem's approach. For Articles 34 (3) and 82 (5) and (6) we believe that OFTOs have no role to play in the implementation of these Articles, therefore we would request that the 'OFTO ticks' are removed from the Annex 1 list.

3. Do you agree with Ofgem's minded to decision on the assignment of obligations under the CACM Regulation to OFTOs as set out in Annex 1?

See responses to 1 and 2 above and specific responses to each Article below.

4. How do you think Ofgem should assess future changes to the assignment of OFTO obligations under the CACM Regulation?

The most recent review of the impact of CACM on OFTOs has seen Ofgem take a pragmatic approach, looking at what is necessary to ensure UK compliance with CACM rather than a slavish application of all Articles irrespective of relevance and benefit. We are supportive of this pragmatic approach and would ask that Ofgem apply a similar approach to dealing with any changes in the CACM Regulation or for the introduction of any other ENTSO-E codes.

Commentary on each CACM Article that Ofgem's considers to be applicable to OFTOs

Article 2 Definitions

Application of the Definitions is noted without further comment.

Article 3 Objectives of capacity allocation and congestion management cooperation

The general theme of these Objectives is 'optimisation', as an OFTO we supportive of such an approach as it aligns with our view of that the application of the CACM code to OFTOs should be on the basis of 'where necessary' rather than a blanket application of all Articles.

Article 8 TSOs' tasks related to single day ahead and intraday coupling

2. TSOs shall:

- (e) calculate and send cross zonal capacities and allocation constraints in accordance with Articles 46 and 58;*

With regard to “cross-zonal capacities and allocations constraints” the only role played by the OFTO is in notifying NETSO of any changes to the declared capacity of the OFTO's transmission system. Therefore, if Ofgem can agree with us that the current level and frequency of information provision by the OFTO is sufficient to meet the requirements of Article 8 (2) (e) we would propose that the OFTO need no further action to demonstrate compliance with this Article.

Article 13 Confidentiality obligations

- 2. The obligation of professional secrecy shall apply to any person subject to the provisions of this Regulation.*

Under the terms of an OFTO Licence it is necessary for the OFTO to comply with “Restrictions on use of certain information”, therefore we are assuming that this Article places no additional duty on an OFTO beyond that set out in the OFTO Licence.

Article 14 Capacity calculation timeframes

- 3. For the day-ahead market timeframe, the capacity calculation shall be based on the latest available information. The information update for the day-ahead market timeframe shall not start before 15:00 market time two days before the day of delivery.*
- 4. All TSOs in each capacity calculation region shall ensure that cross-zonal capacity is recalculated within the intraday market timeframe based on the latest available information. The frequency of this recalculation shall take into consideration efficiency and operational security.*

Changes in the capacity of an OFTOs network are generally regarded as being a rare situation and are the result of planned or unplanned events, eg maintenance or faults. Under the terms of the Grid Code each OFTO is required to notify NGET of any changes in network capacity, the timing for this notification is dependent upon whether the changes are due to planned or unplanned events. If it were necessary for the OFTO to provide NETSO with daily updates on the capacity of the OFTO network, such reporting would represent an additional administrative burden and therefore an additional cost to the OFTO for no tangible benefit. Therefore, we are assuming that compliance with the relevant requirements of the Grid Code will satisfy the requirements of Article 14 (2) and (3) without the need for any additional action.

Article 19 Individual grid model

5. *Each TSO shall provide all necessary data in the individual grid model to allow active and reactive power flow and voltage analyses in steady state.*
6. *Where appropriate, and upon agreement between all TSOs within a capacity calculation region, each TSO in that capacity calculation region shall exchange data between each other to enable voltage and dynamic stability analyses.*

With regard to an OFTO's offshore transmission system, the information required to be provided under Article 19 (5) has already been provided to NGET at the design stage of the offshore transmission system, in accordance with the requirements of the Grid Code and the CUSC. Regarding Article 19 (6), any changes to the OFTOs offshore transmission system will be notified to NGET. Therefore, we see that compliance with Article 19 (5) and (6) represents no additional burden on the OFTO as there is no requirement for any additional action to be taken.

Article 28 Creation of a common grid model

3. *For each capacity calculation timeframe, each TSO shall establish the individual grid model for each scenario in accordance with Article 19, in order to merge individual grid models into a common grid model.*
4. *Each TSO shall deliver to the TSOs responsible for merging the individual grid models into a common grid model the most reliable set of estimations practicable for each individual grid model.*

With regard to creating a "grid model" OFTOs are primarily providers of data. Under the terms of the Grid Code, each OFTO is required to provide NGET with details of network capacity available and then to notify NETSO if there are any changes to this capacity. There is currently no requirement for OFTOs to provide NETSO with capacity information on an Intraday and Day-ahead basis, any such requirement would represent an administrative and cost burden on each OFTO that we do not believe can be justified. Therefore, we would ask Ofgem to accept that the current arrangement for OFTOs to notify NETSO of any changes in capacity to be sufficient to satisfy the requirements of Article 28 (3) and (4) without the need for any additional action by the OFTO.

Article 29 Regional calculation of cross-zonal capacity

1. *For each capacity calculation timeframe, each TSO shall provide the coordinated capacity calculators and all other TSOs in the capacity calculation region with the following items: operational security limits, generation shift keys, remedial actions, reliability margins, allocation constraints and previously allocated cross-zonal capacity.*

With regard to “cross-zonal capacity” the only role played by the OFTO is in notifying NETSO of any changes to the declared capacity of the OFTO’s transmission system. For the reasons described above, we can see no justification for requiring OFTOs to formally provide Intraday and Day-ahead information. Therefore, we would ask Ofgem to accept that the current arrangement for OFTOs to notify NETSO of any changes in capacity to be sufficient to satisfy the requirements of Article 28 (3) and (4) without the need for any additional action by the OFTO.

Article 34 Regular reporting on current bidding zone configuration by ENTSO for Electricity and the Agency

3. *Each TSO shall provide data and analysis to allow the technical report on current bidding zone configuration to be produced in a timely manner.*

We would not expect any OFTO to be providing reports directly to ENTSO-E, we would expect OFTOs to provide the necessary information to NETSO for them to produce a single UK report. We believe that the level and frequency of information provided by OFTOs to is sufficient to allow NETSO to comply with the requirements of Article 34. Therefore we would ask Ofgem to accept the sufficiency of the current arrangements for NETSO to satisfy the requirements of Article 34 (3) and to remove the application of this Article on OFTOs.

Article 58 Provision of input data

2. *If updates to cross-zonal capacity and allocation constraints are required, due to operational changes on the transmission system, each TSO shall notify the coordinated capacity calculators in its capacity calculation region. The coordinated capacity calculators shall then notify the relevant NEMOs.*

Regarding Article 58 (2) we would direct you to our response to Article 29 (1) above, we believe that the same response applies here.

Article 75 General provisions on cost recovery

3. *If requested by the regulatory authorities, relevant TSOs, NEMOs and delegates in accordance with Article 78 shall, within three months of the request, provide information necessary to facilitate the assessment of the costs incurred.*

Regarding Article 75 (3), as we are not expecting to provide information beyond that currently required under the requirements of the OFTO Licence, we do not expect to incur any costs, however in the event that costs are incurred we believe that three months is an acceptable period for the preparation of relevant accounts.

Article 78 Costs of establishing and operating the coordinated capacity calculation process

1. *Each TSO shall individually bear the costs of providing inputs to the capacity calculation process.*
2. *All TSOs shall bear jointly the costs of merging the individual grid models. All TSOs in each capacity calculation region shall bear the costs of establishing and operating the coordinated capacity calculators.*
3. *Any costs incurred by market participants in meeting the requirements of this Regulation shall be borne by those market participants.*

Beyond the provision of routine data in accordance with the terms of the OFTO Licence, we see no role for OFTOs in the implementation of Article 78. As an OFTO we are not established with the level of resource that would be required to establish and operate the “coordinated calculation process”. In the event that OFTOs are expected to provide information at a level or frequency above that which is required under the terms of the OFTO Licence and associated codes, we would expect to be able to recover these costs in full.

Article 81 Delegation of tasks

1. *A TSO or NEMO may delegate all or part of any task assigned to it under this Regulation to one or more third parties in the case the third party can carry out the respective function at least as effectively as the delegating entity. The delegating entity shall remain responsible for ensuring compliance with the obligations under this Regulation, including ensuring access to information necessary for monitoring by the regulatory authority.*
2. *Prior to the delegation, the third party concerned shall have clearly demonstrated to the delegating party its ability to meet each of the obligations of this Regulation.*
3. *In the event that all or part of any task specified in this Regulation is delegated to a third party, the delegating party shall ensure that suitable confidentiality agreements in accordance with the confidentiality obligations of the delegating party have been put in place prior to delegation.*

As we are assuming that the implementation of CACM will impose no new requirements on OFTOs we believe there should be no need for an OFTO to invoke the requirements of Article 81.

Article 82 Monitoring of the implementation of single day-ahead and intraday coupling

5. *All TSOs shall submit to ENTSO for Electricity the information required to perform the tasks in accordance with paragraphs 2 and 4.*
6. *NEMOs, market participants and other relevant organisations regarding single day-ahead and intraday coupling shall, at the joint request of the Agency and ENTSO-E, submit to ENTSO for Electricity the information required for monitoring in accordance with paragraph 2 and 4, except for information already obtained by the regulatory authorities, the Agency or ENTSO-E in the context of their respective implementation monitoring tasks.*

Regarding Article 82 (5) and (6), we would refer you to our response to Article 34 (3), our response to Article 85 (5) and (6) is identical.

Concluding remarks

At Balfour Beatty Investments we are grateful for the time and effort that Ofgem has invested leading up to this Consultation in meeting with OFTO representatives to understand the potential impact of the CACM code on OFTOs. We believe that this level of engagement has led to a pragmatic narrowing down of CACM Articles that are seen as relevant to OFTOs; our commentary in this letter should be seen as a honing of this position in order to arrive at the most cost effective solution for implementation of the CACM code. We would like to think that Ofgem will continue this level of pragmatism and engagement as they look to facilitate the introduction of further ENTSO-E codes. We would also take this opportunity to emphasise the limited resources available to OFTOs compared to other TOs, meaning that we are disproportionately penalised financially if we need to seek external guidance to support the introduction of CACM or any other codes that were not envisaged in our financial model.

Please don't hesitate to contact me should you wish to discuss any of the items raised in this letter.

Yours sincerely



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BALFOUR BEATTY INVESTMENTS LIMITED

cc Mark Copley, Associate Partner Wholesale Markets – Ofgem by email