

Report Phase Consultation Responses



P448 'Protecting Generators subject to Firm Load Shedding from excessive Imbalance Charges'

This Report Phase Consultation was issued on 14 October 2022, with responses invited by 14 November 2022.

Phase

Initial Written Assessment

Definition Procedure

Urgent Consultation

EBGL Consultation

Implementation

Consultation Respondents

Respondent	Role(s) Represented
Sembcorp energy UK	Generator, Supplier and ECVNA
RWE Supply & Trading	Generator, Supplier and Non Physical Trader
Flexible Generation Group	Generator
Forsa Energy	Generator
Drax	Generator, Supplier, ECVNA and MVRNA
VPI	Generator
Welsh Power Group Limited	Virtual Lead Party
EP UK Investments	Generator
National Grid ESO	NETSO
Uniper UK Ltd	Generator, Interconnector User, ECVNA and MVRNA
Association for Decentralised Energy	Trade Body
Shell	Generator
SSE Generation	Generator
Flexitricity	Generator, Supplier

P448
Report Phase Consultation
Responses

15 November 2022

Version 1.0

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Question 1: Do you agree with the Workgroup’s majority view that the P448 Proposed Modification better facilitates the Applicable BSC Objectives than the current baseline?

Summary

Yes	No	Neutral/No Comment	Other
12	2	0	0

Responses

Respondent	Response	Rationale
Sembcorp energy UK	Yes	The Modification is positive against Objectives A, B and C as described by the Workgroup.
RWE Supply & Trading	Yes	By addressing the extreme cash-out risk for CCGTs with firm gas exit capacity during a gas emergency, P448 is likely to improve the ability of parties to trade forward, thereby improving liquidity to the benefit of consumers generally. It is also likely that the ESO will have to instruct fewer CCGTs in the BM since, in the absence of P448, making capacity available in the BM is one way of mitigating the risk of cash-out exposure. Thus, P448 is positive against BSC objectives a), b) and c).
Flexible Generation Group	Yes	<p>The change better fulfils the following objectives:</p> <p>a) The ESO will be more likely to efficiently balance the system in an economic and efficient manner if it has access to as many power station pre and post a stage 2 GDE event.</p> <p>b) The TO’s system will also work more efficiently if the GDE does not unnecessarily put parties out of business in extraordinary circumstances. Having all of the gas plant more likely to remain in business will mean the TO will operate more efficiently to transmit energy to customers after a GDE event.</p> <p>c) There will be a higher degree of competition if the gas plants have not gone out of business in the GDE. There should also be more competition and liquidity prior to a GDE stage 2 event if parties are less worried about being held whole in an emergency scenario.</p> <p>d) No – the settlement process will be quite difficult after a GDE under this mod. FGG would therefore recommend that the BSC Panel agrees some guidance on how the claims process will work if this mod is implemented.</p>

Respondent	Response	Rationale
		e), f) and g) – n/a
Forsa Energy	Yes	The change better fulfils the following objectives: - a), b), c), d) - e), f) and g) – n/a
Drax	Yes	We believe the proposal would have a beneficial impact on the security of the electricity system if there is Network Gas Supply Emergency (NGSE) Stage 2 firm load shedding of gas fuelled power stations. The proposal addresses the commercial impact on the electricity market of the gas firm load shedding instruction by keeping those gas generators commercially whole and providing temporary relief from full application of the BSC credit requirements. This should ensure that detrimental impacts on the electricity market are at least partially mitigated. Compared to the current arrangements the proposal is beneficial with respect to BSC applicable objective (b) The efficient, economic and co-ordinated operation of the National Electricity System. Against the other BSC applicable objectives we believe the proposal is neutral.
VPI	Yes	VPI remain concerned about the lack of provision in P448 for scenarios where CCGTs are not able to generate because of pre-emptive actions taken by the GSO, in particular where Exit Capacity is not released for generators to book. This lack of provision results in a potential competitive distortion, whereby generators who are booking capacity on a daily basis (in line with the intent of UNC678) are not afforded the same level of protection as generators who are not. However, absent these provisions, we believe that P448 is still better against the baseline on the basis of the protections it provides to generators in receipt of a Load Shedding instruction. In particular, it is better against BSC objectives (a) and (b), as it protects generator solvency in the event of national gas shortage, protecting the operability of the electricity system once gas supplies are restored.
Welsh Power Group Limited	Yes	We agree with the Proposer that a Gas Supply Emergency poses a material threat to gas generators this winter and that absent this modification the only mitigation measures that generators can take would be to limit forward trading or include appropriate risk premia into

Respondent	Response	Rationale
		forward pricing either of which could lead to a further decline in market liquidity and increased price.
EP UK Investments	Yes	<p>The change better fulfils the following objectives:</p> <p>a) Positive - The ESO should be able to more efficiently balance the system in an economic and efficient manner with more power station availability if they have not gone out of business as a result of a Stage 2 NGSE event.</p> <p>b) Positive - Transmission networks should operate more efficiently if the NGSE does not unnecessarily put gas plant owners out of business. The TOs and ESO need to bigger plants to maintain system stability and would therefore want them back after an NGSE.</p> <p>c) Positive - The design of the mod will support liquidity by reducing risks for generators in tight winters and give them the confidence to continue to trade. There will be a higher degree of competition by maintaining liquidity and keeping parties from defaulting. However, we do believe that the modification could be better designed to promote ongoing ability of generators to trade during a NGSE (see response to Q10).</p> <p>d) Neutral - The settlement process looks rather long and difficult after an NGSE under this mod. Parties may be helped if the BSC Panel could issue some guidance on how the claims process will work if this Mod is implemented.</p> <p>e), f) and g) – are not relevant</p>
National Grid ESO	Yes	NGESO Supports the proposal.
Uniper UK Ltd	Yes	Yes. This modification should promote security of supply and also competition in the wholesale market by removing a barrier to liquidity in more forward timescales. This would better meet objectives A, B and C.
Association for Decentralised Energy	No	We agree with the workgroup that the intention behind the proposal better facilitates BSC Objectives. However, for reasons explored further below, those objectives will only be achieved through the alternative modification. Therefore, as it stands, P448 does not.
Shell	Yes	We are supportive that the proposed modification better facilitates the BSC objectives. The

Respondent	Response	Rationale
		modification is further enhanced by the Alternative Modification proposals plus we also believe the modification needs to be extended to assets with gas exit capacity procured closer to real time such as Day Ahead.
SSE Generation	Yes	As the proposer of P448 we agree with the majority of the Workgroup that P448 better facilitates the Applicable BSC Objectives than the current baseline. We have set out to the Workgroup (both in the original proposal and during the course of the Workgroup deliberations) the reasoning why the Original does this. For the sake of brevity, we avoid repeating those detailed arguments here: we would merely point the reader to our justification (contained within the Original proposal) as to why, at this time, this proposal has considerable positive attributes in terms of the applicable objectives.
Flexitricity	No	<p>We agree with the stated aims of the Modification but do not agree that the solution in the Proposed Modification achieves these aims.</p> <p>The original Proposed Modification does not cover generators that are not active in the BM, and generators will not be able to enter into the BM in time for this Winter.</p> <p>Further it provides protection only to generators that have firm capacity booked, with the last annual auction taking place in July. For these reasons the Modification is discriminatory, conferring an unfair competitive advantage on larger generators and those that procure longer term gas capacity. Therefore it scores poorly against BSC Applicable Objective (c).</p> <p>Because the Proposed Modification does not protect all generators it therefore does not protect the electricity system and therefore also scores poorly against BSC Applicable Objective (b). The Proposed Modification does not provide any advantages in respect of Applicable BSC Objective (a), and scores neutral on the other BSC Objectives.</p>

Question 2: Do you agree with the Workgroup’s majority view that the P448 Alternative Modification better facilitates the Applicable BSC Objectives than the current baseline?

Summary

Yes	No	Neutral/No Comment	Other
14	0	0	0

Responses

Respondent	Response	Rationale
Sembcorp energy UK	Yes	The Modification is positive against Objectives A, B and C as for the Proposed Modification. The Alternative more accurately reflects the contracted position for a greater group of generators, so is more positive against Objective C. We believe the Alternative Modification is neutral against Objectives D, E, F and G, and disagree that it would be negative against Objective D, as ECVNs are likely to be necessary for the committee to establish the ‘true contractual’ position of parties anyway.
RWE Supply & Trading	Yes	For the same reasons outlined for the proposed modification, the Alternative is positive against objective a), b) and c).
Flexible Generation Group	Yes	It has all the advantages of the original, but with the additional benefit that it is better for competition as it does not discriminate between generators based on size. Ofgem’s primary duty is to protect customers wherever possible by promoting competition. It is therefore vital that the generators who may be subject to losing gas supplies in a gas deficit emergency are treated equitably so that it is not just the larger plants that are protected from an event that could impact all gas plants.
Forsa Energy	Yes	The Alternative Modification builds on the original by including different sizes of gas generators, not just transmission connected. This aligns with OFGEM’s remit to protect customers by promoting competition, and is compatible with many changes made by NGENSO/OFGEM over recent years to ensure a ‘level playing field’ between transmission and distribution connected generation. With several GW of gas plant on the distribution networks, liquidity would be seriously damaged if the Alternative Modification did not go ahead.

Respondent	Response	Rationale
Drax	Yes	In principle the alternative facilitates applicable objective (b) better than the baseline. However, the proposal would be less beneficial than the original proposal. The additional ability of the claims committee to alter FPN's upwards may introduce further complexity into the process. Our view is there is insufficient justification as to when the additional power would be required or needed by the claims committee.
VPI	Yes	Yes, as per the Proposed Modification but with additional benefit against BSC Objective (c) due to increasing the number of generators that can access the solution.
Welsh Power Group Limited	Yes	We believe that the alternate modification, expanding the mod to explicitly cover gas generators not visible in the Balancing Mechanism, is an improvement on the original proposal. The original proposal risks discriminating against smaller parties who would face exactly the same risks and costs under a gas supply emergency. We see no justifiable reason for this.
EP UK Investments	Yes	We consider that the Alternative Modification would have the same impact in relation to the Applicable Objectives as the Proposed Modification. While more generators would potentially be protected under the Alternative Modification, we consider that the likelihood of these smaller generators being interrupted in an NGSE is minimal as load shedding begins with the largest gas demands first.
National Grid ESO	Yes	NGESO supports the Alternative. After further review, NGESO believes that the Alternate offers protection to a greater number of potentially directly affected generators during a Gas Supply Emergency, mitigating further the risk of generator insolvency. It also permits the NGSESVC to create and/or increase/reduce FPN acceptance data (e.g. which may be required to reflect two-shifting).
Uniper UK Ltd	Yes	Yes. This modification should promote security of supply and also competition in the wholesale market by removing a barrier to liquidity in more forward timescales. This would better meet objectives A, B and C.
Association for Decentralised Energy	Yes	Incorporating the two options represented in the alternative modification is essential for the following reasons:

Respondent	Response	Rationale
		<p>- Option 1 addresses the issue of protecting non-PN submitting BMUs from insolvency. Without this, there will be perverse impacts on competition by creating an unintended distinction between those generators who can forward trade without fear of loss in an emergency scenario and those who must adjust their hedging strategy based on the potential financial exposure of a GDE.</p> <p>- Option 2 widens the effect of the modification to include the suspension of capacity as opposed to just load-shedding thereby encompassing more generators, as is the intention behind the modification. As currently drafted, only generators who have booked Annual Firm Exit Capacity or who hold Enduring Capacity will be covered whereas those who have booked daily capacity are at greater risk of the suspension of daily firm capacity auctions and more exposed to insolvency as a result.</p> <p>Both the insolvency issue and risks to competition could prove equally damaging to electricity markets and participants' faith in them, thereby exacerbating issues being faced this winter as opposed to alleviating them. Furthermore, the risk to non-dedicated electricity market participants who may use CHPs as a secondary source of income is extremely acute since they would face both production losses in a curtailment scenario and could then be exposed to massive imbalance charges.</p>
Shell	Yes	<p>We are supportive of the 3 Alternative modification points detailed on pages 14-15 of the consultation.</p> <p>1) We believe it is appropriate that the modification extends to those gas generators who don't provide PNs by allowing the NGSESVDC to create FPNs, Accepted Data and Bid Offer data from scratch if it doesn't exist.</p> <p>2) That NGSESVDC can increase FPNs as well as reduce it, thereby allowing the correction of errors etc.</p> <p>3) We are supportive of the proposal that where a contractual position was agreed prior to Load Shedding but was not notified as an ECVN, it can still be included if certain criteria are met.</p>

Respondent	Response	Rationale
		<p>In addition to the points raised in the Alternative modification, we believe there needs to be three further considerations:</p> <ul style="list-style-type: none"> • OFGEM should provide guidance as to how the operation of an OM Contract will work alongside a Load Shedding instruction to ensure operational and commercial clarity for gas generators under the different scenarios. It is essential to ensure a common understanding across the market. • We believe that gas generators who rely on Day Ahead Firm Exit Capacity should be given the same protection as those who have procured enduring or Annual Firm Capacity. If the P448 cover is not extended in this way, it could lead to generators becoming insolvent and putting further pressure on the industry. • We understand that BEIS is considering how a Gas Emergency will interact with a Capacity Market System Stress Event (SSE). Clarity should be provided as soon as possible to ensure the market understands how the different instructions will interact during a gas emergency. We believe that this should include NGESO confirming whether the SSE is taking place in real time rather than up to 2 days afterwards.
SSE Generation	Yes	When compared to the baseline (but not to the Original) we agree with the majority view of the Workgroup that the Alternative better facilitates the applicable objectives (for the avoidance of doubt, in our view the Original better facilitates the applicable objectives than the Alternative).
Flexitricity	Yes	<p>Yes, the Alternative Modification meetings the objectives of the Modification, and supports electricity market functioning in light of gas emergency risks. It does this while ensuring a level playing field between all generators by including protection for generators that are not active in the BM and those that do not procure annual gas capacity. It will support market liquidity and reduce unnecessary insolvency if there is a GDE. It scores positively against BSC Applicable Objectives:</p> <p>(a) because ESO will be able to more efficiently balance the system with the BM, as generators that do not procure annual gas capacity will not be incentivised to withdraw from the market</p>

Respondent	Response	Rationale
		<p>(b) because the TO's system will work more efficiently if a stage 2 GDE does not unnecessarily lead to insolvency of generator</p> <p>(c) because it treats all gas generators equitably and supports market liquidity, which will further improve competition.</p>

Question 3: Do you agree with the Workgroup’s initial majority view that the P448 Alternative Modification better facilitates the Applicable BSC Objectives than the P448 Proposed Modification?

Summary

Yes	No	Neutral/No Comment	Other
12	2	0	0

Responses

Respondent	Response	Rationale
Sembcorp energy UK	Yes	P448 Alternative Modification protects more parties equally and so is non-discriminatory compared to the Proposed Modification. It is a more complete solution, as ECVNs may be used to by the Committee to justify the ‘true contractual position’ of a party to adjust the FPN appropriately. It therefore seems appropriate to accept ECVNs as proof of contracted position across all parties.
RWE Supply & Trading	Yes	By expanding the applicability of the changes to a wider set of generators during a gas emergency, the Alternative is positive with respect to objectives a), b) and in particular c).
Flexible Generation Group	Yes	<p>It is critical to the development of effective competition that all market participants are treated in an equitable manner. If energy market rules/codes are to treat parties in a different way that must be because there is a good reason to do. That is not to say FG G does not recognise that there are good reasons to treat plant differently, especially as new technologies come to the market, for example wind generation could not originally provide ancillary services, nor were they BM participants. However, the technologies develop and the rules change.</p> <p>In the case of this modification we can see no reason to protect large gas plant from imbalance charges and not smaller plant. While larger plant may be more likely to be impacted, as in a GDE they will most likely to be taken off first and possibly stay off longer, if any gas plant comes off for a GDE then it should be treated the same irrelevant of size.</p>
Forsa Energy	Yes	The Alternative Modification builds on the original by including different sizes of gas generators, not just transmission connected. This aligns with OFGEM’s

Respondent	Response	Rationale
		<p>remit to protect customers by promoting competition, and is compatible with many changes made by NGESO/OFGEM over recent years to ensure a 'level playing field' between transmission and distribution connected generation.</p> <p>With several GW of gas plant on the distribution networks, liquidity would be seriously damaged if the Alternative Modification did not go ahead.</p>
Drax	No	No. The original proposal is preferable to the alternative.
VPI	Yes	Yes. In addition to our views on the Proposed Modification, we believe that the Alternative Modification better facilitates BSC Objective (c) by increasing the proportion of generators who would be able to make use of the solution.
Welsh Power Group Limited	Yes	None provided.
EP UK Investments	Yes	As above, we consider that the impact of the two modifications if broadly similar.
National Grid ESO	Yes	None provided.
Uniper UK Ltd	Yes	By extending the solution and benefits to a wider group of generators it ensures that the beneficial effects of the modification are increased.
Association for Decentralised Energy	Yes	For the reasons in Q.2 above.
Shell	Yes	Please see response to Question 2 above.
SSE Generation	No	<p>As noted in our answer to Q2, in our view the Original is better than the Alternative.</p> <p>Notwithstanding that, we are mindful, in policy terms, of the recent statement issued by the UK Government (the Treasury) and the Bank of England during the course of this consultation which sets out, amongst other things, a de minimis level to which support would be forthcoming via the Energy Markets Financing Scheme for generators in the following terms:</p> <p>"Electricity generators with de-rated capacity of more than 500 MW [based on ESO Electricity Capacity Report, May 2022]". [emphasis added]</p> <p>In our view the Original proposal better accords with this clear policy position than the Alternative.</p> <p>Joint HM Treasury and Bank of England Energy</p>

Respondent	Response	Rationale
		Markets Financing Scheme (EMFS) – Market Notice 17 October 2022 Bank of England
Flexitricity	Yes	<p>The Alternative Modification better meets the stated aims and supports the functioning of the electricity market. It does this without conferring an unfair competitive advantage on larger generators, and those which secure gas capacity in annual auctions. Without the more comprehensive protective afforded under the Alternative Modification, competition and liquidity would be negatively impacted.</p> <p>Therefore the Alternative Modification scores more positively against BSC Applicable Objectives (a), (b) and (c) compared to the Proposed Modification.</p>

Question 4: Do you agree with the Workgroup’s view that the draft redlined changes to the BSC deliver the intention of the P448 Proposed and Alternative solutions?

Summary

Yes	No	Neutral/No Comment	Other
12	1	0	1

Responses

Respondent	Response	Rationale
Sembcorp energy UK	Yes	None provided.
RWE Supply & Trading	Yes	None provided.
Flexible Generation Group	No	<p>FGG has a concern that the wording around imbalance charges for smaller embedded plant refers back to the imbalance price. However, under some contracts the generators may pay more than the cash-out prices or price not related to cash-out. We would therefore rather it referred to imbalance penalties.</p> <p>In the course of any claims process, the generator would have to show the terms of their contracts and the imbalance charges that they were subject to. We do not therefore believe that there is any risk of gaming. The wording should have greater flexibility to ensure that all penalties are covered.</p>
Forsa Energy	Other	<p>A large part of the text covers the intentions laid out in the consultation document with two notable exceptions:</p> <ol style="list-style-type: none"> 1) The text refers to “imbalance charges” but it should be made clear that these may not necessarily be equal to the cashout price, as these would depend on the supplier/route to market relationship for a non-lead party. 2) It is not clear how onsite generation (e.g. CHP) would have their expected delivery to onsite demand calculated; given that they may have a firm requirement to provide (e.g.) up to 20MW every day, but would not know the actual customer demand profile until day ahead. The legal text refers to firm, active energy; but in reality these sites would be providing

Respondent	Response	Rationale
		generation capacity to their customers to use as and when they request, and their contracts may be written in a way which makes it difficult to interpret. We would therefore suggest that the modification makes reference to any firm agreement to provide active energy or power/capacity.
Drax	Yes	The legal text appears correct.
VPI	Yes	None provided.
Welsh Power Group Limited	Yes	None provided.
EP UK Investments	Yes	The draft redline changes appear to deliver the intention of the Modification.
National Grid ESO	Yes	None provided.
Uniper UK Ltd	Yes	None provided.
Association for Decentralised Energy	Yes	For the reasons in Q2 above. However, it is imperative that BEIS ensure that CM contracts are not perversely affected by the exceptions provided under the P448 solution. This clarification ought to be provided prior to P448 being implemented.
Shell	Yes	Yes we agree with the redlined changes, but note the additional enhancements we raised in our response to Question 2.
SSE Generation	Yes	None provided.
Flexitricity	Yes	Yes, the redlined legal text delivers the solutions, although we do not agree with the solution set out in the Proposed Modification, as set out above.

Question 5: Do you agree with the Workgroup's recommended Implementation approach?

Summary

Yes	No	Neutral/No Comment	Other
14	0	0	0

Responses

Respondent	Response	Rationale
Sembcorp energy UK	Yes	None provided.
RWE Supply & Trading	Yes	None provided.
Flexible Generation Group	Yes	<p>There do appear to be a number of issues outstanding that need to be clarified:</p> <ol style="list-style-type: none"> 1. The treatment of the BOAs in the CM calculations. Again it is vital all CMUs are treated the same and we would like to see BEIS clarify the CM Rules if they do or do not want the BOA to a gas plant in a GDE to impact the CM obligation of a plant. 2. We note that there were concerns that in a GDE the Gas SO did not obviously have to inform the whole market, just the shippers. This is unacceptable given the connectivity of the markets. 3. There also seemed to be an issue around the treatment of gas plant buying daily firm gas capacity. Ofgem should clarify if these plants need to be added to these arrangements, or if they in fact would have the right to flow gas upto a GDE being declared. 4. Finally, the plant providing OM gas also needed their treatment clarified. The whole market needs to know when plant is being shut off, or having flows reduced, due to a GDE instruction rather than anything else. <p>FGG feel that the latter 3 points are really ones for the gas market rules, not the BSC. However, the discussions at the mod group have usefully highlighted that the gas market emergency rules are not as clear as they could be. Our biggest concern</p>

Respondent	Response	Rationale
		is the lack of clear communications to the wider market about which plant is being impacted.
Forsa Energy	Yes	The treatment of BOAs in CM calculations is yet to be addressed. Forsa have not yet seen any engagement from BEIS on this, and we believe that in order for all CMUs to be treated equally, BEIS should clarify its intentions about gas plant capacity market obligations in a GDE.
Drax	Yes	The approach is implementable. Ofgem could also consider if it would be appropriate to limit provisions to this winter only given the increased risk of a Gas Supply emergency is driven by the war in Ukraine and resultant gas shortages.
VPI	Yes	Given the significant nature of the defect that P448 is seeking to address, it is sensible to implement it as soon as possible.
Welsh Power Group Limited	Yes	We agree that the modification, if approved, should be implemented at the earliest possible date.
EP UK Investments	Yes	Given the concerns around gas availability this winter, we consider that P448 should be implemented as soon as possible to provide protection to generators.
National Grid ESO	Yes	NGESO does agree with the implementation approach however the process for BOA insertion data in order to meet the II settlement run needs to be further assessed between NGESO and Elexon to ensure that the generator insolvency risk is mitigated and the potential additional resource required to facilitate this process is manageable in the timeframes required.
Uniper UK Ltd	Yes	None provided.
Association for Decentralised Energy	Yes	With the caveat regarding CM implications above.
Shell	Yes	We agree with the implementation approach but believe that post implementation there needs to be a review to ensure there are no unintended consequences as the process has been very rushed. As noted by the working group this might include a review of whether the imbalance price should be based on the shorter position implied by the gas plant being curtailed, rather than in the absence of gas curtailment.

Respondent	Response	Rationale
SSE Generation	Yes	None provided.
Flexitricity	Yes	Yes – the solution should be implemented as quickly as possible. However, further guidance on evidence used in the claims process could be developed in line with the progression of Modification.

Question 6: Do you agree with the Workgroup's view that P448 should not be treated as a Self-Governance Modification?

Summary

Yes	No	Neutral/No Comment	Other
14	0	0	0

Responses

Respondent	Response	Rationale
Sembcorp energy UK	Yes	None provided.
RWE Supply & Trading	Yes	P448 is a potentially significant change that impacts a wide range of market participants. As such, it is not suitable for self-governance.
Flexible Generation Group	Yes	None provided.
Forsa Energy	Yes	None provided.
Drax	Yes	The modification is a material change to the arrangements that impacts on multiple parties.
VPI	Yes	None provided.
Welsh Power Group Limited	Yes	None provided.
EP UK Investments	Yes	We agree with the workgroup's assessment.
National Grid ESO	Yes	None provided.
Uniper UK Ltd	Yes	This is too significant a change for self-governance.
Association for Decentralised Energy	Yes	None provided.
Shell	Yes	We agree with the treatment that the mod is not self-governing as it has a significant impact for the industry.
SSE Generation	Yes	None provided.
Flexitricity	Yes	The Modification is material and does not meet the Self-Governance criteria.

Question 7: Do you agree with the Workgroup’s consideration that P448 does impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC?

Summary

Yes	No	Neutral/No Comment	Other
13	0	1	0

Responses

Respondent	Response	Rationale
Sembcorp energy UK	Yes	None provided.
RWE Supply & Trading	Yes	Some of the sections of the BSC that are affected by P448 fall into the categories identified as relevant to EBGL.
Flexible Generation Group	Yes	None provided.
Forsa Energy	Yes	None provided.
Drax	Yes	If implemented the modification would provide a different set of imbalance arrangements and relief for one class of generation user when their fuel use has been legally restricted. This would alter the terms and conditions in Article 18 6 (c) (d) and (f) as a minimum although other articles may be impacted as well.
VPI	Yes	None provided.
Welsh Power Group Limited	Yes	None provided.
EP UK Investments	Yes	We agree with the workgroup’s assessment.
National Grid ESO	Yes	NGESO agrees that the revisions to the BSC proposed by P448 impact provisions in the BSC pertaining to EBGL Article 18 Terms and Conditions as outlined in BSC Annex F-2, such as revisions to section Q5.3 BSC on the requirements on data and information to be delivered to the connecting TSO to calculate the imbalances.
Uniper UK Ltd	Yes	None provided.
Association for Decentralised Energy	N/A	We do not have a position on this question.

Respondent	Response	Rationale
Shell	Yes	None provided.
SSE Generation	Yes	None provided.
Flexitricity	Yes	It relates to Balancing Service Providers and Balancing Services.

Question 8: Do you have any comments on the impact of P448 on the EBGL objectives?

Summary

Yes	No	Neutral/No Comment	Other
2	12	0	0

Responses

Respondent	Response	Rationale
Sembcorp energy UK	No	None provided.
RWE Supply & Trading	Yes	While P448 impacts some sections of the BSC identified as relevant to EBGL, the processes introduced do not change the ESO's actions in the BM and as such we do not see any impact on the EBGL objectives. We do recognise that there is a potential need to review cash-out arrangements so that any consequences arising from P448 are considered and dealt with appropriately.
Flexible Generation Group	No	None provided.
Forsa Energy	No	None provided.
Drax	Yes	The purpose of the modification is to introduce a level of discrimination in the treatment of imbalance charges that may detrimentally impact on objective (a) fostering effective competition, non-discrimination and transparency in balancing market
VPI	No	None provided.
Welsh Power Group Limited	No	None provided.
EP UK Investments	No	None provided.
National Grid ESO	No	None provided.
Uniper UK Ltd	No	None provided.
Association for Decentralised Energy	No	None provided.
Shell	No	The objectives area clear and sensible.
SSE Generation	No	None provided.

Respondent	Response	Rationale
Flexitricity	No	None provided.

Question 9: Is this requirement for the volume to be priced at System Buy Price appropriate, or is it too strict?

Background

P448 Alternative allows Suppliers (or other Lead Parties) to be protected from Imbalance Charges on energy volumes they purchased from gas-fired generators subject to Load Shedding, providing they can demonstrate that the purchase was firm by showing either:

- That they adjusted their notified ECVN position to reflect the purchase; or
- That the contract requires the generator to pay the Supplier System Buy Price for energy not delivered.

Is this requirement for the volume to be priced at System Buy Price appropriate, or is it too strict? For example, should a contract still be treated as firm (for purposes of the P448 Alternative) if non-delivery is priced at 90% of SBP, or an average of SBP over a longer period? Please provide rationale, and any suggestions for an appropriate criterion.

Responses

Respondent	Response
Sembcorp energy UK	All market participants use SBP as standard, whereas other arrangements are likely to be private commercial arrangements and therefore should be considered separately. We do not consider this requirement to be too strict, as those parties are not exposed to the same risk but receive the same protection.
RWE Supply & Trading	The purpose of P448 is to protect generators from the full exposure to cash-out arising from gas interruptions during a gas emergency. In the circumstance that a party is not exposed to the full impact of cash-out, it may be appropriate for the committee assessing the bid volume and price to make an adjustment to reflect the actual exposure of the party that has been interrupted. It would not, for example, be appropriate for a generator to be credited with volume through a bid acceptance that then results in that generator benefitting beyond their actual imbalance exposure. Nor would it be appropriate for a supplier that had not adjusted its position in the expectation of a generator's output to be compensated for the 'loss' of generation that would otherwise have been 'spilled'.
Flexible Generation Group	<p>As noted above, the FGG believes that the imbalance penalties in a gas generators contract should be covered. We would accept that this should be up to the imbalance price, but note that not all contracts refer to the exact imbalance within the settlement period as the penalty, but these parties should be held whole to the same degree that gas BMUs are.</p> <p>We would fully expect the claims process to check the contracts and the imbalance charges that the relevant generators were exposed to in the stage 2 GDE. We would therefore like to see the text refer to a "predefined non-delivery charge".</p> <p>The contracts FGG hold do all have non-delivery charges related to the SBP, but not all are directly the SBP in that period, for example</p>

Respondent	Response
	some are SBP + x%, being higher than the SBP. We believe this wording would achieve the intent of the mod while recognising the unique nature of some contracts between Suppliers and embedded generators.
Forsa Energy	As discussed in Question 4; we can see no reason why the mod should be prescriptive here when it could just refer to imbalance penalties, with a cap at the SBP for that period. Parties will have different agreements with their suppliers/customers which may not see full exposure to SBP.
Drax	We are not supportive of the alternative but if it were introduced, any evidence of firm contracted energy made prior to the curtailment for the curtailed days should be submissible. We would not want to fetter the committee's discretion as to the evidence required.
VPI	<p>The Modification is justified on the basis of potential extremely high costs faced by generators in the event of non-delivery due to the actions of the GSO meaning they cannot deliver the power they were contracted to deliver, at a time where those actions mean the consequences of non-delivery are particularly high. Without a penalty for non-delivery, the justification for applying the P448 solution falls away.</p> <p>There should some requirement to demonstrate that the level of penalty is commensurate with that faced by a generator with ECVNs.</p>
Welsh Power Group Limited	We would expect all generators to be exposed to at least 100% of SBP under their contractual arrangements and so believe that the requirements listed above are appropriate.
EP UK Investments	No comment.
National Grid ESO	No comment.
Uniper UK Ltd	The SBP rationale seems sound as this is the price that the supplier would be exposed to on any imbalances. Therefore, the generator being exposed to the same would indicate that it has a firm obligation to deliver.
Association for Decentralised Energy	We do not have a position on this question.
Shell	We have not considered this point in detail but believe it needs further evaluation.
SSE Generation	As with the Workgroup deliberations, where we refrained from providing detailed comments on aspects of the possible solution, we refrain from answering at this time.

Respondent	Response
Flexitricity	Yes – this is too strict as some contracts may not expose generators to the full System Buy Price, and it would not be possible to change contracts at this stage. The Modification should not be prescriptive and instead the Network Gas Supply Emergency Settlement Validation Data Committee (NGSESVDC) should decide whether the contract price is appropriate, supported by principles.

Question 10: Do you have any further comments on P448?

Summary

Yes	No
7	7

Responses

Respondent	Response	Rationale
Sembcorp energy UK	No	None provided.
RWE Supply & Trading	No	None provided.
Flexible Generation Group	No	None provided.
Forsa Energy	Yes	<p>Forsa see no reason why either the Proposed or Alternative Modification should be limited to a Stage 2+ Network Gas Supply Emergency. Whilst this is the only type of emergency situation which could impact gas transmission connected plant; there are other credible scenarios which could impact gas distribution connected generators since the safety case for GDNOs puts an obligation on them to act to protect vulnerable customers in their network area. This applies to actual or anticipated Gas Supply Emergencies which includes those caused by a deficit in supply to meet forecast demand on the GDNO network. The judgement of this and obligation to act is with the GDNOs. This GDNO decision is not subordinated to a declaration of a Stage 2+ Network Gas Supply Emergency by the TSO.</p> <p>We would therefore suggest that the "Stage 2+" wording is removed from the final format of the modification; whilst excluding actions taken on any generator under intermittent supply or gas margins provider</p>
Drax	Yes	<p>There may be unintended consequences related to P448 that are either outside the scope of the modification or were not possible to discuss thoroughly in the time available. It may be appropriate for Ofgem to consider these in its decision assessment:</p> <ul style="list-style-type: none"> • Potential impacts on the processes to issue system warnings where these have an interaction

Respondent	Response	Rationale
		<p>with physical notifications, including capacity market notifications.</p> <ul style="list-style-type: none"> • Any negative impact on the GSO's ability to use commercial tools to avert a potential or actual NGSE developing. • As gas generators will not face an electricity imbalance from a GDE they may not be incentivised to reduce consumption ahead of a gas emergency or offer (gas) demand side response or locational actions. • Clear direction on the status of REMIT and market reporting requirements including the impact on central reporting services. • Ofgem's opinion on the use of notifications to reflect the ongoing 'commercial' position of a Firm Load shed generator after it has been curtailed, and not the electricity to be produced (as it would have ceased electricity production). • If utilised this winter, we would anticipate that there would be some interaction with the £250m BSUoS deferral where BSUoS is above £40/MWh. In the time available to the work group it was not possible to analyse any consequences. Therefore Ofgem may want to consider assessing the impact as part of its decision.
VPI	No	None provided.
Welsh Power Group Limited	No	None provided.
EP UK Investments	Yes	<p>We welcome the fact that P448 would provide a degree of protection for gas-fired generators from imbalance charges in case of a gas system emergency and we therefore support its implementation. However, we do consider that there are a number of issues which P448 does not address:</p> <ul style="list-style-type: none"> • The prohibition on being able to increase a PN above the energy volume which a BMU has contracted at the start of a load shedding instruction may prevent an affected BMU from undertaking further hedging once a load shedding instruction has been issued. Without certainty as to when an NGSE will end, a generator could not sell out further volume as, if the NGSE was extended, the generator would not be protected from imbalance charges on that volume under P448.

Respondent	Response	Rationale
		<p>Given that an NGSE could last for a prolonged period, this could adversely affect a generator's hedged position. We therefore consider that, if a load shedding instruction lasts longer than initially notified, generators should be able to update their PNs to reflect their new contracted position at the original expected end time.</p> <ul style="list-style-type: none"> • P448 only provides partial protection to generators from Capacity Market penalties as bids would only be accepted in relation to the energy volume that had been contracted at the start of the NGSE. Any uncontracted volume might be sterilised for the remainder of an NGSE and generators could still incur Capacity Market penalties on this volume. We therefore consider that a further change to the Capacity Market Rules is required to provide protection for this sterilised capacity. • There are a number of tools that the gas System Operator could use to avoid declaring an NGSE but which could prevent generators from running at short notice during tight system conditions and leave them exposed to large electricity imbalance charges and credit requirement without the protection afforded by P448, eg. Operating Margins agreements or withholding daily firm gas capacity from sale. <p>We consider that the gas System Operator must provide absolute clarity as to when and how it will utilise these tools, the consequences for shippers if they did not comply with them because of the commercial risks in the electricity market, and any changes that could be made to ensure the tools continue to function as intended.</p> <p>Further BSC modifications may be required to mitigate the risks to generators. For example, in the case of Operating Margins agreements we do not consider that it would be appropriate for generators to post additional credit under the BSC where they have been interrupted because of an Operating Margins agreement because they will likely be reimbursed for any imbalance charges by the gas SO.</p> <p>We recommend that once P448 is approved, a clear operational guide should be issued to generators so that they are clear of the correct steps to take in a gas emergency, including eg. contact details for notifying the ESO and Elexon that they have been</p>

Respondent	Response	Rationale
		subject to a load shedding instruction and the records that may need to be provided to the NGSSEVC.
National Grid ESO	Yes	<p>It is ESO's understanding that Generators will mitigate their losses in line with general commercial principles by using reasonable endeavours to trade out their existing contracted position, and in accordance with Good Industry Practice. This understanding has been communicated to OFGEM.</p> <p>NGESO has considered the impact on the Capacity Market. Further work may be required with the Delivery Body and the Settlement Body to ensure CM providers are clear on their obligations.</p>
Uniper UK Ltd	No	None provided.
Association for Decentralised Energy	Yes	It would be extremely helpful to have a separate guide for this modification, should Options 1 and 2 be progressed, that explains its implications for smaller actors who may be license exempt and merely import/export from their CHP as a secondary business activity. High imbalance charges could be catastrophic for such actors who are not dedicated electricity market participants and they should have access to a simplified version of both how they are protected and what is expected from them under P448.
Shell	Yes	We appreciate the intent of this modification and recognise the time pressure in getting it in place for this winter. It is likely to be a process which will need further review post implementation and we recommend there is a mechanism to allow this in addition to a review should there be a Load Shedding instruction.
SSE Generation	Yes	Nothing further to add at this time, except to express our thanks for the support provided by the Elexon team in progressing this matter with alacrity.
Flexitricity	No	None provided.