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| CUSC Amendment Proposal Form | CAP:144 |
| Title of Amendment Proposal: | |
| Emergency Instruction to emergency deenergise | |
| Description of the Proposed Amendment <i>(mandatory by proposer):</i> | |
| <p>It is proposed to extend the provisions introduced by CAP048 (Firm Access and Temporary Physical Disconnection) to include the specific circumstances when a Generator is exporting but is required to deenergise / disconnect from the Transmission System in an emergency via an Emergency Instruction (EI) issued by National Grid in <u>Balancing Mechanism</u> timescales in accordance with the Grid Code.</p> <p>The aim of this proposal is to treat such an EI as an emergency disconnection event in line with the provisions for unplanned interruptions, rather than the current arrangements whereby this type of EI would be treated as a Bid-Offer Acceptance. This proposal would cover events of sufficiently short notice timescales to be considered unplanned (i.e. in <u>BM</u> timescales) but, because they are instructed, are not covered by the current unplanned interruption arrangements which apply only to <u>a disconnection following an automatic trip</u>. This modification proposal would thereby close the “gap” within the existing provisions between a planned interruption (disconnection in planning timescales) and an unplanned interruption (by automatic trip caused by the loss of transmission equipment).</p> | |
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| <p>To be clear, it is our intention that an EI to emergency deenergise would only be issued in BM timescales where there is a “local” fault / incident which may adversely affect the integrity of the GB Transmission System or a synchronously connected external system or poses a threat of injury or material damage that requires an “Affected User” (specifically a <u>BM Unit</u>) to be de-energised / disconnected from the system. <u>Please note this EI would not be used for wider system issues.</u></p> <p>We would expect these arrangements to be used under rare circumstances, <u>(only one event has occurred since NETA go-live, at Damhead Creek), where:</u></p> <p><u>a) There is reasonable cause to suspect that a piece of transmission equipment is distressed or in an unsafe condition;</u></p> <p><u>b) Circumstances mean that the equipment is likely to cause damage or injury, and where it should be immediately disconnected from the transmission system;</u></p> <p><u>c) If it were not disconnected in a controlled manner then an automatic trip would be highly likely, and;</u></p> <p><u>d) Were the piece of transmission equipment to be automatically disconnected, it would have been the sole cause of disconnecting the BMU in question and would be compensated by an Interruption Payment.</u></p> <p><u>We believe that this will allow National Grid to disconnect a Generator in a controlled manner when an emergency situation arises and would remove any potential perverse incentive on National Grid to allow a generator to trip in these circumstances.</u></p> <p>In addition to the proposed CUSC amendment a Grid Code change is also required to ensure an EI used in these specific circumstances would not be treated as a Bid-Offer Acceptance. Emergency Instructions for all other reasons will be unchanged.</p> | |

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Finally the proposal would apply to those Users currently entitled to an Interruption Payment, i.e. Generating Units that form part of a BMU and it is not our intention to change the compensation arrangements introduced by CAP048 (Market Index Price for the 1st 24 hours for unplanned and afterwards a rebate of TNUoS based on actual or an average TNUoS fee across the country for each period of disconnection).

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Description of Issue or Defect that Proposed Amendment seeks to Address (mandatory by proposer):

CAP048 introduced firm financial rights for Generators to use the Transmission System by requiring National Grid to pay compensation in the event of a disconnection and was an incremental step and a consequential development of CAP043 – (Transmission Access – Definition), which introduced the concept of TEC and CEC for Transmission Access. CAP048 recognises the contractual rights of Users and ensures compensation mirrors the cost of providing access, a rebate of TNUoS for Planned Interruption events and Market Index Price (MIP) for the first 24 hours followed by TNUoS for Unplanned Interruption Events.

If a Generator's access is required to be removed in unplanned emergency circumstances through an operational instruction, the only mechanism available is an EI which is currently treated as if it was instructed by Bid-Offer Acceptance (BOA), with Generators having the freedom to set prices up to £99,999/MWh. We believe the treatment of such an event as a Commercial Balancing Service is inappropriate and has the potential to expose the Industry to high and inappropriate costs via BSUoS charges.

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We believe this proposal is in line with Ofgem's comments in P173 Decision Letter - "it may be appropriate for alternative compensation arrangements to be put in place for Emergency Instructions under which, as is now the case for operational Intertrips [CAP076], Emergency Instructions are not remunerated in the same manner as BOAs in the Balancing Mechanism".

Under this approach, an EI issued to disconnect a Generator in an emergency as a result of the need to disconnect faulting transmission system equipment would be treated under access compensation rather than treated as a commercial Balancing Service.

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In summary, we believe there is a defect with the current disconnection compensation arrangements and have identified a "gap" within the existing CUSC provisions between planned interruption and an unplanned interruption when the circuit breaker is opened automatically by the operation of protection equipment.

CUSC currently excludes emergency deenergisation / disconnections from the Interruption compensation arrangements; even though in certain circumstances the outcome is the same as an Unplanned Interruption i.e. as if the circuit breaker is opened automatically. This was the case at Damhead Creek; see Annex 1 for background information.

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In addition proposal is comments in Decision Letter - "it for alternative arrangements for Emergency Instructions under which for operational [CAP076], Instruction remunerated in the same manner as Balancing

In conclusion we believe the current treatment for emergency deenergisation / disconnection as a commercial Balancing Service is inappropriate and a CUSC based access solution extending the provisions introduced by CAP048 would resolve this identified defect and provide compensation that is linked to the cost of removing access and removes the risk of high cost 'wind fall' sleeper bids.

Impact on the CUSC (this should be given where possible):

Amend CUSC definition **Allowed Interruption** to cover EI to deenergise. Also amend CUSC definitions of **Affected User** and **Interruption** and create a new CUSC definition for **Emergency Instruction to deenergise**.

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Impact on Core Industry Documentation (this should be given where possible):

Consequential Grid Code change.

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| <p>Impact on Computer Systems and Processes used by CUSC Parties <i>(this should be given where possible):</i></p> <p>N/A</p> |
| <p>Details of any Related Modifications to Other Industry Codes <i>(where known):</i></p> <p><u>Grid Code</u> Amend the Grid Code to include this instruction and remove the treatment as a BOA for EI compensation for emergency de-energisation / disconnection – BC2.9.</p> |
| <p>Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** <i>(mandatory by proposer):</i></p> <p>National Grid believes that this proposal will better facilitate CUSC Applicable Objective (a) <i>(The efficient discharge by the licensee of the obligations imposed upon it under the Act and by the Transmission Licence)</i> by ensuring all types of total access interruptions are treated in a consistent manner under the appropriate compensation mechanism for the removal of access <u>and removes the risk of wind fall Bid-Offer Acceptances.</u></p> <p>National Grid believes that this proposal will also better facilitate CUSC Applicable Objective (b) <i>(facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity)</i> by providing a compensation payment for all interruptions that is linked to the removal of access and not treated as a ‘pay as bid’ commercial Balancing Service because there is no competition present in the proposed circumstances, and the instruction is not issued for balancing purposes.</p> |

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| <p>Details of Proposer: Organisation’s Name:</p> | National Grid |
| <p>Capacity in which the Amendment is being proposed: (i.e. CUSC Party, BSC Party or “energywatch”)</p> | CUSC Party |
| <p>Details of Proposer’s Representative: Name: Organisation: Telephone Number: Email Address:</p> | <p>Emma Carr National Grid 01926 655843 Emma.j.carr@uk.ngrid.com</p> |
| <p>Details of Representative’s Alternate: Name: Organisation: Telephone Number: Email Address:</p> | <p>Mark Duffield National Grid 01926 654971 Mark.duffield@uk.ngrid.com</p> |
| <p>Attachments (Yes): If Yes, Title and No. of pages of each Attachment:</p> <p>Annex 1 – Background information</p> | |

Notes:

- Those wishing to propose an Amendment to the CUSC should do so by filling in this “Amendment Proposal Form” that is based on the provisions contained in Section 8.15 of the CUSC. The form seeks to ascertain details about the Amendment Proposal so that the Amendments Panel can determine more clearly whether the proposal should be considered by a Working Group or go straight to wider National Grid Consultation.

2. The Panel Secretary will check that the form has been completed, in accordance with the requirements of the CUSC, prior to submitting it to the Panel. If the Panel Secretary accepts the Amendment Proposal form as complete, then he will write back to the Proposer informing him of the reference number for the Amendment Proposal and the date on which the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, then he may reject the Proposal. The Panel Secretary will inform the Proposer of the rejection and report the matter to the Panel at their next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform the Proposer.

The completed form should be returned to:

Beverley Viney
Panel Secretary
Commercial Frameworks
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Or via e-mail to: Beverley.Viney@uk.ngrid.com

(Participants submitting this form by email will need to send a statement to the effect that the proposer acknowledges that on acceptance of the proposal for consideration by the Amendments Panel, a proposer which is not a CUSC Party shall grant a licence in accordance with Paragraph 8.15.7 of the CUSC. A Proposer that is a CUSC Party shall be deemed to have granted this Licence).

3. Applicable CUSC Objectives** - These are defined within the National Grid Company Transmission Licence under Section C7F, paragraph 15. Reference should be made to this section when considering a proposed amendment.

ANNEX 1 – Background information

This risk was highlighted by the Damhead Creek Emergency Instruction incident that occurred in May 2004 which resulted in total costs of £3.5mn. This is because the Emergency Instruction is calculated as though it was instructed by Bid-Offer Acceptance (BOA) and in this case it was set at £9,999/MWh and there was no other alternative mechanism available. However, the total exposure could easily have been ten times higher if the BOA price entered had happened to be set at £99,999/MWh.

Following the Damhead Creek event National Grid raised a modification to the BSC, P173 'Revised Settlement Arrangements for Emergency Instructions' in August 2004. This proposal sought to determine the Avoidable Costs for an Emergency Instruction and use these costs in conjunction with the volume change caused by the Emergency Instruction to determine an Emergency Instruction Bid-Offer Price.

Separately, National Grid raised CAP076 on the 'Treatment of System to Generator Intertripping Schemes'. This Amendment Proposal is important as it removed the issue of a BOA following the operation of an operational intertrip scheme. This mechanism was replaced by an administered capability fee to cover the installation and right to arm the scheme and an utilisation fee when the scheme is triggered.

Ofgem rejected P173 and approved CAP076 in June 2005. In reaching its decision on P173 Ofgem considered that "it may be appropriate for alternative compensation arrangements to be put in place for Emergency Instructions under which, as is now the case for operational Intertrips [CAP076], Emergency Instructions are not remunerated in the same manner as BOAs in the Balancing Mechanism". This view has more recently been supported by the BSC Standing Issue 18 Group that examined the submission of 'Sleeper' Bids and Offers, their impacts and whether there are any defects to be addressed. In its report to the in November 2005 BSC Panel the Group has suggested that "such acceptance [for emergency de-energisation] made for System reasons could potentially be removed from the BSC (i.e. no longer settled through Bid and Offer) to the CUSC (i.e. settled through compensation arrangements). The Group concluded that Parties would then have the incentive to submit Bid and Offer prices more reflective of the costs of acting on the acceptance for the periods affected by the acceptance and not the compensatory elements looking forward".