

**Minutes and Actions Arising from Meeting  
Held on 29<sup>th</sup> September 2010**

**Present:**

David Smith	DS	Chair, National Grid Electricity Transmission
Emma Clark	EC	Technical Secretary, National Grid
Craig Dyke	CD	National Grid
Shafqat Ali	SA	National Grid
Robert Paterson	RP	National Grid
Stephen Curtis	SC	National Grid
Dave Preston	DP	National Grid
Raoul Thulin	RT	RWE
Ewan Stott	ES	Scottish Power
John Costa	JC	EDF
Garth Graham	GG	SSE
Graeme Dawson	GD	NPower (via teleconference)

**Apologies:**

Chris Proudfoot	CP	Centrica
Jamie Anavi	JA	Elexon
Guy Philips	GP	E.ON

**1 Introductions**

Introductions were made around the group. DS went over the agenda for the day and facility arrangements.

**2 Approval of Minutes**

The minutes from the previous meeting held on 25<sup>th</sup> August 2010 were APPROVED.

**Action: EC to publish minutes on National Grid website**

**3 Constraint Management Service Update**

CD gave an update on a tender that was running this week and summarised the details for the group. CD advised that it was an open tender and that it will be out by Friday 1<sup>st</sup> October at the latest. Following comments from the group CD acknowledged that the exact trip conditions wouldn't be published for this tender round. This was primarily because the publication of this information had similar system security issues to the publication of the Picasso as covered by the constraint information consultation. Until such time that following the consultation a decision is made on the publication of such information, this information will not be published.

It was agreed that the trip conditions would be provided on request to those parties that had the intertrip facilities and the tender has been drafted to reflect this. It was also noted that the general requirements would be made available to all parties.

### 4 Update on Draft Industry Consultation

SA started by addressing an action from the last meeting regarding the number of parties in each BMRS zone. A spreadsheet detailing the number and names of each company in each BMRS zone was handed out to the group and SA advised that this information is available on ELEXON's website in two separate spreadsheets.<sup>1</sup>

GG questioned if there was similar information for Grid Code OC2 zones. SA advised that it is available in summary form and that there is a minimum of 3 parties in each OC2 zone. DS added that it is worth highlighting this and SA advised that he will circulate it and look at adding it in the Consultation Document.

**Action: SA to circulate information to the group on the details of parties in each OC2 zone (post-meeting comment – action completed on 29<sup>th</sup> September 2010).**

SA moved on to discussing the Consultation Document latest draft and gave an overview of the contents and comments that had been made so far. SA added that Section 5 (Additional Constraint-related information that could be made available) was the core part of the document and contained the consultation questions. GG expressed security concerns about publishing Picasso information and stated that if the Picasso information was published then it should be made available on a secure website. GG added that he was not necessarily advocating that the information should be published. GG went on to say that there should be checks in place to find out if parties requesting the information were CUSC parties and what their reasons were for needing the information in the first place. DS noted that the wider distribution scope may need to be considered with demand side going forward. SA asked the group for further comments and RT advised that he believed that there are limitations with regard to using the information as a planning tool and added that, against the security issues, it is not information that is necessarily crucial. RT suggested that the Picasso diagram in its full detail does not necessarily have to be published and queried whether a middle ground could be found to satisfy the industry against the security risks. The group agreed with this idea. GG reiterated his point about a secure website for industry members, querying why people outside the industry would actually need this information.

DS summarised that the Consultation is centred around two main topics in term of ex-ante publication of constraint information – Picasso and moving to 8 BMRS zones. RT discussed the issue of companies being informed about transmission outages. SC queried what the benefit to the market would be, to which RT replied that it is not always clear what the market is, in terms of what the marginal energy plant is and whether there is more than one market on the system. SC clarified that this statement implied an energy market and one or more constraint markets. GG noted that parties would use the information to commercial advantage and that in an overall sense, the more general information that is released, the more parties would take advantage of it. ES looked at it from another viewpoint and highlighted that it is unlikely that a market would be more efficient with less information available. SC suggested that by publishing more information on constraints, the result could be higher prices, particularly where constraint markets had few participants. GG gave a hypothetical example of a situation to assist the discussion. ES

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<sup>1</sup> See attached link to ELEXON's website: <http://www.elexon.co.uk/marketdata/bmu/oud.aspx>

noted that it is difficult to make assumptions that one situation may balance out another in terms of constraint management. ES added that over time, if information is made available, then in situations where there is insufficient volume to manage a constraint, then costs may reduce but it depends on what is being done over a period of time.

GG highlighted that there is a need to be mindful of the Energy Act 2010, which proposes to give Ofgem additional powers, through the insertion of a Market Power Licence Condition in the licences of electricity generation companies, to prevent companies exploiting market power that may arise as a result of constrained capacity in the electricity transmission system. SC noted that there is a significant difference between maximising commercial advantage, and exploitation and that a possible situation could be that costs could rise, but no party is deemed to have exploited the market. ES added that for it to be deemed as exploitation, it would have to be uneconomic, as measured by the plant. GG reminded the group of a recent investigation by Ofgem which went into a great level of details with regard to the actions of the generator and noted that if a similar investigation was carried out in this regard, then the party would need to be able to justify their actions to avoid financial and reputation damage.

DS directed the group to looking at the advantages of transparency. Reference was made to transmission outage information, made available to local users but not more widely. SC advised that this information is provided on an operational basis with the purpose of promoting an understanding of system risk.

JC commented that fundamentally, transparency is good and creates a level playing field. JC added that he did not believe that constraint costs would go up if transparency was increased. SC disagreed with this point.

CD suggested that transparency of information could aid in policing of constraint costs.

SC conceded that this might be true, but stated that this does not necessarily mean that information has to be published in advance, for the purposes of policing, information could be published post event. SA mentioned that there is currently a Consultation on European Transparency which may result in a requirement to publish anyway.<sup>2</sup> With reference to ERGEG's transparency consultation, SA advised that he was unsure if ex-ante information had to be published, but advised that for ex-post, the obligation appeared to be clear.

DS summarised the pros and cons that had been highlighted in the discussions with regards to transparency of constraint information; the pros being the possibility that parties who chose to be inactive in the wider energy market may be incentivised to participate in constraint markets and that such information might improve competition in the smaller constraint market. DS also noted that a further benefit of publishing further information on constraints would be that all parties would be aware of the information (rather than a select few) and this may aid the policing of the entire market. However, DS recognised that potential disadvantages of publishing such information would be risk of increased prices where parties utilise the constraint

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<sup>2</sup> Link to European Transparency document: [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_CONSULT/OPEN%20PUBLIC%20CONSULTATIONS/Comitology%20Guideline%20Electricity%20Transparency/BG](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/OPEN%20PUBLIC%20CONSULTATIONS/Comitology%20Guideline%20Electricity%20Transparency/BG)

information to exploit a constraint, e.g. where the information informs them they are the only party able to resolve the constraint.. It was noted that transparency of information for policing purposes need not be published ex-ante, and if published ex-post would mitigate the risk of increased prices. DS stated that the consultation document could draw this distinction out for parties to comment on.

GG highlighted the issue of confidentiality which respect to S105 of the utilities act and noted National Grid's view that it does not apply where National Grid is required to comply with its licence obligations. GG advised that an Act of Parliament is always supreme, and therefore if Parliament intended on keeping the information confidential then National Grid may not be protected simply by inserting new licence obligations. SA responded to this by advising that the legal team have suggested revision to some of the wording in the consultation (e.g. risks of licence breach) which will be incorporated in the consultation.

DS asked the group if there are any other views on finding a middle ground between Picasso and the 8 BMRS zones. RP queried if there is the option of publishing information on constraints that occur every day and that, if so, this could be a middle ground. SC commented that there needs to be clarity on what could feasibly be done. The group noted that a potential middle ground may be to align with the 17 Seven Year Statement Study Zones. SA stated he would add this option to the consultation document.

Following a point raised by a CBSG member (via email) for longer term information, SA noted that if a new plant wished to connect, then they would want to know ahead about the likelihood of constraints in the vicinity of the connection. GG suggested that this could be an opportunity to seek views in the consultation.

SC felt that if the overall goal is to reduce costs relating to constraints, then there are definitely efficiencies to be made in the process of aligning generation and transmission outages. SA added that there is work being carried out internally regarding the options for better aligning OC2 generator outage data with transmission outages. SA noted that National Grid intend to discuss potential improvements to generator outage planning with the industry in the near future. DS suggested that this work could be highlighted in the consultation document.

SA moved on to looking at questions 4 and 5 in the consultation document regarding TOGA generator outage and generator availability information and asked the group if the two questions needed to be made clearer. GG highlighted the security aspect of providing the information to a wider scope and advised that a step back needs to be taken in terms of who the information is provided to and that this needs to be made clear in the document. JC noted that Ofgem is keen for large industrial consumers to have access to the information and GG added that this could be done through a secure password protected website. SA noted that in the European Transparency guidelines consultation it suggests that the website should be free and easily available to the public, but highlighted that it was only a proposal in consultation at this stage.

GD stated that he concurred with the points raised and suggested that by using a secure website, an audit trail would be left so that details about who has used the information and why would be provided.

**Action: SA to circulate link to European Transparency document (post-meeting comment – action completed on 29<sup>th</sup> September 2010).**

DS concluded the discussion by looking at next steps in terms of the consultation document. The group agreed that further work was required in light of the discussions today and agreed that a further draft would be sent out and commented on via email. SA advised that, following publication of the consultation, a 4 week consultation period would then commence. DS suggested that the CBSG meeting planned for 10<sup>th</sup> November 2010 could be cancelled as there would not have been sufficient time to consult on the document. The group agreed to postpone the November discussions until the next meeting on 14<sup>th</sup> December 2010.

**Action: SA to send out further draft of document reflecting the latest views and discussions for the group to comment on via email prior to a 4 week industry consultation.**

### 5 The Future of PGBT's

DP presented on The Future of Pre Gate Balancing Mechanism Unit Transaction (PGBT's). The presentation focused on whether there was a business case for the continuation of the service by incorporating functionality to support it in the new Electricity Balancing System, the replacement for the current BM Systems. When discussing the typical profile of minute by minute trade derived from BM or other dynamic parameters, RP noted that in terms of agreement, there is no explicit identification of what the energy volumes are for each half hour – instead these are derived from the minute by minute trade profile less any submitted Physical Notification. At the end of the presentation DP asked the group for their views. JC noted that PGBT's were valuable at the time of NETA. Discussion around the costs involved arose and RP noted that the intention is to buy a system that has been proven elsewhere and that only contained bespoke functionality, such as PGBTs, where this was strictly necessary. JC asked if it was a case of National Grid not taking as many PGBT's, or market participants not offering them. RP answered that the original reasons for PGBT's are disappearing and that the plant is making itself available through other mechanisms. RT highlighted that he had concerns regarding the alternatives regarding Schedule 7a and that there may be a transparency issue. RP commented that it is possible to publish more detail on Schedule 7a. RT noted that it is difficult to retrospectively add transparency clauses to contracts as this would require the agreement of all signatories and that an option may be to convert Schedule 7 to look like Schedule 7a whilst maintaining Schedule 7's transparency clauses.

DP asked the group if it would be preferable to publish as a separate consultation, to which the group agreed.

**Action: DP to compile consultation document.**

### 6 Future Meetings

DS advised the group that the next meeting is planned for 10<sup>th</sup> November 2010 at National Grid House, Warwick. However, as discussed previously it

was agreed to cancel this meeting, subject to any urgent items that arose and therefore the next meeting would be held on 14<sup>th</sup> December 2010.

### **7 AOB**

DS asked if the group had any other business. CD advised the group that the Short Term Operating Reserve (STOR) Consultation had been published on 27<sup>th</sup> September 2010 and that this would be discussed at the next Operational Forum, scheduled for 13<sup>th</sup> October 2010.

SA advised that he had began work on the BM Replacement Consultation document.