Summary of Responses

for Industry Consultation

on

Constraint Information Transparency

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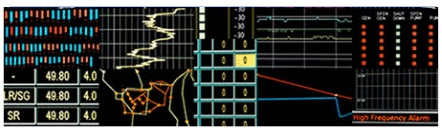

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1 Summary of Industry Responses

Seven organisations responded to the consultation, with one organisation requesting confidentiality. Non-confidential responses were received from the following organisations:

a) EDF
b) Elexon
c) EON
d) RWE
e) SSE
f) Welsh Power

This section summarises the main points from the responses for each consultation question. The responses are grouped into the following areas:

1 Alignment of BMRS zones with OC2 zones
2 Generator outage / generator availability information from TOGA system
3 Information showing potential constraint boundaries
4 Ex-post constraint cost allocation
5 More granular information on constraint management tenders
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1.1 Alignment of BMRS zones with OC2 zones

Q1(i): Is BMRS zonal information beneficial?

Response	Number of responses
Yes	5
No	0
Neutral	1
Other	0

Benefits of BMRS Zonal Information:

1. Indicative zonal flows may enable parties to take a view on likely market conditions; consequently, parties may alter outage patterns in order to offer capability where it may be required and this may improve efficiency of system operation;
2. Information on plant availability aids more efficient plant dispatch, allowing participants to optimise their outages relative to each other;
3. It allows us to breakdown changes in system length as to whether they are generation or demand related. This is then used to make a view on cash out prices, exposure, APX purchases, etc.
4. BMRS zonal information fills the gap between OC2 data (2 days ahead) and real-time data;
5. BMRS zonal information improves industry's ability to identify any unexpected outage behaviours;
6. All parties, including non-physical traders, have the same information to forecast market prices, and to identify any activities considered unfair.
7. BMRS zonal information allows trading parties to understand the market fundamentals, including key drivers of market such as the system operation actions;
8. BMRS zonal information is beneficial in understanding the balancing mechanism actions being taken at a more granular level than just the whole of GB.

Q1(ii): Could BMRS zonal information be removed?

Response	Number of responses
Yes	0
No	2
Neutral	1*

Other	0

* This respondent stated that any changes to the reporting of BMRS zonal data would require changes to the BSC (e.g. section V).

Implications of Removing BMRS Zonal Information:

1. There is no other equivalent zonal data for the current day and day ahead.

Q2: Would alignment of BMRS zones with OC2 zones be beneficial?

Response	Number of responses
Yes	7
No	0
Neutral	0
Other	0

Benefits of, and Comments on, Aligning BMRS Zones with OC2 Zones:

1. Alignment will support publication of OC2 outage data on the BMRS;
2. Alignment will facilitate more effective analysis and should reduce associated costs;
3. Alignment will make it easier for parties to look at short and long term data;
4. Alignment will provide consistent information across planning and operation timescales;
5. Alignment of zones with current and likely future constraint areas will lead to more economic investment decisions and improve efficiency of operations;
6. Following publication of OC2 data at BMU level, there is less need to align the zones. The OC2 boundary flow information is only of benefit if it is active data, like the BMRA.
7. The number of zones should be increased to obtain meaningful information on the impact of constraints, rather than plant availability;
8. Any changes to the BMRS zones would require approval from the BSC Panel (BSC section X-1, Definitions), and would be subject to cost/benefit analysis;
9. The Elexon 'operational costs' quoted in footnote 13 of the consultation document are one-off implementation costs and such costs will be shared across all the changes in the release. Efficiency savings could be made if all changes related to the BMRS zones were made at the same time;
10. Increasing the number of BMRS zones from 5 to 8 would improve information granularity and would allow comparisons to be made between OC2 and BMRS data;

11. It would be preferable to align the OC2 zones to BMRS zones (thus reducing the number of OC2 zones from 8 to 5).

Q3: Should BMRS and OC2 zones be reviewed to assess their appropriateness?

Response	Number of responses
Yes	5
No	0
Neutral	1
Other	0

Comments on Review of BMRS / OC2 Zones:

1. Given that the zones have not changed for five years (and only then with the inclusion of Scotland), it would seem sensible to review the zones. The review might, for example, seek to increase the number of parties in zones where such number is relatively low ("whilst being mindful of the methodology for 'constructing' the OC2 zones").
2. The zones were drawn up some time ago and need reviewing. The nesting of zone E within zone D adds unnecessary complication.
3. The review of the BMRS and OC2 zones is a logical extension of the work on aligning the BMRS and OC2. Furthermore, since NETA go-live, there has been a significant change in the UK electricity market in terms of the plant mix (e.g. renewables), system development, system usage and connection.
4. The review should establish:
    a. Whether the zonal data provides information that is useful or meaningful to users;
    b. The extent to which revised zones would facilitate competition;
    c. Whether the data can be presented in different ways.
5. A joint review of BSC and Grid Code could be carried out to assess the impact across codes.

Q4: Should BMRS and OC2 zones be aligned with Seven Year Statement (SYS) study zones?

Response	Number of responses
Yes	4
No	0
Neutral	0
Other	2

Comments on Aligning BMRS / OC2 Zones with SYS Zones:

1. This alignment should be considered as part of the wider review of zones;
2. Consideration should be given to different zones having different purposes;
3. These two data sets serve different purposes and would not benefit from alignment.
4. Aligning the BMRS and OC2 zones with SYS zones would improve information granularity and would allow comparisons to be made between OC2 / BMRS and SYS data; however, the granularity in moving from 8 OC2 zones to 17 SYS zones may need to be considered with respect to the relative number of parties in each SYS zone;
5. Although it is not essential to align investment and operational zones, it may make it easier to understand the interactions between long run and short run cost drivers. However, care is needed in setting zones for reporting in operational timescales to ensure that information is suitably aggregated to prevent allegations of market abuse;
6. Any changes to IT systems should allow flexibility and transparency for future changes to the zones;
7. The SYS zones more appropriately represent the structural constraints on the GB transmission system, and information published on these zones may better facilitate competition and efficient operation of the system;
8. This alignment would make it easier to make cross comparisons of analysis and would reduce associated costs;
9. Zones allow a convenient method of constraint management by allocating generation and demand to geographic regions but, in future, the demand-side flexibility and IT modelling may make lead to more complex representation of constraints;
10. SYS zones are better but it is not clear if these would align with constraint or regional issues;
11. Greater granularity and transparency will create level playing field between large players with national portfolios and greater resources, and smaller players. Given the large amount of information already available to the market (e.g. what plant is used to manage certain types of system issues, and where National Grid is taking actions to resolve specific constraints), the additional transparency is unlikely to cause any confidentiality issues.

Q5: Does SYS provide sufficient information on opportunities for generation connections?

Response	Number of responses
Yes	4
No	1
Neutral/ no comment	1
Other	1

Comments on Information on Opportunities for Generation Connections:

1. SYS provides sufficient information on the long term opportunities for generation investment, and no additional information is required;
2. The introduction of enduring 'connect and manage' regime in August 2010 may have reduced the need to refer to SYS for new generation connections, as this regime allows "the ability to connect new generation without an associated need for major transmission reinforcement";
3. The current SYS information seems to be adequate, and can enable generators of all technologies to consider a range of possible locations prior to investment. However, it would be useful to include in SYS a forecast of transmission boundaries that may become non-compliant under NETS SQSS[1];
4. The current SYS information should be improved to help inform investment decisions; this information should be accompanied by zoning information on the TEC register;
5. Matching substations to zones is not easy to do and this information no longer seems to be in SYS;
6. Data should be provided on the type of generation in each region; this may help commercial decision-making where, for example, someone wishing to build a smaller and more flexible plant may locate such plant in a zone with a large amount of wind connections.

1.2 Generator outage / generator availability information from TOGA system

Q6: Should TOGA generator outage information be available to all market participants?

Response	Number of responses
Yes	2
No	3

[1] National Electricity Transmission System Security and Quality of Supply Standards

Neutral/ no comment	1
Other	1

Comments on Provision of TOGA Generator Outage Information:

1. Given the publication of Output Usable data, there are no incremental benefits of publishing this information;
2. It is not clear if the provision of TOGA generation outage information would add significantly more information than what is currently provided under reporting of OC2 Output Usable data on BMRS;
3. It may be appropriate to wait and see the effect of P243 prior to considering publication of TOGA information. Furthermore, it should be noted that TOGA is a tool for exchange of operational information which may change with operational circumstances.
4. The original intention of this data was to align outages but it is not clear if the data is ever used for this purpose, so it is questionable whether this data should be shared at all;
5. Most of this information is already available on the BMRS. It is not clear why the information provided by generators at 7 weeks ahead is only provided to the market at 2 weeks ahead;
6. The key principles behind a number of BSC modifications (e.g. P219, P220, P226, P243 and P244) are transparency, accessibility and consistency of data located in one place (i.e. BMRS). Elexon already publishes some TOGA data on the BMRS which would be a suitable platform for publication of additional TOGA data;
7. TOGA system is not accessible to new market entrants and traders, and hence is not an appropriate system for dissemination of information. Systems should be developed to contain data on increasing amount of embedded plant in order to gain a better view of the market.

Q7: Should TOGA <u>generator availability</u> information be available to all market participants?

Response	Number of responses
Yes	4
No	1
Neutral/ no comment	1
Other	1

Comments on Provision of TOGA Generator Outage Information::

1. Most responses similar to those for Q6;
2. It is inefficient to duplicate information that is already available to market participants;
3. With OC2 data available on a BMU basis, there is little need for this information to be made available.

1.3 Information showing potential constraint boundaries

Q8: Would Picasso information reduce constraint costs?

Response	Number of responses
Yes	2
No	1
Neutral/ no comment	3
Other	1

Comments on Provision of Picasso information, leading to Reduction in Constraint Costs:

1. We are strongly opposed to the publication of PICASSO information on the grounds of national security and National Grid resource implications;
2. There are no incremental benefits of publishing this information. Picasso diagrams are only a snapshot of possible system conditions which are likely to change in real-time;
3. This information, if provided, should only be made available on an ex-post basis because ex-ante information could have security implications or could lead to actual or perceived instances of market abuse;
4. In principle, this could reduce constraint costs if Picasso information is published in sufficient time for market to respond;
5. The benefits of this information include:
    a. Parties can plan outages to maintain plant availability during constraint periods;
    b. Parties would be able to submit more competitive bids or offers into the constrained area, thereby lowering the overall constraint costs;
    c. Transparency of constrained periods would enable participant behaviour to be examined during these periods;

6. Given the level information already available on the web, the security is less of an issue; a bigger concern is the gaming (by larger players?) based on technical knowledge of constraints which may be more difficult to identify;
7. With regard to DECC's proposed market abuse licence conditions, Ofgem already has all the necessary powers and National Grid should promptly report to Ofgem any form of suspected market abuse of a dominant position;
8. National Grid should provide regular (e.g. monthly or quarterly) updates on the status of the system at both national and regional level, leading to more data than in SYS (e.g. changes in constraint boundaries with changes in TEC, maintenance, upgrade etc.);
9. If Picasso information is to be provided to the market, the BMRS would be a suitable platform for publishing this information.

Q9: Would simpler and easier to interpret Picasso information meet market needs?

Response	Number of responses
Yes	3
No	2
Neutral/ no comment	1
Other	1

Comments on Provision of Simpler and Easier to Interpret Picasso information:

1. Acknowledging National Grid's concerns, the market would benefit from seeing some output from planning iterations leading to Picasso information; in particular, the developers need a steer as to where they could invest;
2. Given the time and considerable resource required of the system operator (particularly over longer timeframe desired by market participants to respond meaningfully to the information), it is sensible to develop simpler and easier to interpret Picasso information;
3. It is arguable whether this data is currently available via TOGA but as the TOGA data is static it is of little benefit.
4. Develop a zonal constraint risk indicator (e.g. traffic light system) and publish this information for key demand periods (e.g. at 04:00, 16:00, 19:00 and 21:00) on a daily basis for up to 7 days ahead;
5. Publish clearer information on the capacities between zones to improve the transparency of system actions;

Q10: Would Picasso information lead to national security issues?

Response	Number of responses
Yes	4
No	1*
Neutral/ no comment	1
Other	1

* This respondent did not support publication of Picasso information.

Comments on Picasso information leading to National Security Issues:

1. Advance knowledge of some constraints may pose a security risk, and hence Picasso information should not be published;
2. Publication of Picasso information via a public website would be detrimental to national security and there is no convincing case for public availability of this sensitive information to counter the serious security concerns; this respondent would be willing to provide rationale for their concerns to National Grid and/or Ofgem, rather than in a public document. These concerns could be allayed by making Picasso information available to named persons (e.g. market participants only) via password and secure websites on a 'need to know' basis. Furthermore, consideration should be given to utilising Section 105 of the Utilities Act 2000 for disclosure of information;
3. We are strongly opposed to the publication of PICASSO information on the grounds of national security and National Grid resource implications;
4. A simpler version of Picasso information (e.g. constraint risk indicator, as discussed under Q9) would not highlight weaker points of the system and may alleviate security concerns;

Q11: Would Picasso information increase (or reduce) constraint costs?

Response	Number of responses
Yes	3
No	1*
Neutral/ no comment	2
Other	1

* This respondent did not support publication of Picasso information.

Comments on Provision of Picasso information, leading to Increase in Constraint Costs:

1. It is not appropriate to expect market participants to assume the role of managing costs as a result of improved constraint information. Furthermore, a coordinated approach by the system operator is likely to be more efficient than the collective result of market participants managing constraint costs;
2. A simpler version of Picasso information (e.g. constraint risk indicator, as discussed under Q9) would reduce constraint costs by increasing competition at the point of constraint;

Q12: Would ex-post Picasso information mitigate risk of market exploitation?

Response	Number of responses
Yes	3
No	1*
Neutral/ no comment	2
Other	1

* This respondent did not support publication of Picasso information.

Comments on Provision of Ex-Post Picasso information:

1. Ex-post Picasso information would enable the behaviour of both National Grid and market participants to be analysed. As this outturn information would not allow mitigation of constraints, it needs to be published in addition to (not in place of) ex-ante constraint information;
2. This information would not allay security concerns but may be of some benefit, as long as its publication is limited to market participants only;
3. This information may provide an additional monitoring role but there is still a concern that it could be used inappropriately in respect of long term constraints;
4. There is no specific need for this information but would welcome better and more timely explanations from National Grid when challenged about balancing actions.

1.4 Ex-post constraint cost allocation

Q13: Would publication of constraint cost allocation methodology benefit the market?

Response	Number of responses
Yes	4

No	2*
Neutral/ no comment	0
Other	1

* One respondent stated that there may be benefit in publishing the constraint cost allocation methodology.

Comments on Publication of Constraint Cost Allocation Methodology:

1. Additional information on cost allocation can help understand the rationale behind system operator actions. The system operator should ensure (via its price control process) that any incentives are simple and understood by all players;
2. The lack of transparency surrounding the cost allocation methodology impedes market operation and is detrimental to competition in electricity generation and supply;
3. Theoretically, a financial benefit may materialise if individual participants are responsible for 100% of the constraint cost resulting from their behaviour. However, the benefits of publishing such a methodology are limited given that the constraint costs are smeared across the industry via BSUoS charges. Furthermore, any market behaviour concerns can be best addressed via market abuse conditions in generators' licences (currently being addressed via Energy Act 2010);
4. There would be some benefit in the market knowing how constraint costs are allocated, given that most market participants pay for these costs through BSUoS charges. The methodology should be largely agreed in advance with some scope to use engineering judgement in certain cases;
5. Publication of this methodology will allow for comparison with the imbalance price formulation which is intended to remove the cost of constraint actions from the main imbalance price. This could potentially reveal opportunities to improve the BSC pricing methodology by incorporating elements of the constraint cost allocation methodology;

Q14: How should constraint cost allocation methodology be governed (e.g. licence)?

Comments on Governance of Constraint Cost Allocation Methodology:

1. We support governance of industry methodologies such as constraint cost allocation methodology via the BSC or CUSC Panels;

2. It is not clear why any formal governance is required, unless it was proposed that industry participants should be able to propose changes to the methodology. If this is the case, the methodology could be incorporated in the CUSC.

1.5 More granular information on constraint management tenders

Q15: Should more granular information on constraint management tenders and bi-lateral agreements be published?

Response	Number of responses
Yes	4
No	1
Neutral/ no comment	1
Other	1

Comments on Publication of more Granular Constraint Management Tenders:

1. Publication of all information on constraint management tenders would facilitate competition and ensure efficiency in system operation. 'Schedule 7a' trades are regularly used but the location of these trades or duration of actions is not transparent;
2. This will improve market understanding and help participants to engage in the market leading to increased competition and lower costs for consumers;
3. This may encourage additional participants to compete for tenders and bilateral agreements which should drive down the cost of these agreements;
4. This should allow parties to compete to resolve constraints and drive down constraint costs. It should also help identify any players who are abusing their position by charging the rest of the market, and ultimately the consumers, higher prices than market conditions would imply.
5. This information should be made public as it would facilitate competition;
6. The current tender information is of sufficient granularity and the commercial confidentiality of bilateral contracts should continue to be honoured.

1.6 Governance on disclosure of constraint-related information

Q16: Which legal framework should contain provisions for disclosure of constraint-related information?

Comments on Legal Framework for Disclosure of Information:

1. The transparency requirements could be set out in licences, codes or bilateral agreements, depending on the nature of information to be published;
2. It seems logical to publish information on all agreements but this may not be possible if both parties do not consent. Furthermore, the commercial agreements are outside the scope of relevant codes and hence can not be enforced via the codes. The most efficient way of ensuring publication of relevant information is an explicit obligation in NGET licence;
3. Negotiating a large number of bilateral contracts is not desirable. The code modifications may flush out any specific issues that may need addressing via licences or wider legislative framework. The easiest way of ensuring that more data enters the market at low cost is via the licence route;
4. Legislative obligations (e.g. section 105 of the Utilities Act 2010) may require a change to the law and can not be "removed" by changing the bilateral agreements, the Codes, Procurement Guidelines, the Generation or NGET licences. This area (e.g. subsections 3(c) and/or 3(d) of Section 105 of the Utilities Act 2010) needs further consideration;
5. If the data is to be published on the BMRS, it may be appropriate to have the requirement to publish this data within BSC. This may also require obligations in other legislation if, for example, the data related to non-BSC Parties;

1.7 Provision of planned and actual transmission outages

Q17: Should information on <u>planned</u> transmission outages be published?

Response	Number of responses
Yes	4
No	0
Neutral/ no comment	2
Other	1

Comments on Publication of Planned Transmission Outages:

1. Publishing the planned transmission outages, along with already published data on generator outages via OC2, would improve efficiency of system operation by enabling outages to be properly coordinated and would minimise opportunities for the exercise of market power. Publication of this information would be consistent with the third package;
2. Subject to the information being restricted to market participants for security reasons, there may be a case for publication of this information given that the

equivalent information on generator outages is now available under BSC modification P243.

3. This would enable participant to minimise the cost of constraints by planning plant dispatch and availability around transmission outages. However, there is a risk that the costs may increase as a result of exploitation of this information. This risk can be addressed by a combination of transparency and appropriate market abuse condition in generators' licence (currently being addressed via Utilities Act 2010);
4. Ex-ante information on planned outages should be given in good time to allow the market to respond;
5. This information may lead to an increase in constraint costs;
6. If the "Framework Guidelines" require this information to be published, there is no scope not to make it available. The issues associated with publishing this information are similar to those for publishing Picasso information.

Q18: Should information on <u>actual</u> transmission outages be published?

Response	Number of responses
Yes	4
No	0
Neutral/ no comment	2
Other	1

Comments on Publication of Actual Transmission Outages:

1. Publishing the transmission outages, along with already published data on generator outages via OC2, would improve efficiency of system operation by enabling outages to be properly coordinated and would minimise opportunities for the exercise of market power. Publication of this information would be consistent with the third package;
2. Subject to the information being restricted to market participants for security reasons, there may be a case for publication of this information given that the equivalent information on generator outages is now available under BSC modification P243.
3. This would enable participant to minimise the cost of constraints by planning plant dispatch and availability around transmission outages. However, there is a risk that the costs may increase as a result of exploitation of this information. This risk can be addressed by a combination of transparency and appropriate market

abuse condition in generators' licence (currently being addressed via Utilities Act 2010);

4. Ex-post information should be provided on unplanned outages. This would allow monitoring of system performance, particularly where outages occur several times at specific locations. In a "connect and manage regime" where security standards may be lower, the players will be able to gauge the effect of changes to security standards on system availability;
5. It would be refreshing if National Grid shared more information on the reasons behind constrains that led to several balancing actions e.g. was it in an intact system condition, under planned outage, etc. The Operational Forum would seem a good platform for this;
6. The issues associated with publishing this information are similar to those for publishing Picasso information.

1.8 Access to the constraint-related Information

Q19: How accessible should the constraint-related information be?

	Options for Access to Constraint-related Information	**Number of Responses Expressing Preference**
i	Public access (no restrictions)	3
ii	Restricted access (only market participants / 'need to know' basis)	2
iii	Other	0

Comments on Accessibility of Constraint-Related Information:

1. "We do not support the introduction of password protection, nor limiting access to a chosen few". If data is considered to be relevant to the market, it should be easily accessible, clearly presented and available in one place. National Grid should focus on improving access to its existing data as well as making more information available;
2. ERGEG guidelines propose a central European data platform with open and free access. If this platform published any constraint-related information, it would be difficult to justify a more or less restrictive approach in GB;
3. This information should be available to all market participants without discrimination. A 'need to know' basis may be discriminatory and public access appears too wide given the security concerns;
4. No case has been made for unrestricted public access and our preference is for access on a 'need to know' basis.

1.9 Other comments

1. We have serious reservations about public access to constraint-related information, and no convincing arguments have been made as to why non market participants need to know this information;
2. In its response to European Regulators' consultation on data transparency, Elexon stated that it would be best placed to deliver National Grid's transparency obligations for the European platform. Elexon considers that BMRS is best placed platform for constraint-related data;
3. Normally National Grid issues emails to a wide number of industry participants but this consultation did not appear to be widely publicised. Please send such a notification in future.