

Draft report on the compensation methodology for loss of transmission access consultation

The Balancing Services Standing Group (BSSG) has reviewed the compensation arrangements for loss of transmission access. A consultation document containing a summary of the issues discussed at the BSSG and seeking industry views on the potential changes to the existing compensation arrangements was published on the 23rd September 2011.

This document provides details of the outcome of the consultation process and the views of respondents to the consultation.

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About this document

The Balancing Services Standing Group (BSSG), established under the governance of the Connection and Use of System (CUSC) Panel has discussed the compensation arrangements for loss of transmission access. Some members of the BSSG have stated it is appropriate to amend the compensation arrangements in light of the experience gained from the operation of the current compensation schemes.

A consultation was issued on the 23rd September 2011 requesting interested parties for their views on a number of specific points discussed by the BSSG. The consultation issued can be viewed via the link below:

<http://www.nationalgrid.com/uk/Electricity/Balancing/consultations/>

This report summarises the responses to the consultation and has been produced following discussions at the BSSG.

Executive Summary

The BSSG (Balancing Services Standing Group) is an industry group set up under the governance of the CUSC Panel to provide a focal point for discussions relating to balancing services as well as other areas of industry interest.

One area the BSSG has discussed is the compensation payable to generators for loss of transmission access. Generators are currently compensated for loss of transmission access under CAP48¹ and CAP144². CAP48 covers compensation for notified and eligible unplanned loss of access whereas CAP144 covers payments for de-synchronisation under emergency de-energisation instructions.

A consultation was issued on the 23rd September 2011 requesting interested parties for their views on a number of specific points discussed by the BSSG in relation to CAP48 and CAP144 compensation. These specific points included:

1. Alignment of CAP48 and CAP144 compensation schemes
2. Types of access loss eligible for compensation
3. Potential changes to the existing compensation schemes
 - a) Duration of initial compensation period
 - b) Compensation following restoration of access
 - c) Appropriateness of TNUoS-based compensation
 - d) Compensation over and above the existing levels
 - e) Comparison of potential changes to compensation schemes
4. Recovery of costs by National Grid
5. Obligations on both users to raise a claim and National Grid to investigate a claim within a defined period

There were ten responses to the consultation, including one confidential response.

In some areas, respondents were in broad agreement. All respondents who answered the question on alignment of CAP48 and CAP144 compensation schemes were in agreement that this alignment would be beneficial. Respondents also felt there was no reason to delay the review of compensation pending Project TransmiT. The majority of respondents did not support the exclusion of islanded sites from the compensation arrangements.

The other areas of the consultation produced more diverse opinions. Respondents were broadly equally split on the merits of expanding compensation to include situations where the disconnection is partly down to a user's internal configuration. Respondents highlighted the difficulty National Grid may face in determining if loss of access to the transmission system was contributed to by a User's internal station configuration, and the difficulty in making a judgement on whether an operator at a specific site was operating in a reasonable and prudent manner.

¹ CAP48 - Firm Access and Temporary Physical Disconnection

² CAP144 – Emergency Instruction to Emergency De-energise

The consultation canvassed views on the initial 24 hour compensation period along with the possibility of expansion to 36 hours. The majority of respondents did not think that the 24 hour period was appropriate, there was support for an expansion to 36 hours but there was also support for increasing the initial compensation period beyond 36 hours.

The majority of respondents supported an additional compensation period following restoration of access. However, a minority of respondents did not agree. One respondent felt that the risks associated with resynchronisation, once access is restored, should be up to a User to manage. Another highlighted that generators will have different resynchronisation periods and to determine a level, even on technology basis, would be impossible. There was a broadly equal split over whether the additional period should be technology or non-technology specific.

The majority of respondents did not think payments based on the TNUoS rate appropriate, for example a generator may receive compensation at a higher TNUoS rate than it originally paid. Support was broadly split on the merits of compensation based on LDTEC rate with several respondents commenting that this should only be the case if the generator was paying LDTEC.

There was a broadly equal split on the merits of additional compensation over existing levels. One respondent, who was not supportive, commented that it would be a type of mutual insurance mechanism paid for by the wider community. Another respondent, also not in favour, commented that the introduction of an ad-hoc payment that has no industry basis would be creating an inappropriate precedence for compensation payments.

The actual suggested level for the additional compensation was not supported by the majority of respondents for a variety of reasons. Some did not support the principle of additional compensation whilst others were supportive of the principle but thought the numbers needed more rational. One respondent felt the values should be related to the costs generators face on a cost by cost basis and also felt that consideration should be given to post event compensation when plant had been damaged as a result of the disconnection.

The majority of respondents were in favour of incentives on Transmission Owners and System Operators; several thought these should be developed as part of the Price Control mechanism. One respondent not in favour of incentives commented that the Transmission Licence obligations should be sufficient to ensure that generation is not disconnected except in exceptional circumstances. A second respondent, also not in favour, felt an incentive mechanism would simply add to the cost of transmission.

In summary the consultation responses appear to support a change in some aspects of loss of access compensation. Section 2 provides more detail on each consultation question and responses received.

Next Steps

To be discussed at the BSSG.

1 Introduction

The BSSG is an industry group set up under the governance of the CUSC Panel to provide a focal point for discussions relating to balancing services as well as other areas of industry interest.

One area the BSSG has discussed is the compensation payable to generators for loss of transmission access. Generators are currently compensated for loss of transmission access under CAP48³ (Temporary Physical Disconnection⁴) and CAP144⁵ (Emergency De-energisation⁶). CAP48 covers compensation for notified and eligible unplanned loss of access whereas CAP144 covers payments for de-synchronisation under emergency de-energisation instructions.

A consultation issued on the 23rd September 2011 asked for industry views on a number of issues discussed at the BSSG. The table below shows a high level summary of the responses received to each of the individual questions in the consultation document. Further details of the responses to the consultation document are provided in Section 2. Section 4, Appendix A, contains the individual (non-confidential) responses received.

Q. No	Question	Yes	No	Other
1	<i>Do you think Temporary Physical Disconnection (CAP48) compensation should be aligned with Emergency De-energisation (CAP144) compensation, such that the compensation up to the BM Window is paid at System Buy Price (SBP) rather than Market Index Price (MIP)?</i>	8	0	0
2	<i>Do you think the scope of Temporary Physical Disconnection compensation should be expanded to include situations where disconnection is, in part, down to a use's internal station configuration? Please provide rationale.</i>	3	3	2
3	<i>Do you think islanding, impacting multiple sites at different geographical locations, when a partial system shutdown has not been declared should be excluded from loss of access compensation? Please provide rationale.</i>	3	5	0
4	<i>Do you think an initial compensation period of up to 24 hours for transmission access loss is sufficient? Please provide rationale.</i>	2	6	0
5	<i>Do you think an initial compensation period of up to 36 hours for transmission access loss would be more appropriate? Please provide rationale.</i>	3	2	3
6	<i>Do you think an additional compensation period following restoration of transmission access is appropriate? Please provide rationale.</i>	5	2	1
7	<i>Do you think the additional period should be technology or non-technology specific (e.g. same compensation periods for wind and nuclear plants)? Please provide rationale.</i>	2	3	3
8	<i>Do you think that the current compensation based on the higher of</i>	2	7	0

³ CAP48 - Firm Access and Temporary Physical Disconnection

⁴ This term is also used when referring to CAP48

⁵ CAP144 – Emergency Instruction to Emergency De-energise

⁶ This term is also used when referring to CAP144

	<i>average or actual TNUoS charges is appropriate? Please provide rationale</i>			
9	<i>Do you think that the compensation for access loss should be based on Limited Duration Transmission Entry Capacity (LDTEC) rather than the TNUoS rate? Please provide rationale.</i>	4	4	0
10	<i>Do you think that additional compensation for loss of access (e.g. flat weekly rate) should be paid over and above the existing compensation levels? Please provide rationale.</i>	4	4	0
11	Multiple sub questions see section 2			
12	<i>Do you think that Transmission Owners and System Operators should be incentivised to minimise loss of transmission access and associated costs? Please provide rationale.</i>	7	2	0
13	Multiple sub questions see section 2			
14	<i>Do you think that the review of the compensation arrangements for loss of transmission access should be delayed until the completion of Project TransmiT?</i>	0	8	0

2 Responses to the consultation

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

- Centrica
- Drax Power Limited
- EDF Energy
- E.ON
- International Power
- Renewable UK
- RWE
- Scottish Power Generation, Scottish Power Renewables
- SSE

Eight of the responses were in the form of responses to the individual questions in the consultation document, whilst two responses were in the form of a letter commenting on points raised in the consultation. The individual (non-confidential) responses are shown in Appendix A.

In the consultation there were a total of fifteen questions posed, this section summarises the main areas highlighted from the respondents for each of the questions.

2.1 Alignment of Temporary Physical Disconnection and Emergency De-energisation compensation schemes

Temporary Physical Disconnection (CAP48) and Emergency De-energisation (CAP144) compensation is similar; the difference between the two schemes is that under Emergency De-energisation compensation is payable up to the BM window using SBP rather than MIP which is used for Temporary Physical Disconnection.

Question 1: *Do you think Temporary Physical Disconnection (CAP48) compensation should be aligned with Emergency De-energisation (CAP144) compensation, such that the compensation up to the BM Window is paid at System Buy Price (SBP) rather than Market Index Price (MIP)?*

Summary of responses to Question 1

Yes	No	Neutral/Other
8	0	0

All ten respondents who commented on this area were in agreement that Temporary Physical Disconnection (CAP48) compensation should be aligned with Emergency De-energisation (CAP144), with one commenting that CAP48 was raised four years before CAP144 and if it were to be raised today it would most likely be aligned with CAP144.

BSSG Comment:

National Grid Comment:

2.2 Types of access loss eligible for compensation

A party who suffers a **Relevant Interruption** is eligible for compensation; this is essentially an interruption in which a BM Unit is de-energised solely due to an issue on the National Electricity Transmission System.

In some instances, an interruption or inability to generate, whilst precipitated by the de-energisation of plant or apparatus forming part of the National Electricity Transmission System, is nonetheless in part due to the configuration of the user's plant and apparatus at the time. A different User, with an alternative internal power station configuration, may not be impacted in similar circumstances yet both configurations may be equally valid ways of operation.

If the transmission circuits allowing access to the transmission system are not available, and this is due to an issue or fault on the National Electricity Transmission System, then a claim will tend to be valid. In some circumstances transmission circuits may be available but there may be an inability to utilise the circuits by the generator. This inability to generate may have been precipitated by de-energisation of plant or apparatus forming part of the National Electricity Transmission System but may, in part, also be due to the configuration of the User's plant and apparatus at the time. Question 2 of the consultation asked if the scope of Temporary Physical Disconnection compensation should be expanded to incorporate compensation for these types of events.

Question 2: *Do you think the scope of Temporary Physical Disconnection compensation should be expanded to include situations where disconnection is, in part, down to a User's internal station configuration? Please provide rationale.*

Summary of responses to Question 2

Yes	No	Neutral/Other
3	3	2

There were eight responses to this consultation question, with both support for and disagreement against the proposal. A selection of responses (non-confidential) is shown below.

Comments generally supportive of the proposal:

“We do not believe that the internal station configuration should be used as a basis to reject compensation for temporary physical disconnection in circumstances where such disconnection is attributable to an “issue” with the GB National Electricity Transmission System.”

“We can see the logic for the inclusion of these types of situation, although the key challenge is in defining the circumstances under which compensation would be payable. The two stage test proposed again seems fine in principle. However, given the room for interpretation, we are concerned that this may increase the costs of settling claims.”

“The two stage test outlined in the consultation (3.2) would be appropriate for determining whether compensation should be payable. Where a generator has agreed a non-standard internal plant configuration as part of its Connection Agreement and restrictions on access and compensation are clearly defined in this respect in its Bilateral Connection Agreement (BCA) then it should not be entitled to compensation for loss of access. Where such arrangements and restrictions on compensation are not defined in the BCA and the inability to generate could not have been avoided by a reasonable and prudent operator, then it should be entitled to compensation.”

Comments generally not supportive of the proposal:

“If a PS is disconnected as a result of a loss of a transmission circuit then compensation should be paid. In situations where the loss of a transmission circuit would not result in the loss of the station but for an outage condition at the station (e.g backup station transformer) compensation should not be paid.”

“The current CUSC is clear that a relevant interruption is where a BMU is de-energised solely due to a problem on NG’s transmission system. It is not clear that the configuration of a user’s internal station is part of this test to decide whether a relevant disconnection is eligible for compensation or not.”

“We do not agree with this suggestion. In particular it would be difficult for National Grid to easily determine if a loss of access to the transmission system was due to a Users internal station configuration.”

There were also comments on the difficulty of applying a reasonable and prudent generator test.

“We suggest that it would be almost impossible for a judgement to be made on whether an operator at a specific site was operating in a reasonable and prudent manner.”

BSSG Comment:

National Grid Comment:

Question 3 of the consultation focused on islanding. This is when part of the system becomes stranded without the declaration of a partial shutdown, with generation in the island desynchronising either instantaneously or after a period of time.

Question 3 asked: Do you think islanding, impacting multiple sites at different geographical locations, when a partial system shutdown has not been declared should be excluded from loss of access compensation? Please provide rationale.

Summary of responses to Question 3

Yes	No	Neutral/Other
3	5	n/a

Three respondents supported the exclusion of islanding from compensation, with one respondent considering that compensation should be considered under BSC provisions. One respondent considered that islanding will generally allow the continued operation of the BM unit and it should be excluded on this basis.

Five respondents did not support the proposal; some comments were along similar lines, i.e. if islanding results in a generator being desynchronised without recourse to alternative compensation they should be compensated under temporary physical disconnection.

BSSG Comment:

National Grid Comment:

2.3 Duration of initial compensation period

Compensation for an unplanned loss of access for the initial 24 hours is currently paid at Market Index Price (MIP) for the MW impacted. The use of MIP is intended to cover a user's imbalance exposure resulting from loss of transmission access.

Some members of the BSSG considered that the initial period should be extended to 36 hours. Question 4 asked for views on the existing 24 hours period, with question 5 asking for views on a potential 36 hour period.

Question 4: Do you think an initial compensation period of up to 24 hours for transmission access loss is sufficient? Please provide rationale.

Summary of responses to Question 4

Yes	No	Neutral/Other
2	6	n/a

Two respondents supported an initial compensation period of 24 hours. Support was based on the original reasoning for a 24 period, i.e. to allow affected parties to trade out their imbalance position. One respondent did not think this was any more difficult now than when CAP48 and CAP144 were implemented.

The majority of respondents did not feel an initial 24 hour period was sufficient. Comments highlighted the uncertainty a generator may face and that generators trade ahead for a period longer than 24 hours. One respondent considered that as a minimum 48 hours was required with another believing the period eligible for compensation should be decided under each individual claim on a case by case basis.

Question 5 was linked to question 4 and asked if 36 hours was more appropriate.

Question 5: Do you think an initial compensation period of up to 36 hours for transmission access loss would be more appropriate? Please provide rationale.

Summary of responses to Question 5

Yes	No	Other
3	2	3

The two respondents who thought 24 hours appropriate (question 4) did not think 36 hours was appropriate either.

Three respondents were supportive of a 36 hour initial compensation period. The 36 hour compensation period was thought to provide a balanced level of cover and a more realistic timeframe to cover the period generators are likely to have traded power ahead for.

Three respondents were supportive of a longer period than 36 hours, with the supporting comments (non-confidential) shown below:

“We agree this period cannot be open-ended but it should be long enough to cover a range of station dynamics. A cap of perhaps 4 to 5 days might be reasonable.”

“Compensation should continue beyond the initial 24 hour period to a period consistent with the length of the overall interruption, in order that generators are compensated appropriately and the TSO and TOs are incentivised to restore the system as quickly as possible.”

BSSG Comment:

National Grid Comment:

2.4 Compensation following restoration of access

Compensation for an unplanned loss of access applies for the period over which the user does not have access to the transmission system. Once access has been restored, compensation ceases. The BSSG discussed whether compensation should be payable for an additional period after restoration of access.

Question 6 asked: Do you think an additional compensation period following restoration of transmission access is appropriate? Please provide rationale.

Summary of responses to Question 6

Yes	No	Other
5	2	1

Two respondents disagreed with an additional compensation period following restoration of access. One of these felt that the risks associated with resynchronisation once access is restored should be up to users to manage. The other highlighted that generators will have different resynchronisation periods and to determine a level, even on a technology basis, would be impossible.

Five respondents supported an additional compensation period, with two of the five suggesting the additional time they were in favour of. In one case, a short additional period (1.5 hours) was supported, whilst in the other case it was felt that a minimum of 24 hours was required. The other three respondents supporting an additional period did not offer a specific period but the general view was that the length of the period should be such that the generator is able to return to the operating level it was at prior to disconnection.

Qualified support was provided from one respondent as long as the total compensation period did not exceed 24 hours (comment shown below):

“Possibly, as long as the total period allowed does not exceed 24 hours. If this is the time required to trade out of the imbalance position caused, then the owner of the station concerned should be in a position to take the additional time to re-synch into account as it continues trading half hour by half hour thereafter.”

Question 7 was linked to Question 6.

Question 7: Do you think the additional period should be technology or non-technology specific (e.g. same compensation periods for wind and nuclear plants)? Please provide rationale.

Summary of responses to Question 7

Technology	Non-technology	Other
2	3	3

Two respondents had disagreed with question 6 (introduction of an additional period). For question 7, one of these two thought if an additional period was introduced, it should be on a non-discriminatory and thus non-technology specific basis. A third respondent, who offered qualified support for question 6 (as long as the total compensation period did not exceed 24 hours), favoured the specific re-synchronisation time of a particular generating unit. In the table above these three respondents have been allocated to the 'other' category.

Three respondents did not favour a technology specific additional compensation. One commented that there was no technology differentiation in the TNUoS methodology and there should be no discrimination in loss of access. A second respondent did not think the additional period should be technology specific but should be based on the time a reasonable and prudent operator (given plant dynamics) took to come back on line.

Two respondents were in favour of a technology specific period. One commented that different generation will require different lengths of time to return to a notified PN position. This respondent also commented that renewable generation will also lose ROC and LEC income. The second respondent also commented on the fact that different plant will require different times to return to synchronisation.

BSSG Comment:

National Grid Comment:

2.5 Appropriateness of TNUoS-based compensation

A key element of the compensation schemes for both notified and unplanned loss of access is the rebate of TNUoS charges. The rebate of TNUoS charges is currently based on the higher of the actual TNUoS charge (for an affected user) or the average TNUoS charge (Total TNUoS income from generators / Total Transmission Entry Capacity).

Some BSSG members have suggested that limiting compensation to a refund of TNUoS charges does not reflect the disruption caused by loss of access. An alternative compensation method considered by the BSSG is based on the LDTEC⁷ charges which carry a premium⁸.

Question 8: Do you think that the current compensation based on the higher of average or actual TNUoS charges is appropriate? Please provide rationale.

⁷ Limited Duration Transmission Entry Capacity

⁸ Aggregate LDTEC charges (high rate) recover 90% of the annual TNUoS charge. The LDTEC tariff (£/kW/week) is equal to the TNUoS tariff (£/kW) for a given generation zone x 0.9 x 7 / 120.

⁹ Ofgem letter dated 19 October 2007

http://www.ofgem.gov.uk/LICENSING/WORK/NOTICES/MODNOTICE/Documents1/071008_Ex_CAP048_Licence_Letter_FINAL2.pdf

Summary of responses to Question 8

Yes	No	Other
2	7	

Two respondents thought the current TNUoS arrangements appropriate.

Seven respondents were not supportive of the current arrangements. Two of these seven thought payments based on average TNUoS inappropriate, because it can result in a payment, in some cases, higher than the actual TNUoS paid by a generator. One respondent thought that a generator should be compensated for the loss of earnings from the wholesale market that it would otherwise have achieved.

Question 9 was linked to question 8.

Question 9: Do you think that the compensation for access loss should be based on Limited Duration Transmission Entry Capacity (LDTEC) rather than the TNUoS rate? Please provide rationale.

Summary of responses to Question 9

Yes	No	Other
4	4	

Four respondents were not in favour of compensation being based on LDTEC charges, unless (supported by three of the four) the generator had entered into LDTEC arrangements. Four respondents thought compensation based on LDTEC charges more appropriate although one commented that neither the TNUoS nor LDTEC rate holds the generator whole for opportunity cost arising from the loss of transmission access

BSSG Comment:

National Grid Comment:

2.6 Compensation over and above existing levels

Some members of the BSSG considered the existing level of compensation to be insufficient to cover ongoing uncertainty for extended loss of access, and suggested the introduction of additional compensation over and above the existing compensation schemes. One option considered by the BSSG is the introduction of a flat weekly payment for each full seven day period of access loss; the weekly payment rate could, for example, be set at £100 /MW (i.e. £100 per week for each MW affected by the access loss). This compensation could be limited to four weeks

Question 10: Do you think that additional compensation for loss of access (e.g. flat weekly rate) should be paid over and above the existing compensation levels? Please provide rationale.

Summary of responses to Question 10

Yes	No	Other
4	4	

Four respondents did not support an additional compensation period; one commented that it would be a type of mutual insurance mechanism paid for by the wider community. One respondent commented that the introduction of an ad-hoc payment that has no industry basis would be creating an inappropriate precedence for compensation payments.

Four respondents were supportive of an additional compensation mechanism. One respondent commented that for an extended loss of access a generator would need to manage a forward position on a weekly basis, and an additional payment should be paid to facilitate this trading activity, capped at a maximum of four weeks. A second respondent thought it appropriate to compensate the generator for the value of its lost opportunity together with the ongoing additional administrative and transaction costs of re-balancing its position.

Question 11 was linked to question 10 and asked:

- a) Do you think that 100/MW/Week for each full 7 day period of access loss is appropriate?*
b) Do you think that the compensation rate in Q11 (a) should be limited to 4 weeks?
c) Do you feel other values/timescales (other than those in mentioned in questions 11a and 11b) would be more appropriate? Please provide rationale.

Most responded in general terms to this question, hence the reason the summary table does not shown responses for each individual question.

Summary of responses to Question 11

Generally in favour	Generally in disagreement	Other
2	4	2

The four respondents (in Question 10) who did not support an additional compensation period were also unsupportive of Question 11. In addition to these four, there were two respondents who were also not supportive of Question 11. One of these two respondents felt that the value should be related to the costs generators face on a cost by cost basis and also felt that consideration should be given to post event compensation when plant had been damaged as a result of the disconnection. The second respondent was supportive of the principle of additional compensation however felt their needed to be more rationale behind the numbers. These two respondents are shown in the 'other' category in the summary table above.

Two respondents were supportive of the changes proposed in Question 11. One agreed that the additional payments, based on the MW lost, should not be open ended and should be capped at four weeks whilst the second respondent felt the level of additional compensation should be technology specific and cover a renewable generators lost income under the renewable support mechanism. This respondent also commented that there did not appear

to be any reason to limit compensation to four weeks and questioned who should be responsible for the cost of providing compensation.

BSSG Comment:

National Grid Comment:

2.7 Recovery of costs by National Grid

National Grid currently recovers the costs associated with compensation payments for access loss via TNUoS charges. These costs are recovered from users on a pass-through basis.

The BSSG noted that Ofgem has previously⁹ (2007) decided against an incentive scheme due to the limited information that has been available for historical claims. However, the BSSG also noted Ofgem's views that, in the longer-term, an incentive-based mechanism could be beneficial to minimise the frequency and duration of disconnection from the transmission system.

Question 12: Do you think that Transmission Owners and System Operators should be incentivised to minimise loss of transmission access and associated costs? Please provide rationale.

Summary of responses to question 12

Yes	No	Other
7	2	

Two respondents were not supportive of Question 12, one commented that the Transmission Licence should be sufficient to ensure that generation is not disconnected except in exceptional circumstances. The second respondent felt an incentive mechanism would simply add to the cost of transmission although they felt that a mechanism which relied on payments for underperformance rather than licence enforcement action may have some merit.

A total of six respondents were in support of incentives. Two of these thought incentives should be developed as part of the Price Control arrangements. One respondent thought incentives were appropriate as National Grid is incentivised to minimise demand, and that this should also apply to generation. One respondent while supporting the principle noted their support would depend on the actual incentive structure. One respondent commented that when the operator could have been in control of an outage they should be incentivised but not otherwise (i.e. act of god).

BSSG Comment: TBC

National Grid Comment:

2.8 Obligations on both users to raise claims and National Grid to investigate claims within a defined period.

The compensation process for temporary physical disconnections is specified in Section 5.10 of the CUSC. This section states that the interruption payment will be made within 28 days following the date of agreement as to the value of the claim.

The CUSC, however, does not specify any timescales within which a user has to submit a claim, or National Grid has to confirm the validity of such a claim. In addition, the CUSC does not specify a minimum value of a claim.

Question 13 had five sub-questions and asked for views on the introduction of some timescales for the CAP48 process.

Question 13 asked:

- a) Do you think that users should be required to raise claims within 30 days (or other period) of an incident?*
- b) Do you think a body other than National Grid would be more appropriate to determine the validity of a claim?*
- c) If not National Grid, who do you think should determine the validity of a claim?*
- d) Do you think National Grid/ other body should be required confirm the validity of a claim within 60 days (or other period) of receipt.*
- e) Do you think a minimum claim value of £5,000 (or other amount) would be appropriate? Please provide rationale.*

Summary of responses to Question 13a

Yes	No	Other
5	0	3

Five respondents supported the introduction of a 30 day limit to raise claims, the other three respondents supported the introduction of a time limit but questioned whether a limit longer than 30 days was more appropriate.

Summary of responses to Question 13b

Yes	No	Other
2	4	1

Four respondents thought National Grid the most appropriate party to determine the validity of a claim. One of these four noted that in the event of a dispute a disagreement can be raised with the authority. Another noted that claims arise infrequently and in the event of disagreement CUSC dispute provisions can be used.

Three respondents did not feel that National Grid should be responsible for determining the validity of claims; one of these three favoured a two stage process, the initial stage to be administered by National Grid with an appeal stage administered by an expert industry

panel. The two stage process was felt to minimise costs (this response has been allocated to the 'other' column in the table above).

Summary of responses to Question 13c

National Grid	CUSC	Two stage process
4	2	1

Two respondents were in favour of a body other than National Grid determining the validity of claims. Both favoured the CUSC panel, in one case modelled on the Fuel Security Code exceptional cost compensation claims arrangements.

Summary of responses to Question 13d

Yes	No	Other
2	1	4

Two respondents were in favour of a 60 day limit on the resolution of claims. One respondent did not agree with a time limit because some claims can be complex.

Four respondents did not explicitly support a 60 day resolution limit. In two cases they supported the same time limit as a user had to raise a claim; in the other two cases they supported reasonable, clearly defined, timescales.

Summary of responses to Question 13e

Yes	No	Other
3		4

Three respondents supported a minimum claim limit of £5,000. Four respondents supported a minimum claim limit; two did not specify at which level it should be set whilst two respondents suggested limits of £10,000 and £25,000.

BSSG Comment: TBC

National Grid Comment:

2.9 Impact of Project TransmiT

Question 14 asked: Do you think that the review of the compensation arrangements for loss of transmission access should be delayed until the completion of Project TransmiT?

Summary of responses to Question 14

Yes	No	Other
0	8	0

All eight respondents to this question did not feel that the review should be delayed because of Project TransmiT.

BSSG Comment:

National Grid Comment:

2.10 Any other comments

Question 15 asked: Are there any other comments you wish to raise?

Three respondents raised some additional comments, shown below:

“We believe that the methodology for loss of transmission access should be reviewed in the light of the information transparency arrangement for transmission outages proposed under the REMIT proposals. These should include, for example, a requirement on the TOs/SO to publish information on transmission outages including reasons for such outages and expected duration. It is expected that the information would relate to loss of transmission access for individual power station.”

“We believe the principles of compensation and trigger levels need to be agreed to ensure that these compensation arrangements cover the industry’s expectations and minimise their commercial exposure. We believe that once this is done then the actual compensation arrangement will be easier to implement and administer. Another consideration is whether these arrangements should also cover compensation to cover plant damage as a result of physical disconnection. This ex-post compensation was discussed at the BSSG meetings and we note that it has not been included in the consultation however we believe it should be developed further either as part of these arrangements or separately.”

“Consideration of compensation for loss of transmission access should include consideration of aligning compensation for loss arising from the issue of Emergency Instructions where compensation is only payable up to Gate Closure at Bid price with no compensation for subsequent periods. As outlined in Q1, compensation to generators eligible to receive ROCs and LECs should include the value of lost income from these sources in addition to the energy value. Resolution of this should be taken forward as a priority. Further clarification is required on the correct and reasonable approach that should be adopted where an interruption is deemed by National Grid to come under the

exclusion provisions of a generator's BCA where the generator's connection arrangement is non-standard or non-compliant. Consideration should be given to the suitability of the arrangements for the growing offshore electricity generation industry."

BSSG Comment:

National Grid Comment:

3 Conclusions / Recommendation

To be discussed at the BSSG.

4 Appendix A – Individual Responses

The individual responses (non-confidential) are shown below from the following organisations:

- Centrica
- Drax Power Limited
- EDF Energy
- E.ON
- International Power
- Renewable UK
- RWE
- Scottish Power Generation, Scottish Power Renewables
- SSE

1 APPENDIX F: Response Proforma

National Grid invites responses to this consultation by 21st October 2011. The responses to specific consultation questions (summarised below) or any other aspect of this consultation can be provided by completing the following proforma.

The proforma is also available as a word document.

Please return the completed proforma to tariq.hakeem@uk.ngrid.com.

Company Name:	Centrica
Respondent:	Sarah Owen
Contact Number:	07979 566011 / 01753 431052
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you think Temporary Physical Disconnection (CAP48) compensation should be aligned with Emergency De-energisation (CAP144) compensation, such that the compensation up to the BM Window is paid at System Buy Price (SBP) rather than Market Index Price (MIP)?	Y	It is important that consistency is applied to all forms of disconnection from the Transmission system. We can see no reason why both forms of disconnection (CAP48 & CAP144) should not be aligned, and agree that SBP should be used up to the BM Window.
2	Do you think the scope of Temporary Physical Disconnection compensation should be expanded to include situations where disconnection is, in part, down to a users internal station configuration? Please provide rationale.	Y	If National Grid trips off a generator then compensation should be paid for loss of transmission access. We suggest that it would be almost impossible for a judgement to be made on whether an operator at a specific site was operating in a reasonable and prudent manner. We further suggest that this reduces the transparency of the process and is detrimental to stations that have been tripped off but are deemed to

No	Question	Response (Y/N)	Rationale
			not be acting in a prudent manner.
3	Do you think islanding impacting multiple sites at different geographical locations, when a partial system shutdown has not been declared should be excluded from loss of access compensation? Please provide rationale.	Y	We think that the islanding described will generally allow continued operation with BM instructions being made to balance the smaller islands. It therefore seems pragmatic that this is excluded from compensation arrangements.
4	Do you think an initial compensation period of up to 24 hours for transmission access loss is sufficient? Please provide rationale.	N	Generally speaking generators will have traded their power ahead for a longer period of time than 24 hours. We suggest that loss of access compensation should go some way to compensating a generator that is left as a distressed buyer to fulfil their traded contracts.
5	Do you think an initial compensation period of up to 36 hours for transmission access loss would be more appropriate? Please provide rationale.	Y	We support the 36 hour timeframe for compensation, as we believe this is a more realistic timeframe to cover the period that generators are likely to have traded their power ahead for.
6	Do you think an additional compensation period following restoration of transmission access is appropriate? Please provide rationale.	N	We do not support the introduction of additional compensation payments for generator re-synchronisation. All generators will have different re-synchronisation periods and to attempt to determine levels for this (even on a technology basis) will be virtually impossible.
7	Do you think the additional period should be technology or non-technology specific (e.g. same compensation	N	Please see answer to Question 6 above

No	Question	Response (Y/N)	Rationale
	periods for wind and nuclear plants)? Please provide rationale.		
8	Do you think that the current compensation based on the higher of average or actual TNUoS charges is appropriate? Please provide rationale.	N	We suggest that to only provide a rebate of the TNUoS payment already made should not be considered compensation where a plant has been disconnected. Plant suffers significant consumption of component life and disruption when disconnected from the transmission system. The minimum rebate in this area should be the higher of actual TNUoS paid and average TNUoS, but we suggest that the higher level of Limited Duration TNUoS would be more appropriate as this would more appropriately compensate the plant for the damage and disruption suffered.
9	Do you think that the compensation for access loss should be based on Limited Duration Transmission Entry Capacity (LDTEC) rather than the TNUoS rate? Please provide rationale.	Y	Please see answer to Question 8 above
10	Do you think that additional compensation for loss of access (e.g. flat weekly rate) should be paid over and above the existing compensation levels? Please provide rationale.	N	We do not support the adoption of an additional flat rate weekly compensation rate. We question the justification of the initial level and how this would be monitored and adjusted over time. To introduce an ad-hoc payment that has no industry basis would be creating an inappropriate precedence for compensation payments.
11	a) Do you think that 100/MW/Week for each full 7 day period of access loss is	N	Please see answer to Question 10 above

No	Question	Response (Y/N)	Rationale
	<p>appropriate?</p> <p>b) Do you think that the compensation rate in Q11 (a) should be limited to 4 weeks?</p> <p>c) Do you feel other values/timescales (other than those in mentioned in questions 11a and 11b) would be more appropriate? Please provide rationale.</p>		
12	<p>Do you think that Transmission Owners and System Operators should be incentivised to minimise loss of transmission access and associated costs? Please provide rationale.</p>	Y	<p>We suggest that National Grid is incentivised to minimise the loss of demand and equally they should be incentivised for minimising the loss of generation and associated costs of this loss.</p>
13	<p>a) Do you think that users should be required to raise claims within 30 days (or other period) of an incident?</p> <p>b) Do you think a body other than National Grid would be more appropriate to determine the validity of a claim?</p> <p>c) If not National Grid, who do you think should determine the validity of a claim?</p> <p>d) Do you think National Grid/ other body should be required confirm the validity of a claim within 60 days (or other period) of receipt.</p> <p>e) Do you think a</p>	<p>Y</p> <p>N</p> <p>Y</p>	<p>We agree that users should be required to raise claims within a set timeframe, but would suggest that within 60 days of an incident is more appropriate.</p> <p>We support that National Grid should be responsible for determining the validity of claims; however, we suggest that this should be an open and transparent process and that an appeals system should be introduced.</p> <p>We support the introduction of a timescale for National Grid to determine the validity of a claim. For consistency we suggest this should be the same as the time period allowed to raise a claim after an incident has taken place so support 60 days (if 60 days is adopted for</p>

No	Question	Response (Y/N)	Rationale
	<p>minimum claim value of £5,000 (or other amount) would be appropriate? Please provide rationale.</p>	Y	<p>users to raise claims). We support the adoption of a minimum claim value. We suggest that £5000 is a little on the low side and would suggest £10,000 is a more appropriate threshold.</p>
14	<p>Do you think that the review of the compensation arrangements for loss of transmission access should be delayed until the completion of Project TransmiT?</p>	N	<p>We can see no reason to delay the review of compensation payments unless the completion of Project TransmiT.</p>
15	<p>Are there any other comments you wish to raise?</p>	N	



Drax Power Station • Selby • North Yorkshire • YO8 8PH • T. +44 (0)1757 618381 • F. +44 (0)1757 618504

FAO Tariq Hakeem
National Grid Electricity Transmission Ltd
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

21 October 2011

Dear Tariq,

Consultation on the compensation methodology for loss of transmission access

Drax Power Limited ("Drax") is the operating subsidiary of Drax Group plc and the owner and operator of Drax Power Station in North Yorkshire. In March 2009, Drax acquired an electricity supply business, Haven Power Limited ("Haven"); Haven supplies over 32,000 small and medium sized business customers and provides an alternative route to market for some of Drax's power output.

The consultation document sets out the background for two compensation regimes that were introduced under CAP48 (compensation for notified and unplanned loss of access) and CAP144 (compensation for de-synchronisation under emergency de-energisation instructions). The document goes on to detail potential amendments to these compensation arrangements that have been developed by the BSSG, which are believed to provide a more appropriate compensation regime for generators affected by a loss of transmission access. This response focuses on the overriding principles that should apply to generator compensation arrangements for loss of transmission access.

It is Drax's view that, in the event of a loss of transmission access, a generator should not be compensated on the basis of Transmission Network Use of System (TNUoS) charges. Rather, a generator should be compensated for the loss of the earnings from the wholesale power market that it would otherwise have achieved, had access to the transmission system been available.

In the event that at the day-ahead stage before 16:00hrs National Grid informs a generator that there will be a loss of access to the transmission access, generators are currently only refunded their TNUoS charge for the duration of the fault. If National Grid provides notification at the day-ahead stage after 16:00hrs, generators receive both a refund on their TNUoS charge and the Market Index Price (MIP) for the impacted capacity. However, the latter (MIP) is only received during the first 24 hours of the fault.

The financial impact of a long duration fault that prevents a generator from exporting power is serious, particularly for single site generators that are unable to mitigate a proportion of the risk via alternative plant within a generation portfolio. The effect of the network outage is, by definition, not the fault or the responsibility of the generator. As such, it is questionable why, in this situation, the notice provided should determine whether or not a generator receives recompense for loss of earnings in the wholesale market.

Drax contends that the generator should be compensated for the value of lost opportunity (i.e. energy and ROCs) in such an event, regardless of whether the notice is provided prior to or within eight hours of the relevant calendar day. Compensation should be paid for as long as the fault is preventing the generator from accessing the transmission system i.e. compensation should not be time limited. This could be achieved by treating loss of access on a similar basis to system constraints, where typically a generator is unable to export volume and the System Operator takes appropriate action in the Balancing Mechanism to ensure network stability. The loss of transmission access is essentially a localised constraint that is imposed by the network.

In addition, the market price at which the generator is forced to purchase power to cover its loss of access may be substantially different to the price achieved for the original forward power sale(s). Any differential in market prices between the original sale and the purchase associated with the loss of transmission access should be compensated. Again, this could be achieved by accepting bids from the generator via the Balancing Mechanism.

Drax also notes that under the current compensation arrangements, generators located in negative TNUoS zones receive compensation equal to the industry average value of TNUoS. This results in these generators effectively receiving a 'double payment', in that they receive a compensation payment *in addition* to receiving a negative TNUoS payment. Drax believes that this arrangement is unjustified and potentially discriminatory.

Finally, Drax notes that any compensation paid by National Grid under CAP48 and CAP144 is recovered from other transmission users. Moreover, there is currently no specific incentive mechanism within transmission companies' price controls, which would incentivise providers of transmission services to minimise loss of transmission access. Drax is of the view that the current arrangements do not provide sufficient financial incentives on National Grid to minimise loss of transmission access for users. Such incentives would reduce the probability of loss of transmission access and thus lower the likelihood of future compensation payments.

If you would like to discuss any of the views expressed in this response, please feel free to contact me.

Yours sincerely,

By email

Cem Suleyman

Regulation and Policy
Drax Power Limited

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Please return the completed proforma to tariq.hakeem@uk.ngrid.com.

Company Name:	EDF Energy
Respondent:	John Costa
Contact Number:	020 3126 2324
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you think Temporary Physical Disconnection (CAP48) compensation should be aligned with Emergency De-energisation (CAP144) compensation, such that the compensation up to the BM Window is paid at System Buy Price (SBP) rather than Market Index Price (MIP)?	Yes	We agree that the compensation arrangements under CAP48 and CAP 144 are similar apart from compensation up to the BM window. Under CAP144 this is paid at System Buy Price (SBP) rather than Market Index Price (MIP) and we agree that compensation under CAP48 should be aligned with CAP144 rather than vice-versa. We note that CAP48 was raised 4 years before CAP144 and that had it been raised today it would most likely be aligned with CAP144.
2	Do you think the scope of Temporary Physical Disconnection compensation should be expanded to include situations where disconnection is, in part, down to a users internal station configuration? Please provide rationale.	No	The basis of these arrangements is to provide compensation to generators from being interrupted from generating due to the loss of NG's transmission system. This therefore applies where a generator is prevented from both exporting to and importing from the Transmission System and their internal station configuration is not likely to be relevant if it's the external connection to the transmission system which is interrupted. We note that the

No	Question	Response (Y/N)	Rationale
			<p>majority of generation capacity in the GB market was built pre-1990 and was designed pre-network codes. These stations and their compliant configurations should be allowed to stand if there is going to be a standard applied going forward as the costs of retrofitting are not likely to benefit consumers.</p> <p>The current CUSC is clear that a relevant interruption is where a BMU is de-energised solely due to a problem on NG's transmission system. It is not clear that the configuration of a user's internal station is part of this test to decide whether a relevant disconnection is eligible for compensation or not. Such a clause is not written in either the CUSC or the Grid Code and it is not clear where this extra consideration (leading to Question 2 of this consultation) emanates from or if it has arisen due to different interpretation of the codes.</p> <p>If there is a view that station configuration should be taken into account then we would need to see a logical and robust rationale for that view. This would need to include the types of system configuration which would or would not be accepted, in what circumstances and why. Each case should be assessed on its own merits and included in this assessment might be whether the generator was operating in a reasonable and prudent manner. This has been discussed at the Balancing Services Standing Group (BSSG) meetings. If NG has a view of what they would expect as a reasonable and prudent operator then we would welcome their view.</p> <p>Generators do not wish to be disconnected from the system and rely on</p>

No	Question	Response (Y/N)	Rationale
			<p>a firm and continuous supply and connection to NG's transmission system.</p> <p>For example, a generator may have taken its station transformer out for maintenance and diligently communicated this to NG under its OC2 data obligations. However, a temporary fault on NG's transmission system could still occur and disconnect the generator. We believe the generator should expect to be eligible for compensation in this instance.</p> <p>We note there are examples where NG has paid compensation to interrupted generators but not to others under what seem to be the same conditions and station configuration. More clarity of this difference in treatment is needed.</p>
3	<p>Do you think islanding impacting multiple sites at different geographical locations, when a partial system shutdown has not been declared should be excluded from loss of access compensation? Please provide rationale.</p>	Yes	<p>We agree with the discussions and findings of the BSSG group that multiple sites at different geographical locations as part of an islanding effect should be excluded from claiming compensation. The costs of this could be significant and would not be in the consumer's interest.</p>
4	<p>Do you think an initial compensation period of up to 24 hours for transmission access loss is sufficient? Please provide rationale.</p>	No	<p>The principle of compensating generators for loss of connection to the Transmission System is to minimise their commercial (energy contract) exposure experienced due to the disconnection. The exact return time for a generator (post-disconnection) will depend on many variables including plant dynamics. It is likely that in some cases the return time will greatly exceed 24 hours. We therefore believe that the period eligible for compensation should be decided under each individual claim and on a case by case basis. The eligibility period could</p>

No	Question	Response (Y/N)	Rationale
			<p>be related to plant dynamics (possibly with a cap) rather than being limited to the time the Transmission system was unavailable. For example, if NG's transmission system was out-of-service for 2 hours but it took a station operator 36 hours to resume normal commercial operation then the relevant compensation period would be 36 hours.</p>
5	<p>Do you think an initial compensation period of up to 36 hours for transmission access loss would be more appropriate? Please provide rationale.</p>	<p>Not necessarily</p>	<p>As stated above, the period should try to ensure the generator is kept commercially protected during the time it was both disconnected and during the period it took to return to normal service (operating, of course, as a reasonable and prudent operator). The test should investigate that it did all it could to return to service as soon as reasonably possible.</p> <p>We agree this period cannot be open ended but it should be long enough to cover a range of station dynamics. A cap of perhaps 4 to 5 days might be reasonable.</p> <p>The level of compensation would need to be discussed. However we believe that SBP should be paid for longer than just the bid window especially where there has been a large loss. This might bridge the gap between actual SBP and the average traded price (MIP); the latter might be different to the price at which the generator is exposed. There are many compensation options. For instance there could be a volume threshold where a loss of 1000MW or more might receive SBP for a small number of hours followed by MIP. This might be more reflective of energy replacement costs for that period rather than MIP which has traded over a much longer period and is an average price.</p>

No	Question	Response (Y/N)	Rationale
6	Do you think an additional compensation period following restoration of transmission access is appropriate? Please provide rationale.	Yes	As stated above NG should continue to offer compensation for the period necessary that a reasonable and prudent operator needs to return to the same level of commercial service it was running at before it was disconnected. However, the level of compensation should act as incentive so that generators are encouraged to return to full operation as soon as is reasonably practicable.
7	Do you think the additional period should be technology or non-technology specific (e.g. same compensation periods for wind and nuclear plants)? Please provide rationale.	No	No, the additional period should not be technology specific but should be based on the time a reasonable and prudent operator (given plant dynamics at the time) took to come back on line. Again, the principles should be what would be expected as a reasonable and prudent operator of that plant to return back to normal operating service/level.
8	Do you think that the current compensation based on the higher of average or actual TNUoS charges is appropriate? Please provide rationale.	Yes	It should continue be paid on the higher of actual or average.
9	Do you think that the compensation for access loss should be based on Limited Duration Transmission Entry Capacity (LDTEC) rather than the TNUoS rate? Please provide rationale.	Yes	Yes, but only for the portion of LDTEC above the permanent TEC level.
10	Do you think that additional compensation for loss of access (e.g. flat weekly rate) should be paid over and above the existing	Yes	Yes, we believe there should be an additional compensation for periods where the Transmission system is down for more than 1 week or 7 day period.

No	Question	Response (Y/N)	Rationale
	compensation levels? Please provide rationale.		
11	<p>a) Do you think that 100/MW/Week for each full 7 day period of access loss is appropriate?</p> <p>b) Do you think that the compensation rate in Q11 (a) should be limited to 4 weeks?</p> <p>c) Do you feel other values/timescales (other than those in mentioned in questions 11a and 11b) would be more appropriate? Please provide rationale.</p>	No	<p>a)It should be related to the costs generators face on a case by case basis. For some generators £100/MW/Week could create a windfall whereas for others it could be less than their costs incurred. We believe that in such circumstances the fee should cover at least the minimum costs.</p> <p>b) Yes, it can be limited to 4 weeks however consideration needs to be given to any post compensation claims where plant or equipment has been damaged as a result of the disconnection. We have made some additional comments on this below.</p> <p>c) There may be cases following damage to plant or equipment from a disconnection where a generator may be off for more than 4 weeks and may incur costs higher than stated in 11a. These points were raised in the BSSG meetings and we believe they should be discussed and developed further.</p>
12	Do you think that Transmission Owners and System Operators should be incentivised to minimise loss of transmission access and associated costs? Please provide rationale.	Yes	We note that the issue of incentives is being developed as part of the RIIO Price Control. One of the key outputs of this will be transmission system reliability. As a generator we value access to the transmission system both to export our electricity and to ensure the safe operation of our plants. It would therefore appear appropriate for NG to be incentivised in the area of system reliability so that they are incentivised to minimise the loss of transmission access.
13	a) Do you think that users should be required to	Yes	a) We believe 30 days is sufficient.

No	Question	Response (Y/N)	Rationale
	<p>raise claims within 30 days (or other period) of an incident?</p> <p>b) Do you think a body other than National Grid would be more appropriate to determine the validity of a claim?</p> <p>c) If not National Grid, who do you think should determine the validity of a claim?</p> <p>d) Do you think National Grid/ other body should be required confirm the validity of a claim within 60 days (or other period) of receipt.</p> <p>e) Do you think a minimum claim value of £5,000 (or other amount) would be appropriate? Please provide rationale.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>b/c) We believe that NG could administer the first stage of a claim to see if it is eligible to minimise industry costs. However we believe an appeal body should be set up where parties do not agree with NG's decision. An appeal body could consist of an elected industry panel of experts to minimise costs.</p> <p>d) We believe 60 days for NG to confirm the validity of a claim is sufficient.</p> <p>e) We believe £5,000 is an appropriate level as a minimum claim value.</p>
14	<p>Do you think that the review of the compensation arrangements for loss of transmission access should be delayed until the completion of Project TransmiT?</p>	No	<p>We do not see any reasons why the development of these compensation arrangements should be delayed to fit in with Project TransmiT.</p>
15	<p>Are there any other comments you wish to raise?</p>		<p>We believe the principles of compensation and trigger levels need to be agreed to ensure that these compensation arrangements cover the industry's expectations and minimise their commercial exposure. We believe that once this is done then the actual compensation arrangement will be easier to implement and administer.</p>

No	Question	Response (Y/N)	Rationale
			<p>Another consideration is whether these arrangements should also cover compensation to cover plant damage as a result of physical disconnection. This ex-post compensation was discussed at the BSSG meetings and we note that it has not been included in the consultation however we believe it should be developed further either as part of these arrangements or separately.</p>

EDF Energy
October 2011

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Please return the completed proforma to tariq.hakeem@uk.ngrid.com.

Company Name:	E.ON
Respondent:	Guy Phillips
Contact Number:	024 76 183531
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you think Temporary Physical Disconnection (CAP48) compensation should be aligned with Emergency De-energisation (CAP144) compensation, such that the compensation up to the BM Window is paid at System Buy Price (SBP) rather than Market Index Price (MIP)?	Y	<p>The arrangements for emergency de-energisation under CAP144 provide slightly more protection to users than those under CAP048 for unplanned access. Under CAP048 unplanned access can be split into notified loss of access after 16.00 the day before and tripping from the network. It is arguable that a trip at least should have similar compensation to, if not more Compensation than, an emergency de-energisation under the arrangements, as a trip could cause more damage or stress to a plant than an instructed de-load.</p> <p>Using MIP for the rate at which compensation is paid means that a generator could find itself undercompensated when SBP is the main imbalance price for the periods affected. Therefore, using SBP for both circumstances would appear to be the correct solution to adopt.</p> <p>For interruptions notified after 16.00 day</p>

No	Question	Response (Y/N)	Rationale
			<p>ahead, the closer the notification is to the settlement periods affected the more it looks like an emergency instruction. It would seem appropriate to adopt the same approach to compensation as the other two instances of unplanned outage, as any other threshold would appear to be arbitrary. Additionally, those parties without 24hour trading functions would find it difficult to trade out an imbalance which was given in these timescales even if the notice was given several hours before the affected periods.</p>
2	<p>Do you think the scope of Temporary Physical Disconnection compensation should be expanded to include situations where disconnection is, in part, down to a user's internal station configuration? Please provide rationale.</p>	<p>Y (In principle)</p>	<p>We can see the logic for the inclusion of these types of situation, although the key challenge is in defining the circumstances under which compensation would be payable. The two stage test proposed again seems fine in principle. However, given the room for interpretation, we are concerned that this may increase the costs of settling claims.</p>
3	<p>Do you think islanding impacting multiple sites at different geographical locations, when a partial system shutdown has not been declared should be excluded from loss of access compensation? Please provide rationale.</p>	<p>N</p>	<p>Total Shutdowns or Partial Shutdowns are classed as Allowed Interruptions, as in these circumstances the Black Start arrangements come into force and provisions of Section G3 of the BSC take effect such as suspension of the BM, the imposition of a single imbalance price and the availability of a specific compensation mechanism under G3.3 of the code. Therefore, it would be inappropriate to provide another compensation mechanism through the CUSC in these circumstances.</p> <p>If a Shutdown has not been declared it is not clear that any compensation mechanism is available other than</p>

No	Question	Response (Y/N)	Rationale
			provided through CAP48 or CAP144. Therefore, they are not similar situations commercially, even if the physical characteristics may be alike.
4	Do you think an initial compensation period of up to 24 hours for transmission access loss is sufficient? Please provide rationale.	Y	The rationale for the initial compensation period for unplanned interruptions is to allow the affected parties time to trade out their imbalance position. It is not clear that this is any more difficult now than was the case when CAP048 and CAP144 were approved and implemented.
5	Do you think an initial compensation period of up to 36 hours for transmission access loss would be more appropriate? Please provide rationale.	N	See above.
6	Do you think an additional compensation period following restoration of transmission access is appropriate? Please provide rationale.	Y	Possibly, as long as the total period allowed does not exceed 24hours. If this is the time required to trade out of the imbalance position caused, then the owner of the station concerned should be in a position to take the additional time to re-synch into account as it continues trading half hour by half hour thereafter.
7	Do you think the additional period should be technology or non-technology specific (e.g. same compensation periods for wind and nuclear plants)? Please provide rationale.	Y	If introduced, it should take account of the specific re-synch times of the particular generating unit.
8	Do you think that the current compensation based on the higher of average or actual TNUoS charges is appropriate?	N	Compensation of TNUoS is not really compensation as such, but is more of a token payment. That said, any greater amounts will have to be underwritten by

No	Question	Response (Y/N)	Rationale
	Please provide rationale.		other transmission users. In this respect the arrangements can be seen as a mutual insurance mechanism arranged centrally by National Grid. Therefore, we would be wary about the compensation level increasing by too much, as this might be more efficiently provided through the purchase of business interruption insurance or by parties choosing to self insure.
9	Do you think that the compensation for access loss should be based on Limited Duration Transmission Entry Capacity (LDTEC) rather than the TNUoS rate? Please provide rationale.	N	<p>In our answer to Q8 we explain that we do not see repayment of a pro rate TNUoS charge as an appropriate compensation mechanism and more of a token payment. Similarly, therefore LDTEC does not appear to be an appropriate rate although it would result in a higher payment which is likely to be a move in the right direction.</p> <p>The high initial charges for LDTEC were introduced so as to be consistent with the charging for STTEC. These in turn were set higher than a pro rata TNUoS charge so that TEC would not be undermined as the primary access product by the shorter term access products. Unfortunately, we are not convinced that the same logic applies to compensation for the removal of access rights.</p>
10	Do you think that additional compensation for loss of access (e.g. flat weekly rate) should be paid over and above the existing compensation levels? Please provide rationale.	N	The logic behind the compensation does not appear to be strong particularly as it would simply be paid by the wider user community. As with our answer to Q8, we are concerned that increasing levels of compensation would simply be seen as a mutual insurance mechanism which may be better provided through other means.
11	a) Do you think that 100/MW/Week for each	N	Given our response to Q10 it would be

No	Question	Response (Y/N)	Rationale
	<p>full 7 day period of access loss is appropriate?</p> <p>b) Do you think that the compensation rate in Q11 (a) should be limited to 4 weeks?</p> <p>c) Do you feel other values/timescales (other than those in mentioned in questions 11a and 11b) would be more appropriate? Please provide rationale.</p>		<p>inappropriate to respond on this.</p>
12	<p>Do you think that Transmission Owners and System Operators should be incentivised to minimise loss of transmission access and associated costs? Please provide rationale.</p>	N	<p>We have always been wary of rewarding companies for acting in accordance with their licences. Therefore an incentive mechanism which did so would risk simply adding to the cost of transmission. However, a mechanism which relied on payments for underperformance rather than licence enforcement action may have some benefits.</p>
13	<p>a) Do you think that users should be required to raise claims within 30 days (or other period) of an incident?</p> <p>b) Do you think a body other than National Grid would be more appropriate to determine the validity of a claim?</p> <p>c) If not National Grid, who do you think should determine the validity of a claim?</p> <p>d) Do you think National Grid/ other body should be required confirm the validity of a claim within</p>		<p>a) Yes. A deadline would be appropriate although 30 days may be too short.</p> <p>b) No. These mechanisms should be used infrequently. Therefore, it doesn't seem appropriate to put in place arrangements with a third party to administer them. If there is a disagreement as to the validity of a claim, then the CUSC disputes provisions can be used as now.</p> <p>c) Not applicable.</p> <p>d) If there is a deadline for claiming then a similar deadline should be adopted for validating the claim.</p> <p>e) A minimum claim value would be appropriate so as to avoid the pursuit of</p>

No	Question	Response (Y/N)	Rationale
	<p>60 days (or other period) of receipt.</p> <p>e) Do you think a minimum claim value of £5,000 (or other amount) would be appropriate? Please provide rationale.</p>		trivial claims.
14	<p>Do you think that the review of the compensation arrangements for loss of transmission access should be delayed until the completion of Project TransmiT?</p>	N	<p>Although the arrangements may need to be reviewed if charging methodologies are significantly changed (such as the introduction of a £/MWh charge).</p>
15	<p>Are there any other comments you wish to raise?</p>	N	

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Company Name:	International Power
Respondent:	Simon Lord
Contact Number:	01244 504601
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you think Temporary Physical Disconnection (CAP48) compensation should be aligned with Emergency De-energisation (CAP144) compensation, such that the compensation up to the BM Window is paid at System Buy Price (SBP) rather than Market Index Price (MIP)?	Yes	Simplification and understanding will be improved
2	Do you think the scope of Temporary Physical Disconnection compensation should be expanded to include situations where disconnection is, in part, down to a users internal station configuration? Please provide rationale.	Current situation clarified.	If a PS is disconnected as a result of a loss of a transmission circuit then compensation should be paid. In situations where the loss of a transmission circuit would not result in the loss of the station but for an outage condition at the station (e.g backup station transformer) compensation should not be paid. NG will take account of the station design at the planning stage.

No	Question	Response (Y/N)	Rationale
3	Do you think islanding impacting multiple sites at different geographical locations, when a partial system shutdown has not been declared should be excluded from loss of access compensation? Please provide rationale.	Yes	Black start situations are excluded from this type of compensation and should be considered under BSC provisions.
4	Do you think an initial compensation period of up to 24 hours for transmission access loss is sufficient? Please provide rationale.	No	Compensations is insufficient to cover the risk. After a fault it can be up to 12 hours before NG indicate how long the failure might last only after this can a PS take action to trade out of a physical position. This can take a up to 24 hours (depend on the time of notification thus 24 hrs is not sufficient
5	Do you think an initial compensation period of up to 36 hours for transmission access loss would be more appropriate? Please provide rationale.	Yes	See above
6	Do you think an additional compensation period following restoration of transmission access is appropriate? Please provide rationale.	Yes	Compensation should be paid for a short period (1.5 hours) after restoration of supplier to allow time for the unit to synchronise.
7	Do you think the additional period should be technology or non-technology specific (e.g. same compensation periods for wind and nuclear plants)? Please provide rationale.	Yes	The same compensation should be paid irrespective of technology.

No	Question	Response (Y/N)	Rationale
8	Do you think that the current compensation based on the higher of average or actual TNUoS charges is appropriate? Please provide rationale.	Yes	Short term TEC represents the short term value of transmission capacity. Effectively 90 % of the TNUoS charge is spread over 16 weeks. This represents an appropriate level for compensation for loss of access.
9	Do you think that the compensation for access loss should be based on Limited Duration Transmission Entry Capacity (LDTEC) rather than the TNUoS rate? Please provide rationale.	Yes	See above
10	Do you think that additional compensation for loss of access (e.g. flat weekly rate) should be paid over and above the existing compensation levels? Please provide rationale.	Yes	As NG work towards restoration of circuits the PS will need to manage a forward position on a weekly basis thus an additional payment based on MW lost should be paid to facility this trading activity. It should not be open ended and should be for a maximum of 4 weeks
11	a) Do you think that 100/MW/Week for each full 7 day period of access loss is appropriate? b) Do you think that the compensation rate in Q11 (a) should be limited to 4 weeks? c) Do you feel other values/timescales (other than those in mentioned in questions 11a and 11b) would be more appropriate? Please provide rationale.	Yes	see above

No	Question	Response (Y/N)	Rationale
12	Do you think that Transmission Owners and System Operators should be incentivised to minimise loss of transmission access and associated costs? Please provide rationale.	No	The transmission licence should be sufficient to ensure that generation is not disconnected except in exceptional circumstances.
13	<p>a) Do you think that users should be required to raise claims within 30 days (or other period) of an incident?</p> <p>b) Do you think a body other than National Grid would be more appropriate to determine the validity of a claim?</p> <p>c) If not National Grid, who do you think should determine the validity of a claim?</p> <p>d) Do you think National Grid/ other body should be required confirm the validity of a claim within 60 days (or other period) of receipt.</p> <p>e) Do you think a minimum claim value of £5,000 (or other amount) would be appropriate? Please provide rationale.</p>	<p>Yes</p> <p>No</p> <p>See b)</p> <p>?</p> <p>Yes</p>	<p>a) This will ensure an efficient process</p> <p>b) Any disagreement can be raised with the authority.</p> <p>d) Time limit should not be set some claims can be complex</p> <p>e) This is sufficient although</p>
14	Do you think that the review of the compensation arrangements for loss of transmission access should be delayed until the completion of Project TransmiT?	NO	

No	Question	Response (Y/N)	Rationale
15	Are there any other comments you wish to raise?	No	

by e-mail to: tariq.hakeem@ukngrid.com

by e-mail from zoltan.zavody@renewableuk.com

Dear Mr Hakeem,

RenewableUK consultation response

Renewable UK is the trade and professional body for the UK wind and marine renewables industries. Formed in 1978, and with over 660 corporate members, RenewableUK is the leading renewable energy trade association in the UK, representing the large majority of the UK's wind, wave, and tidal energy companies.

We would like to submit a brief, general response, as follows: Compensation should be paid for loss of transmission access where generators are expecting access to be provided. This should include compensation where the loss of access is caused by planned engineering works. Compensation should reflect the full cost of disruption caused by the loss of access.

We believe Transmission Owners and System Operators should be incentivised to minimise loss of transmission access. This should be done in such a way as to encourage the network companies to proceed with necessary grid expansion and reinforcement. One way of minimising loss of access is to ensure such works are undertaken rapidly in a co-ordinated, planned way.

Although brief, I hope this is helpful for your deliberations.

Yours sincerely,

Zoltan Zavody
Grid Policy Team

1 APPENDIX F: Response Proforma

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The proforma is also available as a word document.

Please return the completed proforma to tariq.hakeem@uk.ngrid.com.

Company Name:	RWE
Respondent:	Bill Reed
Contact Number:	01793 893835
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you think Temporary Physical Disconnection (CAP48) compensation should be aligned with Emergency De-energisation (CAP144) compensation, such that the compensation up to the BM Window is paid at System Buy Price (SBP) rather than Market Index Price (MIP)?	Yes	It is appropriate to compensate generators on a consistent basis for costs incurred in relation to unplanned outages in the BM window.
2	Do you think the scope of Temporary Physical Disconnection compensation should be expanded to include situations where disconnection is, in part, down to a users internal station configuration? Please provide rationale.	Yes	The scope of temporary physical disconnection should be expanded to include situations where disconnection is, in part, down to a users internal power station configuration. We do not believe that the internal station configuration should be used as a basis to reject compensation for temporary physical disconnection in circumstances where such disconnection is attributable to an "issue" with the GB National Electricity

No	Question	Response (Y/N)	Rationale
			<p>Transmission System.</p> <p>We note that it is for a user to ensure that transmission connections are Grid Code and CUSC compliant.</p>
3	<p>Do you think islanding impacting multiple sites at different geographical locations, when a partial system shutdown has not been declared should be excluded from loss of access compensation? Please provide rationale.</p>	No	<p>We believe that instances in which part of the system become islanded without the declaration of a partial shutdown that gives rise to generator desynchronisation should be regarded as an "issue" with the National Electricity Transmission System and be compensated under the CAP48 arrangements.</p>
4	<p>Do you think an initial compensation period of up to 24 hours for transmission access loss is sufficient? Please provide rationale.</p>	Yes	<p>The initial compensation period should be 24-hours.</p>
5	<p>Do you think an initial compensation period of up to 36 hours for transmission access loss would be more appropriate? Please provide rationale.</p>	No	<p>We do not support the extension of the initial compensation period to 36 hours. We believe that the initial compensation period should remain 24-hours.</p>
6	<p>Do you think an additional compensation period following restoration of transmission access is appropriate? Please provide rationale.</p>	No	<p>We do not support additional compensation following restoration of transmission access. It is for users to manage the risks associated with resynchronisation once the network is fully and reliably restored. This will enable users to manage contract positions efficiently and economically.</p>
7	<p>Do you think the additional period should be technology or non-technology specific (e.g.</p>	-	<p>We do not support additional compensation following restoration of transmission access. However, if such compensation is paid it should be applied</p>

No	Question	Response (Y/N)	Rationale
	same compensation periods for wind and nuclear plants)? Please provide rationale.		in a non discriminatory manner and should not be technology specific.
8	Do you think that the current compensation based on the higher of average or actual TNUoS charges is appropriate? Please provide rationale.	Yes	<p>We believe that the compensation should be based on the higher of average annual and actual TNUoS. This reflects that fact that users pay for access through TNUoS charges.</p> <p>We note that consideration needs to be given to the applicability of the current compensation arrangements given the introduction of the local/wider split to transmission charges.</p>
9	Do you think that the compensation for access loss should be based on Limited Duration Transmission Entry Capacity (LDTEC) rather than the TNUoS rate? Please provide rationale.	No	We believe that the compensation should be based on higher of average annual and actual TNUoS. This reflects that fact that users pay for firm access through TNUoS charges. However, we believe that users that have entered into LDTEC arrangements should be compensated on the basis of a refund of LDTEC.
10	Do you think that additional compensation for loss of access (e.g. flat weekly rate) should be paid over and above the existing compensation levels? Please provide rationale.	No	We do not believe that any additional compensation should be paid for loss of access above the existing levels. We believe that compensation for users should be based on the fact that users currently pay for access through TNUoS charges.
11	<p>a) Do you think that 100/MW/Week for each full 7 day period of access loss is appropriate?</p> <p>b) Do you think that the compensation rate in Q11 (a) should be limited to 4 weeks?</p>	No	We believe that compensation for users should be based on the fact that users currently pay for access through TNUoS charges.

No	Question	Response (Y/N)	Rationale
	c) Do you feel other values/timescales (other than those in mentioned in questions 11a and 11b) would be more appropriate? Please provide rationale.		
12	Do you think that Transmission Owners and System Operators should be incentivised to minimise loss of transmission access and associated costs? Please provide rationale.	Yes	Compensation to users for loss of access should be reflected in the Transmission Owner price control arrangements and the System Operator Incentive Scheme. This will ensure that there are appropriate incentives on the TOs/SO to minimise the cost and duration of transmission outages (both planned and unplanned).
13	<p>a) Do you think that users should be required to raise claims within 30 days (or other period) of an incident?</p> <p>b) Do you think a body other than National Grid would be more appropriate to determine the validity of a claim?</p> <p>c) If not National Grid, who do you think should determine the validity of a claim?</p> <p>d) Do you think National Grid/ other body should be required confirm the validity of a claim within 60 days (or other period) of receipt.</p> <p>e) Do you think a minimum claim value of £5,000 (or other amount) would be appropriate? Please provide rationale.</p>		This is complex question. We believe that users should raise claims within a reasonable time period and 30-days would seem appropriate. We believe that National Grid should determine the validity of a claim within a reasonable timescale. We support the use of a de minimus limit to ensure efficiency in managing the claims process.

No	Question	Response (Y/N)	Rationale
14	Do you think that the review of the compensation arrangements for loss of transmission access should be delayed until the completion of Project TransmiT?	No	The terms of reference for Project TransmiT do not extend to the consideration of compensation for loss of access.
15	Are there any other comments you wish to raise?	Yes	We believe that the methodology for loss of transmission access should be reviewed in the light of the information transparency arrangement for transmission outages proposed under the REMIT proposals. These should include, for example, a requirement on the TOs/SO to publish information on transmission outages including reasons for such outages and expected duration. It is expected that the information would relate to loss of transmission access for individual power station.

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The proforma is also available as a word document.

Please return the completed proforma to tariq.hakeem@uk.ngrid.com.

Company Name:	ScottishPower Generation, ScottishPower Renewables
Respondent:	James Anderson
Contact Number:	0141 614 3006
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you think Temporary Physical Disconnection (CAP48) compensation should be aligned with Emergency De-energisation (CAP144) compensation, such that the compensation up to the BM Window is paid at System Buy Price (SBP) rather than Market Index Price (MIP)?	Y	<p>Although it may be worth revisiting the reasons why the arrangements are different, compensation for Temporary Physical Disconnection should be aligned with compensation for Emergency De-energisation. During the period of the BM Window the generator is unable to trade out its imbalance position and should be held whole through compensation at SBP.</p> <p>Moreover, generators entitled to receive ROCs and LECs based upon their output should be also compensated for the associated loss of ROC and LEC income otherwise they will be at a disadvantage to other generators who are being held whole.</p> <p>Our responses to the remaining questions in this Proforma assume that levels of compensation address the above points.</p>
2	Do you think the scope of Temporary Physical Disconnection	N	The two stage test outlined in the consultation (3.2) would be appropriate for determining whether compensation

No	Question	Response (Y/N)	Rationale
	<p>compensation should be expanded to include situations where disconnection is, in part, down to a users internal station configuration? Please provide rationale.</p>		<p>should be payable. Where a generator has agreed a non-standard internal plant configuration as part of its Connection Agreement and restrictions on access and compensation are clearly defined in this respect in its Bilateral Connection Agreement (BCA) then it should not be entitled to compensation for loss of access.</p> <p>Where such arrangements and restrictions on compensation are not defined in the BCA and the inability to generate could not have been avoided by a reasonable and prudent operator, then it should be entitled to compensation.</p>
3	<p>Do you think islanding impacting multiple sites at different geographical locations, when a partial system shutdown has not been declared should be excluded from loss of access compensation? Please provide rationale.</p>	N	<p>The overriding principle should be that generators are compensated for loss of transmission access. If a generator is not compensated under the arrangements following a partial system shutdown then it should be entitled to compensation under the Temporary Physical Disconnection arrangements.</p>
4	<p>Do you think an initial compensation period of up to 24 hours for transmission access loss is sufficient? Please provide rationale.</p>	N	<p>When a generator receives an Emergency Instruction or Emergency De-energisation Instruction it is not normally given a firm re-connection time. This uncertainty makes it difficult for the generator to decide how far forward to re-balance its position and leads to balancing for a short period ahead of Gate Closure to avoid having to unwind a position should the generator be able to re-connect earlier than anticipated.</p> <p>Compensation should continue beyond the initial 24 hour period to reflect the generator's uncertainty over how far forward to re-balance its position and to compensate for loss of income not</p>

No	Question	Response (Y/N)	Rationale
			otherwise mitigated.
5	Do you think an initial compensation period of up to 36 hours for transmission access loss would be more appropriate? Please provide rationale.	Y	As discussed in our response to Q4, compensation should continue beyond the initial 24 hour period to a period consistent with the length of the overall interruption, in order that generators are compensated appropriately and the TSO and TOs are incentivised to restore the system as quickly as possible. Within this time, the System Operator should have sufficient information and be under an obligation to provide a firm indication of the time at which the generator can re-connect which will enable the generator to re-balance its forward position with a degree of certainty and thus mitigate some of the compensation due.
6	Do you think an additional compensation period following restoration of transmission access is appropriate? Please provide rationale.	Y	Generators continue to be exposed to imbalance if the period of notice of restoration of transmission access is less than the time required to return the plant output to the position notified prior to the disconnection. Compensation should therefore be provided from the time that notice is given of the restoration of transmission access up until the time that the generator can reasonably be expected to have returned to its notified position.
7	Do you think the additional period should be technology or non-technology specific (e.g. same compensation periods for wind and nuclear plants)? Please provide rationale.	Y technology specific	Different generation technologies will require different lengths of time to return to their notified physical position following the restoration of transmission access. It is therefore appropriate to provide additional compensation for a period determined by the PN and operating dynamics submitted by the plant immediately prior to disconnection and the type of generation. The value of the lost opportunity caused by the interruption differs based on technology.

No	Question	Response (Y/N)	Rationale
			For example, for the duration of the interruption, renewable generators will lose ROC and LEC income which they will be unable to recover even if they can rebalance their energy position.
8	Do you think that the current compensation based on the higher of average or actual TNUoS charges is appropriate? Please provide rationale.	N	The current basis of compensation is unfair as it holds whole those generators whose TNUoS charge is at or higher than the average by refunding the TNUoS paid but compensates at a rate higher than that paid (i.e. a net gain) to those whose TNUoS charge is lower than the average. There is no justification for this discrimination.
9	Do you think that the compensation for access loss should be based on Limited Duration Transmission Entry Capacity (LDTEC) rather than the TNUoS rate? Please provide rationale.	Y	Subject to our response to Question 8 above, compensation at neither the TNUoS rate nor the LDTEC rate holds the generator whole for opportunity cost arising from the loss of transmission access. However, compensation at the LDTEC rate would represent the cost to the generator of securing alternative short-term transmission access.
10	Do you think that additional compensation for loss of access (e.g. flat weekly rate) should be paid over and above the existing compensation levels? Please provide rationale.	Y	When transmission access is lost for an extended period there is an ongoing cost to the generator from the lost opportunity to generate electricity – particularly in respect of renewable generators - although imbalance charges can be avoided by trading out an existing contracted position. While exposure to the generator’s full opportunity cost may place a greater risk on the System Operator (SO) it is appropriate to compensate the generator for the value of its lost opportunity together with the ongoing additional administrative and transaction costs of re-balancing its position as outlined in Q11.

No	Question	Response (Y/N)	Rationale
11	<p>a) Do you think that 100/MW/Week for each full 7 day period of access loss is appropriate?</p> <p>b) Do you think that the compensation rate in Q11 (a) should be limited to 4 weeks?</p> <p>c) Do you feel other values/timescales (other than those in mentioned in questions 11a and 11b) would be more appropriate? Please provide rationale.</p>		<p>a) Compensation at £100/MW/Week would not compensate a generator for its full opportunity cost but would help defray some of the additional costs of re-balancing its position.</p> <p>The level of this additional compensation should be technology specific. For example it should cover a renewable generator's lost income under renewable support mechanisms.</p> <p>b) There does not appear to be any reason to limit compensation to 4 weeks.</p> <p>All discussions of compensation are characterised by the issue of the nature of the affected generation (eg renewables, nuclear etc) and who should suffer the cost of providing compensation. If the SO and Transmission Owner (TO) can pass through the costs to system users then there is no incentive to limit system interruptions. If SO and TO suffer all/some of the cost then this may affect their cost of capital.</p> <p>An appropriate compensation and incentive scheme should be considered under RIIO-T1.</p>
12	<p>Do you think that Transmission Owners and System Operators should be incentivised to minimise loss of transmission access and associated costs? Please provide rationale.</p>	Y	<p>We believe that the SO and TOs should be incentivised to minimise loss of transmission access through optimisation of outage planning and better communication with generator users. A proportion of the compensation payable to generators (possibly subject to a cap) should be borne by the System Operator and reflected through their commercial arrangements with the Transmission</p>

No	Question	Response (Y/N)	Rationale
			<p>Owners.</p> <p>The TSO and TOs should adopt a more rigorous commercial approach to procurement of equipment and services to provide for consequential losses they might be exposed to under compensation arrangements in order that the TNUoS customer base is not unduly exposed to plant or service failure.</p>
13	<p>a) Do you think that users should be required to raise claims within 30 days (or other period) of an incident?</p> <p>b) Do you think a body other than National Grid would be more appropriate to determine the validity of a claim?</p> <p>c) If not National Grid, who do you think should determine the validity of a claim?</p> <p>d) Do you think National Grid/ other body should be required confirm the validity of a claim within 60 days (or other period) of receipt.</p> <p>e) Do you think a minimum claim value of £5,000 (or other amount) would be appropriate? Please provide rationale.</p>		<p>(a) If this approach is adopted, it should be possible for an affected user to raise an initial claim within 30 days and then provide fuller details of the claim when they are available. This second stage would then trigger the subsequent actions and obligations.</p> <p>However, we prefer and suggest an alternative approach under which, in the first instance, National Grid should raise proforma invoices for compensation. National Grid should raise these invoices within 30 days of the end of an interruption or, in the case of an event continuing for longer than 30 days, on a calendar month basis. The generator should then have 30 days from receipt of valid, correct invoices to dispute the amount of compensation calculated.</p> <p>(b, c) Compensation disputes should be referable to another body for determination. In the case of compensation under the BSC this should be the Trading Disputes Committee. In the case of compensation under the CUSC, the CUSC Panel could be mandated to hear such disputes. Ultimately, it should be possible to refer disputes to Ofgem or to pursue it through other legal routes.</p> <p>(d) Any disputes process should have</p>

No	Question	Response (Y/N)	Rationale
			<p>clearly defined processes and timescales for resolution for example as currently contained in Section W of the BSC.</p> <p>(e) It is difficult to set a level of materiality for claims values as this may vary according to size of the generator party involved. However, a de-minimus value would avoid over-burdening the process with small claims. On balance £5,000 may strike an appropriate de-minimis value.</p>
14	<p>Do you think that the review of the compensation arrangements for loss of transmission access should be delayed until the completion of Project TransmiT?</p>	N	<p>The conclusions from Project TransmiT (or from the Government's Electricity Market Reform project) may not be implemented for some time due to transitional issues whereas the issue of compensation for loss of transmission access is being faced by generators under the existing arrangements.</p> <p>Any changes to the compensation arrangements should be progressed without delay and be designed to be transferrable onto any future arrangement post Project TransmiT and/or EMR.</p>
15	<p>Are there any other comments you wish to raise?</p>	Y	<p>Consideration of compensation for loss of transmission access should include consideration of aligning compensation for loss arising from the issue of Emergency Instructions where compensation is only payable up to Gate Closure at Bid price with no compensation for subsequent periods.</p> <p>As outlined in Q1, compensation to generators eligible to receive ROCs and LECs should include the value of lost income from these sources in addition to the energy value.</p>

No	Question	Response (Y/N)	Rationale
			<p>Resolution of this should be taken forward as a priority.</p> <p>Further clarification is required on the correct and reasonable approach that should be adopted where an interruption is deemed by National Grid to come under the exclusion provisions of a generator's BCA where the generator's connection arrangement is non-standard or non-compliant.</p> <p>Consideration should be given to the suitability of the arrangements for the growing offshore electricity generation industry.</p>

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The proforma is also available as a word document.

Please return the completed proforma to tariq.hakeem@uk.ngrid.com.

Company Name:	SSE
Respondent:	Garth Graham
Contact Number:	01738 456000
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you think Temporary Physical Disconnection (CAP48) compensation should be aligned with Emergency De-energisation (CAP144) compensation, such that the compensation up to the BM Window is paid at System Buy Price (SBP) rather than Market Index Price (MIP)?	Yes	<p>In our view the level of compensation (summarised in Table 1) should be aligned such that the following applies to both the CAP48 and CAP144 situations:-</p> <ul style="list-style-type: none"> i) Day Ahead by 16:00 - Refund of TNUoS charges for each day or part day; ii) Day Ahead after 16:00 - MIP for impacted MW during the first 24 hours followed by a rebate of TNUoS charges for each day or part day; and iii) Unplanned (tripped) - SBP10 for impacted MW during the BM Window, followed by MIP for up to the first 24 hours, then rebate of TNUoS charges for each day or part day <p>However, for the avoidance of doubt the two events (CAP48 and CAP144) should continue to be</p>

No	Question	Response (Y/N)	Rationale
			defined separately.
2	<p>Do you think the scope of Temporary Physical Disconnection compensation should be expanded to include situations where disconnection is, in part, down to a users internal station configuration? Please provide rationale.</p>	No	<p>We do not agree with this suggestion.</p> <p>In particular it would be difficult for National Grid to easily determine if a loss of access to the transmission system was due to a Users internal station configuration.</p> <p>There is a serious risk that if this suggestion were to be invoked that generators would be unreasonably burdened with having to prove (to National Grid's satisfaction, noting the incentive they would have to dispute all generator claims) that the loss of access to the transmission system arose from a Users internal station configuration.</p> <p>In our view this is unreasonable. Generators are required to comply with the Grid Code (amongst other things). Therefore as long as the generator is connected in accordance with the Grid Code (that is they are Grid Code compliant) then they should be compensated for the loss of access to the transmission system by the SO without the need to prove further 'compliance' vis their internal station configuration.</p>
3	<p>Do you think islanding impacting multiple sites at different geographical locations, when a partial system shutdown has not been declared should be excluded from loss of</p>	No	<p>In our view the loss of access to the transmission system is just that, irrespective of how local or wider that is. The generator pays for access to the transmission system and has no control of either the investment in or</p>

No	Question	Response (Y/N)	Rationale
	access compensation? Please provide rationale.		operation of the transmission system. To discriminate between local and partial or total shutdowns would be wrong. It would also appear, on the face of it, to 'conflict' with National Grid's BSC P276 proposal which refers to equality of treatment for generators irrespective of whether its a 'local', 'partial' or 'total' shutdown.
4	Do you think an initial compensation period of up to 24 hours for transmission access loss is sufficient? Please provide rationale.	No	An initial compensation period of just 24 hours is not sufficient. This is because the loss of opportunity in the second day is not recognised. Parties tend to commit working day ahead, so this loss should be reflected in the compensation arrangements. A 36 hour period seems an appropriate compromise between these two periods.
5	Do you think an initial compensation period of up to 36 hours for transmission access loss would be more appropriate? Please provide rationale.	Yes	For the reasons outlined in Q4 above. This gives a more balanced cover to the affected generator against the risk of their (working) day ahead commitments.
6	Do you think an additional compensation period following restoration of transmission access is appropriate? Please provide rationale.	Yes	Parties need sufficient time to trade out their position. In light of this and mindful of our arguments in Q4 and Q5 above it is appropriate to provide an additional compensation period following the restoration of transmission access. In our view this should be, as a minimum, 24 hours.

No	Question	Response (Y/N)	Rationale
7	Do you think the additional period should be technology or non-technology specific (e.g. same compensation periods for wind and nuclear plants)? Please provide rationale.	No	All generators have equal rights and pay equal costs for access to the transmission system in similar locations. There is no technology differentiation within the TNUoS methodology and therefore it would be discriminatory to treat users differently (based on technology) in terms of compensation for their loss of that access.
8	Do you think that the current compensation based on the higher of average or actual TNUoS charges is appropriate? Please provide rationale.	No	<p>Compensation should be based on what the User has actually paid (or would have paid) for using the transmission system (and thus lost). Therefore it should be based only on the actual TNUoS paid by that generator.</p> <p>If it were to be based on the 'average' TNUoS then this would lead to windfall gains and losses which is (i) inefficient (ii) discriminatory and (iii) anti-competitive.</p> <p>For the avoidance of doubt, if the generator pays no TNUoS then they have suffered no loss so should receive no compensation after 24 (or 36) hours. Thus a generator should not receive a TNUoS 'rebate' for loss of transmission access if they don't pay TNUoS in the first place.</p>
9	Do you think that the compensation for access loss should be based on Limited Duration	No	The application of a premium (such as that with LDTEC) is inappropriate as a generator could profit from such an arrangement.

No	Question	Response (Y/N)	Rationale
	Transmission Entry Capacity (LDTEC) rather than the TNUoS rate? Please provide rationale.		However, an exception to this would be appropriate if that generator had actually paid for LDTEC for the period in question. In this event they should be compensated such that they neither profit or lose out from the loss of transmission access.
10	Do you think that additional compensation for loss of access (e.g. flat weekly rate) should be paid over and above the existing compensation levels? Please provide rationale.	No	As noted in our answers above, affected generators should be held whole (neither profit or suffer loss) as a result of the loss of access to the transmission system, including outside the 24 / 36 hour window in terms of a rebate on TNUoS. If there is a justified claim (based on an 'open book' assessment) then this could be paid. However, additional compensation over and above the actual loss incurred would be inappropriate.
11	<p>a) Do you think that 100/MW/Week for each full 7 day period of access loss is appropriate?</p> <p>b) Do you think that the compensation rate in Q11 (a) should be limited to 4 weeks?</p> <p>c) Do you feel other values/timescales (other than those in mentioned in questions 11a and 11b) would be more appropriate? Please provide rationale.</p>	No	We answer 'No' to A / B / C for the reason noted in Q10 above. In our view the compensation after the 24 / 36 hour period should be based on TNUoS.
12	Do you think that Transmission Owners	Yes	In principle the TOs (the three

No	Question	Response (Y/N)	Rationale
	and System Operators should be incentivised to minimise loss of transmission access and associated costs? Please provide rationale.		onshore and all OFTOs) and SO should be incentivised to minimise the loss of the transmission system and the associated cost as this should result in an increase in the availability of the transmission system which is of benefit to all users. However, our actual support for this depends on the details of the proposed incentive arrangements.
13	<p>a) Do you think that users should be required to raise claims within 30 days (or other period) of an incident?</p> <p>b) Do you think a body other than National Grid would be more appropriate to determine the validity of a claim?</p> <p>c) If not National Grid, who do you think should determine the validity of a claim?</p> <p>d) Do you think National Grid/ other body should be required confirm the validity of a claim within 60 days (or other period) of receipt.</p> <p>e) Do you think a minimum claim value of £5,000 (or other amount) would be appropriate? Please provide rationale.</p>		<p>A Yes. This ensures that claims are raised (and handled) in a timely manner which is the efficient thing to do.</p> <p>B Yes.</p> <p>C Either the CUSC or BSC Panel using (in the case of the BSC Panel, or modelled on in the case of the CUSC Panel) the Fuel Security Code exceptional cost compensation claims arrangements.</p> <p>D Yes. This ensures good industry practice is followed. Not handling claims in an expeditious manner is inefficient and should be avoided.</p> <p>E Yes. There is an administrative cost in handling claims – so a deminimus limit (of £5k) makes sense to avoid the cost of handling the claim exceeding the cost of the claim itself.</p>
14	Do you think that the review of the compensation arrangements for loss of	No	

No	Question	Response (Y/N)	Rationale
	transmission access should be delayed until the completion of Project TransmiT?		
15	Are there any other comments you wish to raise?	No	