NORTHERN IRELAND ELECTRICITY plc

Revisions to the Interim Settlement Code

Consultation Paper

Market Opening

23 March 2004

A. INTRODUCTION

Northern Ireland Electricity plc ("NIE"), in accordance with its obligations under paragraph 11 of Condition 24 of Part III G of the Transmission and Public Electricity Supply Licence Document (the "Licence"), believes that the time has come to review, in consultation with authorised electricity operators liable to be materially affected thereby, the Interim Settlement Code (the "ISC") and its implementation in certain respects.

This review relates to amendments to the settlement provisions of the ISC necessary to put in place a two tier top-up charge and reflect changes to the PSO and SSS charges so that they are recovered across customer classes and not on a per unit basis, in accordance with the Ofreg draft decision paper of December 2003 regarding further market opening and the implementation of the EU Energy Directive (2003/54/EC).

This Consultation Paper describes the proposed amendments and their effect, has attached to it an Appendix that sets out the proposed amendments to the current version (3.0) of the ISC, and seeks your comments on those proposed amendments.

Following receipt of comments from those authorised electricity operators which it has consulted by this Consultation Paper and the expiration of the period for making comments referred to in Section 7 of this Consultation Paper, NIE will, in accordance with paragraph 13 of Condition 24 of Part III G of the Licence, send to the Northern Ireland Authority for Energy Regulation (the "Authority"):

(a) a report on the outcome of its review, including the consultation process;

(b) the revisions NIE proposes to have made to the ISC (having regard to the outcome of the review); and

(c) any written representations or objections from authorised electricity operators (including any proposals by such operators for revisions to the ISC not accepted by NIE in the course of the review) arising during the consultation process and subsequently maintained.

The revisions to the ISC proposed by NIE and sent to the Authority then require approval by it and will, if it approves them, come into force on such date (or dates) of which you will be notified by NIE, in accordance with the Authority's approval.

B. DESCRIPTION OF THE PROPOSED AMENDMENTS AND THEIR EFFECTS

Background and Changes

As indicated above, the changes would be put in place to meet the requirements for Market Opening. Changes are proposed to the spill figures and the introduction of a two part makeup (or "top-up") charge provision, all of which are contained in Paragraphs 13 and 14, and Schedule 6, of the ISC. The changes proposed to the SSS and PSO charges are dealt with in Paragraph 16. Consequential changes are also made to the Definitions, as appropriate.

A copy of the proposed changes, marked on extracts from the current version (3.0) of the ISC, is attached as the Appendix to this Paper. The changes are shown electronically marked, for ease of reading. A full copy of the current version (3.0) of the ISC along with a full version (4.0) with the changes proposed can be accessed on the S.O.N.I. website.

C. COMMENTS

We would be grateful to receive your comments on, or any suggestions you may have in relation to, these proposed amendments to the ISC by Close of business Monday, 29 March 2004, in order that we can prepare our report to the Authority.

Your formal responses should be in writing and addressed to:

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SONI Ltd
12 Manse Road
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Northern Ireland Electricity plc
23 March 2004

APPENDIX
PROPOSED INTERIM SETTLEMENT CODE CHANGES

SECTION 13 CHANGES

13.2 Calculation of Demand Error

The Demand Error for Participating Supplier "s" for Settlement Period "j" is calculated as follows:

$NE_{sj} = \cancel{(DN_{sj} + IA_{sj} + PLGA_{sj})}$ **ADN_{sj}** $- (AD_{sj} + AVEA_{sj})$

where:

NE_{sj} is the Demand Error (in kWh);

ADN_{sj} is the Aggregate Demand Nomination (in kWh) as calculated from the summation of the Local Demand Nominations, the PLG Adjustments and the Adjusted Import Allocation, i.e. $ADN_{sj} = (DN_{sj} + IA_{sj} + PLGA_{sj})$

DN_{sj} is the Local Demand Nomination (in kWh);

$PLGA_{sj}$ is the PLG Adjustment (in kWh);

IA_{sj} is the Adjusted Import Allocation (in kWh);

AD_{sj} is the Actual Demand (in kWh);

$AVEA_{sj}$ is the Adjusted VIPP Export Allocation (in kWh).

13.4 Calculation of Supplier Spill Price

The Supplier Spill Price is determined in accordance with Table 1 below, subject to the following:

13.4.1 the Demand Error of Participating Supplier "s" is within tolerance in Settlement Period "j" if its absolute value is less than or equal to the lesser of 10MWh and 10% of the value of the relevant **Aggregate** Demand Nomination;

13.4.2 the Demand Error of Participating Supplier "s" is outside tolerance in all other cases;

13.4.3 the summer price applies to all Settlement Periods in a Trading Day starting between 1 April and 30 September (inclusive) in any year; and

13.4.4 the winter price applies to all other Settlement Periods.

Table 1:

Demand Error	**Summer price**	**Winter price**
within tolerance	~~1.5~~**1.0**p/kWh	~~2.0~~**1.0**p/kWh
outside tolerance	0.8p/kWh	~~1.2~~**0.8**p/kWh

13.5 Supplier Makeup Charge

For Settlement Period "j" in which the Demand Error of Participating Supplier "s" is negative, the Participating Supplier must (in addition to any Makeup Capacity Charge calculated under paragraph ~~16~~**17**) pay NIE a Supplier Makeup Charge calculated as follows:

If the Demand Error is within tolerance

then

$$SMC_{sj} = ANE_{sj} * UR_j$$

If the Demand Error is outside tolerance

$$\mathbf{SMC_{sj} = ADN_{sj} * MUT * UR_j}$$

$$\mathbf{+ (ANE_{sj} - (ADN_{sj} * MUT)) * UR_j * MAF_j}$$

where:

SMC_{sj} is the Supplier Makeup Charge (in £);

ANE_{sj} is the absolute value of the Demand Error (in kWh);

UR_j is the Unit Rate (in £/kWh)~~.~~**;**

ADN_{sj} is the Aggregate Demand Nomination (in kWh);

MUT is the Makeup Tolerance factor;

MAF_j is the Makeup Adjustment Factor.

13.6 Tolerance and Makeup Adjustment Factor

13.6.1 the Demand Error of Participating Supplier "s" is within tolerance in Settlement Period "j" if its absolute value is less than or equal to 15% of the value of the relevant Aggregate Demand Nomination;

13.6.2 the Demand Error of Participating Supplier "s" is outside tolerance in all other cases;

13.6.3 the Makeup Adjustment Factor is determined from Schedule 6.

SECTION 14 CHANGES

14.6 Calculation of Unit Spill Price

The Unit Spill Price in a Settlement Period in which there is a Frequency Transient is the Nominal Fuel Price for the Generating Unit. In all other Settlement Periods, the Unit Spill Price is determined in accordance with Table ~~2~~**3** below, subject to the following:

14.6.1 a Despatch Error of Generating Unit "i" is within tolerance in Settlement Period "j" if the absolute value of the relevant Despatch Error is:

(a) where 5% of the Despatched Output is less than or equal to 3MWh, then within the range from 0 to 3MWh; or

(b) in all other cases, within the range from 0 to the lesser of 5% of the Despatched Output and 5MWh;

14.6.2 a Despatch Error is outside tolerance in all other cases;

14.6.3 the summer price applies to all Settlement Periods in a Trading Day starting between 1 April and 30 September (inclusive) in any year; and

14.6.4 the winter price applies to all other Settlement Periods.

Table ~~2:~~ **3:**

Despatch Error	Summer price	Winter price
within tolerance	~~1.5~~**1.0**p/kWh	~~2.0~~**1.0**p/kWh
outside tolerance	0.8p/kWh	~~1.2~~**0.8**p/kWh

14.7 Unit Makeup Charge

For a Settlement Period "j" in which the Despatch Error of Generating Unit "i" is positive, the Participating Generator must (in addition to any Makeup Capacity Charge calculated under paragraph 17) pay NIE a Unit Makeup Charge for Generating Unit "i" calculated as follows:

If the Despatch Error is within tolerance

then

$$UMC_{ij} = DE_{ij} * UR_j$$

If the Despatch Error is outside tolerance

$$\mathbf{UMC_{sj} = D_{ij} * MUT * UR_j}$$

$$\mathbf{+ (DE_{ij} - (D_{ij} * MUT)) * UR_j * MAF_j}$$

where:

UMC_{ij} is the Unit Makeup Charge (in £);

DE_{ij} is the Despatch Error (in kWh);

UR_j is the Unit Rate (in £/kWh)~~.~~**;**

D_{ij} is the Despatched Output (in kWh);

MUT is the Makeup Tolerance factor;

MAF_j is the Makeup Adjustment Factor.

14.8 Tolerance and Makeup Adjustment Factor

14.8.1 a Despatch Error of Generating Unit "i" is within tolerance in Settlement Period "j" if the absolute value of the relevant Despatch Error is less than or equal to 15% of the Despatched Output;

14.8.2 a Despatch Error is outside tolerance in all other cases;

14.8.3 the Makeup Adjustment Factor is determined from Schedule 6.

Section 9
Settlement calculations (other)

16. System Charges

For each Settlement Period "j", each Participating Supplier "s" must pay NIE ~~a System Charge calculated as follows:~~

~~$SSC_{sj} = AD_{sj} * (P_j + Q_j + R_j)$~~

~~where:~~

~~SSC_{sj} is the System Charge (in £);~~

~~AD_{sj} is the Actual Demand (in kWh);~~

~~P_j is the SSS Charge (in £/kWh);~~

~~Q_j is the PSO Charge (in £/kWh);~~R_j ~~is the aggregate of all New~~ System Charges ~~(if any) (in £/kWh)~~**as approved by the Director and subsequently published by NIE.**

Schedule 6

Makeup Adjustment Factor

	Summer			Winter		
	1 April - 31 October			1 November – 31 March		
Settlement Period Ending	Weekdays (May - Sept)	Weekdays (Apr & Oct)	Weekends & Public Holidays	Weekdays Peak	Weekdays Non-peak	Weekends, Public Holidays & 24 Dec – 1 Jan (Inclusive)
00:30	1.0	1.0	1.0	1.0	1.0	1.0
01:00	1.0	1.0	1.0	1.0	1.0	1.0
01:30	1.0	1.0	1.0	1.0	1.0	1.0
02:00	1.0	1.0	1.0	1.0	1.0	1.0
02:30	1.0	1.0	1.0	1.0	1.0	1.0
03:00	1.0	1.0	1.0	1.0	1.0	1.0
03:30	1.0	1.0	1.0	1.0	1.0	1.0
04:00	1.0	1.0	1.0	1.0	1.0	1.0
04:30	1.0	1.0	1.0	1.0	1.0	1.0
05:00	1.0	1.0	1.0	1.0	1.0	1.0
05:30	1.0	1.0	1.0	1.0	1.0	1.0
06:00	1.0	1.0	1.0	1.0	1.0	1.0
06:30	1.0	1.0	1.0	1.0	1.0	1.0
07:00	1.0	1.0	1.0	1.0	1.0	1.0
07:30	1.0	1.0	1.0	1.0	1.0	1.0
08:00	1.0	1.0	1.0	1.0	1.0	1.0
08:30	1.0	1.1	1.1	1.0	1.0	1.5
09:00	1.0	1.1	1.1	1.0	1.0	1.5
09:30	1.0	1.1	1.1	1.0	1.0	1.5
10:00	1.0	1.1	1.1	1.0	1.0	1.5
10:30	1.0	1.1	1.1	1.0	1.0	1.5
11:00	1.0	1.1	1.1	1.0	1.0	1.5
11:30	1.0	1.1	1.1	1.0	1.0	1.5
12:00	1.0	1.1	1.1	1.0	1.0	1.5
12:30	1.0	1.1	1.1	1.0	1.0	1.5
13:00	1.0	1.1	1.1	1.0	1.0	1.5
13:30	1.1	1.4	1.1	1.2	1.2	1.5
14:00	1.1	1.4	1.1	1.2	1.2	1.5
14:30	1.1	1.4	1.2	1.2	1.2	1.5
15:00	1.1	1.4	1.2	1.2	1.2	1.5
15:30	1.1	1.4	1.2	1.2	1.2	1.5
16:00	1.1	1.4	1.2	1.2	1.2	1.5
16:30	1.1	1.4	1.2	1.2	1.2	1.5
17:00	1.1	1.4	1.2	1.5	1.5	1.2
17:30	1.1	1.4	1.2	1.5	1.5	1.2
18:00	1.1	1.4	1.2	1.5	1.5	1.2
18:30	1.1	1.4	1.2	1.5	1.5	1.2
19:00	1.2	1.5	1.2	1.2	1.2	1.2
19:30	1.2	1.5	1.2	1.2	1.2	1.2
20:00	1.2	1.5	1.2	1.2	1.2	1.2
20:30	1.2	1.5	1.2	1.2	1.2	1.2
21:00	1.2	1.5	1.2	1.1	1.1	1.2
21:30	1.2	1.5	1.2	1.1	1.1	1.2
22:00	1.2	1.5	1.2	1.1	1.1	1.2
22:30	1.2	1.5	1.2	1.1	1.1	1.2
23:00	1.2	1.5	1.2	1.0	1.0	1.2
23:30	1.0	1.0	1.0	1.0	1.0	1.2
00:00	1.0	1.0	1.0	1.0	1.0	1.2

1.1 For the year 2004/05 Winter Peak Weekdays are those weekdays from 22 November 2004 to 21 February 2005 inclusive.

1.2 For the year 2004/05 Winter Non-peak Weekdays are those weekdays from 1 November 2004 to 19 November 2004 inclusive and from 22 February 2005 to 31 March 2005 inclusive.

1.3 The Makeup Adjustment Factors may be amended by NIE from time to time with the approval of the Director and notified to Participants