

Summary of Discussion on Emergency Instructions

Purpose

This note summarises the discussion that followed the Emergency Instruction presentation at the Operational Forum on 6th October 2004.

Background

Much of the discussion that followed the presentation was in relation to the first Emergency Instruction issued to a BM Unit by NGC under the New Electricity Trading Arrangements. The instruction was issued by telephone to Damhead Creek power station at 12:51 (BST) on 19th May 2004. Details of the circumstances surrounding this instruction are contained with the presentation which can be found at the following link:

[Emergency Instructions Presentation](#)

Discussion – General Issues

One delegate asked whether a report will be issued relating to the Emergency Instruction issued on 19th May 2004. NGT responded by saying that it will use the existing mechanisms for communicating information relating to the incident, namely this Operational Forum and the Balancing Principles Statement Report. The Emergency Instructions presentation given prior to the discussion contained a comprehensive explanation of the circumstances surrounding the Emergency Instruction, and will be published on the Industry Information website. NGT also stated that the Balancing Principles Statement Report will also provide information relating to the Emergency Instruction and is due to be published in early November.

The BPS Report has now been published and can be found at the following link: [BPS Report](#). Details relating to the Emergency Instruction are provided in Appendix 2 and an Auditor's statement which supports the report is in Appendix 3.

Discussion - Technical Issues

The discussion went on to consider whether the incident would result in a change in maintenance policy. NGT stated that the fault was with a secondary capacitor within a current transformer that was approximately 4 years into its asset life. Although the fault was of an unexpected nature, there was no indication that it was a type fault and that extra maintenance would not have prevented the fault occurring.

A question was posed as to whether NGT should weigh up the cost of issuing an Emergency Instruction against the cost of allowing a piece of equipment to fail catastrophically. NGT were firmly of the view that safety is paramount and that on no account will such a trade off be considered. Furthermore, the commercial consequences of issuing an Emergency Instruction to Damhead Creek had no bearing on the decision to take the most prudent action available.

One delegate asked if there were lessons to be learned from a generator's perspective in receiving and responding to an Emergency Instruction. NGT's view is that no specific points were identified as Damhead Creek Power Station responded quickly and positively to the instruction in order to allow the distressed equipment to be isolated, and worked well with National Grid control staff and site staff throughout the duration of the incident.

Discussion – Commercial Issues

One delegate commented that operationally NGT had taken absolutely the right action, although expressed concern relating to the commercial consequences. It was suggested that perhaps some sort of 'flexibility marker' could be introduced, rather than using prices such as £-9999/MWh to indicate operational inflexibility, due to the commercial consequences caused when such prices are applied to Emergency Instructions.

One delegate pointed out that the bid price of £-9999/MWh might accurately reflect the costs incurred.

A question was posed as to whether NGT would be applying for the Emergency Instruction to be treated as an Income Adjusting Event (IAE) (*in relation to the cost incurred under the SO incentive scheme*). NGT stated that it has until 3 months after the end of the relevant year in which to raise an IAE and it had yet to determine whether it would apply for an IAE.

The discussion moved on to consider how the commercial position for Damhead Creek was affected following de-synchronisation from the transmission system. NGT stated that a post-event Bid-Offer Acceptance (BOA) was issued for the Emergency Instruction up to the end of the 'wall' i.e. 14:00 BST. After this, Damhead Creek would be responsible for managing their own commercial position. NGT also stated that the station was disconnected for approximately 36 hours whilst the faulty equipment was out of service.

NGT was asked to comment on why a BOA had not been issued in time to be included in the SF settlement run. NGT responded by saying that it "trod very carefully" given that this was the first EI issued under NETA, and because the financial consequences for market participants were considered to be significant. Additionally ownership of the power station changed during the process of agreeing the BOA parameters which added further complication. These factors led to the submission deadline being missed. In this circumstance the BSC only allows the BOA to be entered into settlements via a Trading Dispute. The Trading Dispute process was therefore invoked which resulted in the BSC Trading Disputes Committee determining the parameters for the BOA and directing its implementation into settlement.

Finally, NGT was asked whether it would tell the market earlier, should another Emergency Instruction be issued in the future. NGT responded by confirming that it would, drawing comfort from the fact that the Trading Disputes Committee had ratified its interpretation of the BSC in relation to how Emergency Instructions should be treated.