



Direct Dial: 020-7901-7355

11 March 2002

The National Grid Company, BSC Signatories and
Other Interested Parties

Our Ref: MP No: P56

Dear Colleague,

Modification to the Balancing and Settlement Code (“BSC”) - Decision and Direction in relation to Modification Proposal P56: “Proposed Modification to the BSC in order to reflect amended references in the National Grid Company plc’s Transmission Licence”.

The Gas and Electricity Markets Authority (the “Authority”)¹ has carefully considered the issues raised in Modification Proposal P56, “Proposed Modification to the BSC in order to reflect amended references in the National Grid Company plc’s Transmission Licence”.

The Balancing and Settlement Code Panel (the “Panel”) recommended to the Authority that:

- (i) The Authority should approve this Modification Proposal and
- (ii) If approved, the Modification Proposal should be implemented 5 working days after the date of the Authority’s determination.

The Authority has decided to direct a Modification to the BSC.

This letter explains the background to the Modification Proposal and sets out the reason for the Authority’s decision. In addition, the letter contains a direction to the National Grid Company plc (“NGC”) to modify the Balancing and Settlement Code (“BSC”) as set out in Modification Proposal P56.

Background to the proposal

The National Grid Company (NGC) raised Modification Proposal P56 on 3 December 2001. The Modification Proposal seeks to realign all cross-references between the Balancing and Settlement Code (BSC) and NGC’s Transmission Licence.

The Proposal was first submitted to the BSC Panel on 13 December 2001 and proceeded directly to the Report Phase, as all the changes proposed are minor and of an inconsequential nature. After consultation with interested parties, the Panel considered this Modification Report at its meeting on 17 January 2002.

¹ Ofgem is the office of the Authority. The terms “Ofgem” and “the Authority” are used interchangeably in this letter.

The Modification Proposal

With effect from 1 October 2001, substantial amendments were made to the National Grid Company's Transmission Licence. These were as a result of the determination of Standard Licence Conditions for Electricity Transmission Licences by the Secretary of State pursuant to Section 33 of the Utilities Act 2000, and the Scheme made by the Secretary of State pursuant to Paragraph 18 of Schedule 7 to the Utilities Act 2000 in respect to the Transmission Licence granted to NGC. Most of the conditions within NGC's Transmission Licence have been renumbered with effect from 1 October 2001.

It is, therefore, necessary to amend the BSC to reflect this by amending the numbering of all those references within the BSC to specific provisions of NGC's Transmission Licence to match the revised numbering in the Licence.

ELEXON published a Draft Modification Report on 18 December 2001.

Respondents' views

In total, ELEXON received 6 responses (representing 21 Parties), all of which were supportive of the Modification Proposal.

The respondents' views are comprehensively summarised in the Modification Report for Modification Proposal P56 dated 21 January 2002.

Panel's Recommendation

The Panel recommended that the Authority should approve Modification Proposal P56 and that, if approved, the Proposed Modification should be implemented five working days after the date of the Authority's determination.

Ofgem's view

Ofgem considers, having regard to its statutory duties, that Modification Proposal P56 will better facilitate the achievement of the relevant objectives of the BSC. In particular the Modification will promote efficiency in the implementation and administration arrangements of the Balancing and Settlement arrangements, because it correctly identifies the relevant references, thereby improving the clarity of the documentation. The Proposal has no impact on any of the other objectives, as set out in Condition C3 (3)(a) to (c).

Ofgem agrees with the Panel's recommendation that the Modification Proposal should be approved and implemented five working days after determination by the Authority.

The Authority's decision

The Authority has therefore decided to direct that Modification Proposal P56 should be made and implemented.

Direction under Condition C3 (5) (a) of NGC's Transmission Licence

Having regard to the above, the Authority, in accordance with Condition C3 (5) (a) of the licence to transmit electricity granted to NGC under Section 6 of the Electricity Act 1989 as amended (the "Transmission Licence"), hereby directs NGC to modify the BSC as set out in Modification Proposal P56.

The Modification is to take effect five days after the date of the determination.

In accordance with Condition C3 (5) (b) of NGC's Transmission Licence, NGC shall modify the BSC in accordance with this direction of the Authority. A copy of the text of the Modification to the BSC is attached to this letter.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. N. Simpson', written over a horizontal line.

Nick Simpson

Director, Industry Codes Development

Signed on behalf of the Authority and authorised for that purpose by the Authority

LEGAL TEXT TO MODIFY THE BSC

In Section B:

- 1.2.1 The Panel shall conduct its business under the Code with a view to achieving the following objectives:
- (a) that the Code is given effect fully and promptly and in accordance with its terms;
 - (b) that the Code is given effect in such manner as will facilitate achievement of the objectives (so far as applicable to the manner in which the Code is given effect) set out in Condition C3(3)(a) to (c) of the Transmission Licence, namely:

In Section C:

- 3.8.4 In order to assist BSCCo to carry out any review under paragraph 3.8.1, the Transmission Company shall, at BSCCo's request, provide to BSCCo an assessment of the effect of the Code (or any aspect of the Code specified by BSCCo) on the matters referred to in Condition C3(3)(a) and (b) of the Transmission Licence.
- 3.8.8 In addition to the foregoing, BSCCo shall keep under review whether any possible modification of the Code from time to time would better facilitate the objective in Condition C3(3)(d) of the Transmission Licence, and shall recommend to the Panel any particular such modification which in BSCCo's opinion would do so.

In Section F:

- 1.7.1 If the Authority issues a direction to the Transmission Company pursuant to condition C3 of the Transmission Licence in the circumstances described in paragraph 1.7.3, the following provisions shall apply in relation to a particular Modification Proposal or Approved Modification:

In Section H:

- 8.1.1 Where the Code expressly provides that a matter or question may be referred to the Authority for determination (as provided in Condition C3 of the Transmission Licence), the provisions of this paragraph 8 shall apply in the event of any such reference (unless and to the extent otherwise expressly stated).

In Annex X-1:

"Implementation Scheme": means the programme implementation scheme designated by the Secretary of State pursuant to Condition C4 of the Transmission Licence and equivalent conditions of other Licences, as from time to time modified;

In Annex X-1:

"Master Connection and Use of System Agreement": means the agreement envisaged in Condition 10B of the Transmission Licence as such applied immediately prior to 18 September 2001 and/or the Connection and Use of System Code (and the framework agreement by which such code is made binding) established pursuant to Condition C7F of the Transmission Licence which replaces such agreement in whole or part;