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2 January 2003

The National Grid Company, BSC Signatories and
Other Interested Parties

Our Ref: MP No P101

Dear Colleague,

Modification to the Balancing and Settlement Code (“BSC”) - Decision and Direction in relation to Modification Proposal P101: “BSC ‘Housekeeping’ Modification”

The Gas and Electricity Markets Authority (the “Authority”)¹ has carefully considered the issues raised in the Modification Report² in respect of Modification Proposal P101, “BSC ‘Housekeeping’ Modification”.

The Balancing and Settlement Code Panel (the “Panel”) recommended to the Authority that Proposed Modification P101 should be made with an Implementation Date of 15 Working Days after any such Authority approval.

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

This letter explains the background and sets out the Authority’s reasons for its decision. In addition, the letter contains a direction to The National Grid Company plc (“NGC”) to modify the Balancing and Settlement Code (“BSC”) in line with Modification Proposal P101, as set out in the Modification Report.

This letter constitutes the notice by the Authority under section 49A Electricity Act 1989 in relation to the direction.

Background

The BSC Panel raised Modification Proposal P101, “BSC ‘Housekeeping’ Modification” on 16 September 2002. The justification for the Modification Proposal was that it would better facilitate achievement of the Applicable BSC Objective³ C3 (3) (d).

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

² ELEXON document reference P101RR, Version No. 1, dated 22 November 2002

The Panel considered the Initial Written Assessment at its meeting of 17 October 2002 and agreed that Modification Proposal P101 should proceed directly to the Report Phase in accordance with F2.2.4 of the BSC, as the Modification Proposal was deemed to be of a minor or inconsequential nature.

The Modification Proposal

Modification Proposal P101 seeks to modify the BSC so as to rectify a number of minor inconsistencies and typographical errors that have been identified within the BSC, and to make one point of clarification with respect of the provision of information on weeks for which Friday is a Bank Holiday.

The Panel considers that if these items are not addressed, they could adversely impact on a Party's understanding of, and compliance with, the Code.

ELEXON published a draft Modification Report on 31 October 2002, which invited respondents' views by 7 November 2002.

Respondents' views

ELEXON received five responses to the consultation on Modification Proposal P101. All five responses (representing 13 Parties) expressed support for the Proposed Modification.

The respondents' views are summarised in the Modification Report for Modification Proposal P101, which also includes the complete text of all respondents' replies.

Panel's recommendation

The Panel met on 14 November 2002 and considered the Modification Proposal P101, the draft Modification Report and the consultation responses received.

The Panel recommended that the Authority should approve the Proposed Modification and that, if approved, the Proposed Modification should be implemented 15 Working Days after any such Authority approval.

³ The Applicable BSC Objectives, as contained in Condition C3 (3) of National Grid Company's Transmission Licence, are:

- a) the efficient discharge by the licensee of the obligations imposed upon it by this licence;
- b) the efficient, economic and co-ordinated operation by the licensee of the licensee's transmission system;
- c) promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity;
- d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements
- e) the undertaking of work by BSCCo (as defined in the BSC) which is:
 - (i) necessary for the timely and effective implementation of the proposed British Electricity Trading and Transmission Arrangements (BETTA); and
 - (ii) relevant to the proposed GB wide balancing and settlement code;and does not prevent BSCCo performing its other functions under the BSC in accordance with its objectives.

Ofgem's view

Ofgem considers, having had regard to its statutory duties, that Modification Proposal P101 will better facilitate achievement of the Applicable BSC Objective C3 (3) (d). It is in the interests of all Parties that the BSC is as accurate and internally consistent as possible. The correction of manifest errors and the introduction of clarifications make the Code more robust. It also makes the Code easier both for Parties to understand and for ELEXON to administer.

Ofgem notes that in between the time of the Modification Proposal being raised and the draft Report being issued for consultation, the baseline for Section Q of the Code changed from version 6 to version 7. This version change directly impacted on Section Q, Paragraph 6.4.2, which was also being proposed for change by Modification Proposal P101. Consequently, the wrong baseline version of Section Q was sent out to Parties for consultation. However, Ofgem is satisfied that this procedural inaccuracy has not had any material affect on Parties or the outcome of the consultation exercise: the proposed changes in Section Q 6.4.2 and the actual changes between versions 6 and 7 are independent of each other. Ofgem considers that it is important that the correct baseline is consulted on and that in the future ELEXON's internal procedures should be able to detect such baseline shifts and contextual interdependencies.

The Authority's decision

The Authority has therefore decided to direct that the Proposed Modification P101, as set out in the Modification Report for Modification Proposal P101, 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 the Modification Report.

The Implementation Date for Modification Proposal P101 is 15 Working Days after the date of this decision letter, that being the day on which the Authority decided to approve the Modification Report.

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.

If you have any questions, please contact me on the above number.

Yours sincerely,



David Edward

Head of Electricity Code Development

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