



Direct Dial: 020-7901 7435

15 October 2002

The National Grid Company, BSC Signatories and
Other Interested Parties

Our Ref: MP No P73

Dear Colleague,

Modification to the Balancing and Settlement Code ("BSC") - Decision and Direction in relation to Modification Proposal P73: "Addition to Data Required from Transmission Company when Submitting a Claim for Manifest Error "

The Gas and Electricity Markets Authority (the "Authority")¹ has carefully considered the issues raised in the Modification Report² in respect of Modification Proposal P73, "Addition to Data Required from Transmission Company when Submitting a Claim for Manifest Error ".

The Balancing and Settlement Code Panel (the "Panel") recommended to the Authority that Modification Proposal P73 should be made and implemented 15 Working Days after the day on which the Authority approves the Modification Proposal.

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 P73, 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.

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

² ELEXON document reference P073MR10, Version No. 1, dated 25 July 2002

Background

Powergen submitted Modification Proposal P73, "Addition to Data Required from Transmission Company when Submitting a Claim for Manifest Error " on 5 April 2002. The justification for the Modification Proposal was that it would better facilitate the achievement of the Applicable BSC Objective³ C3 (3) (d).

The Panel considered the Initial Written Assessment at its meeting of 18 April 2002 and agreed to submit Modification Proposal P73 to the Assessment Procedure. The Modification Group (the "Group") considered Modification Proposal P73 both by way of a meeting on 25 April 2002 and by correspondence to a High Level Impact Assessment which had been issued on 3 May 2002.

The Assessment Report for Modification Proposal P73 was submitted for consideration at the Panel meeting of 13 June 2002. The Panel agreed with the recommendation of the Group and decided to submit Modification Proposal P73 to the Report Phase.

The Panel recommended that the Proposed Modification should be approved with an Implementation Date of 15 Working Days after the date of any Authority approval.

The Modification Proposal

After Gate Closure, the Transmission Company has the task of using the Balancing Mechanism to ensure that real-time supply matches real-time demand. This is generally done by accepting Bids and Offers from generators and suppliers, who indicate the prices at which they would be prepared to move away from their intended physical positions by altering their output or consumption respectively. Section Q7 of the BSC includes provisions for claims of Manifest Errors by either Parties or the Transmission Company in relation to such Bids and Offers.

Modification Proposal P73 seeks to modify the BSC so that should the Transmission Company submit a Manifest Error claim to ELEXON, the Transmission Company would be obliged to identify the erroneous Bid Offer Acceptance Number(s) in addition to the current practice of identifying the erroneous Bid Offer Pair(s). The Proposer states that this will facilitate the unambiguous identification of the Manifest Error.

The Group identified a possible situation whereby the Transmission Company would be unable to provide the additional data requested by Modification Proposal P73. Such a scenario could occur in exceptional circumstances when there is a planned or unplanned outage. The Modification Proposal includes a provision to cover exceptional circumstances by way of the procedures in Section Q5.3.1 of the BSC.

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.

ELEXON published a draft Modification Report on 24 June 2002, which invited respondents' views by 1 July 2002.

Respondents' views

ELEXON received ten responses to the consultation on Modification Proposal P73. Eight responses (representing 47 Parties) expressed support for the proposed Modification and the remaining two (representing 2 Parties) offered no comment on the Modification Proposal.

The respondents' views are summarised in the Modification Report for Modification Proposal P73, which also includes the complete text of all respondents' replies.

Panel's recommendation

The Panel met on 18 July 2002 and considered the Modification Proposal P73, the draft Modification Report, the views of the Modification Group 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 the day of any Authority decision.

Ofgem's view

Ofgem considers, having had regard to its statutory duties, that Modification Proposal P73 will better facilitate achievement of the Applicable BSC Objective C3 (3) (d), since it will promote efficiency in the implementation and administration of the balancing and settlement arrangements.

The Manifest Error provisions in Section Q7 of the BSC serve to remedy the effects of errors in Bids, Offers and Acceptances, when such errors are identified within a four-hour time limit. In view of the short timescales involved, it is imperative that the information provided is both correct and fit for purpose.

The additional provision of the Bid Offer Acceptance Number by the Transmission Company when submitting Manifest Error claims to ELEXON would facilitate the unambiguous identification of the Manifest Error. The Transmission Company has stated that under normal circumstances it is able to provide this information with all such claims and that this procedural change will have minimal impact on its systems. It has also confirmed that it can provide the data necessary to uniquely identify the erroneous acceptance in the exceptional instances where a Bid Offer Acceptance Number is not available. The implementation of Modification Proposal P73 would not affect the procedures of any other Parties, but does help ELEXON in their validation of Manifest Error claims from the Transmission Company. Consequently, it is Ofgem's view that Modification Proposal P73 will better facilitate achievement of the Applicable BSC Objective C3 (3) (d).

The Authority's decision

The Authority has therefore decided to direct that the Proposed Modification P73, as set out in the Modification Report for Modification Proposal P73, 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 of Modification Proposal P73 is 15 Working Days after the date of this decision 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,

A handwritten signature in black ink, appearing to read 'D. Edward', written in a cursive style.

David Edward

Head of Electricity Code Development

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