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22 March 2002

The National Grid Company, BSC Signatories and
Other Interested Parties

Our Ref : MP No: P43

Dear Colleague,

Modification to the Balancing and Settlement Code ("BSC") - Decision and Notice in relation to Modification Proposal P43: "Provision of Annualised Advance and Estimated Annual Consumption Data".

The Gas and Electricity Markets Authority (the "Authority")¹ has carefully considered the issues raised in Modification Proposal P43, "Provision of Annualised Advance and Estimated Annual Consumption Data".

The Balancing and Settlement Code Panel (the "Panel") recommended to the Authority that the Authority reject the Modification Proposal P43.

The Authority agrees with the Panel's recommendation. The Authority has therefore decided not to direct a modification to the BSC.

This letter explains the background to the Modification Proposal and sets out the Authority's reasons for its decision.

Background to the proposal

Modification Proposal P43 was submitted by Western Power Distribution on 1 October 2001. The Proposal seeks to modify the BSC, relevant Code Subsidiary Documents and other Configurable Items so that Non Half Hourly Data Collectors (NHHDCs) send Metering System Annualised Advance (AA) and Estimated Annual Consumption (EAC) data to the relevant Public Distribution System Operator (PDSO).

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

The Panel agreed that Modification Proposal P43 should be submitted to the Assessment Procedure and assessed by the Volume Allocation Modification Group (the Modification Group). The Modification Group assessed the Modification Proposal and prepared an Assessment Report that was presented to the Panel meeting at its meeting on 13 December 2001. The Assessment Report recommended that Modification Proposal P43 should be rejected.

The Panel considered the Assessment Report at its meeting on 13 December 2001. The Panel agreed that the Modification Proposal should proceed to the Report Phase and that the draft Modification Report to be consulted upon should contain a recommendation to the Authority that Modification Proposal P43 should be rejected. A draft Modification Report was sent for consultation on 19 December 2001. The draft Modification Report was updated in the light of the consultation responses and submitted to the Panel at its meeting on 17 January 2002.

The Modification Proposal

The PDSO requires an accurate forecast of consumption to enable it to calculate loading on its network and to forecast demand. The proposer of Modification Proposal P43 stated that, following separation of the Supply and Distribution Businesses, the PDSO no longer has access to AA and EAC data. The proposer contended that without access to the AA and EAC data, the PDSO has to rely on historic consumption figures and perform its own calculations to obtain the forecast load. This, it was stated, is wasteful of resources when another party already holds the AA and the EAC data.

Currently, the BSC is unclear as to which specific Metering System reports are to be sent to the PDSO and as to whether this includes EAC and AA data. Modification Proposal P43 suggested amending the BSC, the relevant Code Subsidiary Documents and other Configurable Items so as to require the NHHDC to send AA and EAC data additionally to the PDSO via the existing D0019 data flow. The proposer has stated that Modification Proposal P43 will enable the PDSO's to undertake their network planning function in an efficient manner, and that it will also ensure that there is consistency between the BSC and the associated Code Subsidiary Documents.

Approval of Modification Proposal P43 would require consequential modifications to Balancing and Settlement Code Procedure (BSCP)⁵⁰⁴², PSL120³, the Supplier Volume Allocation (SVA) Data Catalogue and the Master Registration Agreement (MRA) Data Transfer. It was reported that no changes would be required to BSC Systems.

Respondents' views

In total, ELEXON received seven responses to the consultation on the draft Modification Report for Modification Proposal P43, representing seventeen parties. Of the responses, four (representing eight parties) supported the recommendation to reject the Modification Proposal. One response (representing seven parties) accepted that the Modification Proposal should be rejected, as there did not appear to be a wider requirement for the provision of EAC and AA data to PDSO's. However, that response also felt that the issue could be revisited should there be sufficient support in the future. Two of the responses (representing two parties) did not support rejection of the Modification Proposal as they felt that the provision of the proposed data would assist in planning and developing the network and improve settlement data quality.

² 'Non-Half Hourly Data Collection for SVA Metering Systems Registered in Supplier Meter Registration Service (SMRS)'

³ 'Non Half Hourly Data Collection'

The respondents' views are comprehensively summarised in the Final Modification Report for Modification Proposal P43, dated 17 January 2002.

Panel's recommendation

The Panel met on 17 January 2002 and considered the Modification Proposal P43, the Draft Modification Report, the views of the Modification Group and the consultation responses received.

The Panel recommended that the Authority should reject the Proposed Modification. The Panel recognised that some PDSO's would benefit from implementation of the Modification Proposal.

However, the result of the consultation responses showed that, although some PDSO's did support the provision of AA and EAC data, there was no widespread support for such provision. In addition, the consultation responses also showed that the majority of those responding felt the main beneficiaries of the Modification Proposal to be the PDSO's. Further, the responses showed an even stronger majority in favour of the costs of providing the AA and EAC data being born by the PDSO's.

The Panel agreed that there was no strong evidence to support the idea that the Modification Proposal could possibly lead to reduced distribution costs. The Panel also agreed that even if there were reduced distribution costs they would not necessarily lead to lower Distribution Use of System (DUoS) charges and that it was unclear as to whether the Modification Proposal would better facilitate achievement of the Applicable BSC Objectives⁴.

In the light of the Assessment Report prepared by the Modification Group, the Panel agreed that the Modification Proposal would not better facilitate achievement of the Applicable BSC Objectives and should be rejected. However, the Panel recognised that, if a PDSO felt that it was necessary to receive AA and EAC data, alternative routes to obtain this data were available. In particular, it would be possible for the PDSO to propose a change to their Distribution Use of System Agreement to require Suppliers to provide the data. Any such change would then be applicable to all Suppliers and if a Supplier objected to the proposed change an appeal could be made to the Authority.

Ofgem's view

Ofgem considers, having had regard to its statutory duties, that Modification Proposal P43 does not better facilitate the achievement of the Applicable BSC Objectives contained in Condition C3(3) of the National Grid Company (NGC) Transmission Licence. In reaching its decision, Ofgem has taken into consideration the Final Modification Report, the views of the Modification Group and the consultation responses received.

In considering Condition C3(3) (c), it is Ofgem's view that the proposal may lead to additional overall costs and that such costs will have to be borne by other parties. Ofgem can find no evidence from the Modification Report to show support for the principle of sharing these additional costs between parties. Furthermore, it is questionable whether the required

⁴ The Applicable BSC Objectives are contained in Condition C3 (3) of National Grid Company's Transmission Licence and 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.

change necessary to provide such data is warranted relative to the expense that might be incurred. It is Ofgem's view that at present and subject to review in the light of developing circumstances, the imposition of obligations for the provision of AA and EAC data in the manner described in the proposal best resides outside the BSC. Ofgem agrees with the Panel's recommendation that there are alternative routes for a PDSO to take if they felt it was necessary to receive AA and EAC data. In particular, it is agreed that it would be possible for the PDSO to propose a change to their Distribution Use of System Agreement to require Suppliers to provide the data. Any such change would then be applicable to all Suppliers and if a Supplier objected to the proposed change an appeal could be made to the Authority

The Authority's decision

The Authority has therefore decided not to direct that Modification Proposal P43 should be made and implemented.

Having regard to the above, the Authority, in accordance with Section F1.1.4 of the BSC, hereby notifies NGC that it does not intend to direct NGC to modify the BSC as set out in Modification Proposal P43, a copy of which 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 'DE', is positioned above the printed name and title of the signatory.

David Edward
Head of Electricity Code Development

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