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07 December 2001

The National Grid Company, BSC Signatories and
Other Interested Parties

Your Ref:
Our Ref : MP No: P33

Dear Colleague

Modification to the Balancing and Settlement Code ("BSC") - Decision and Direction in relation to Modification Proposal P33: "Rectification Of Inconsistencies In Terminology Between The BSC And The Grid Code OC2"

The Gas and Electricity Markets Authority (the "Authority") has carefully considered the issues raised in Modification Proposal P33 "Rectification Of Inconsistencies In Terminology Between The BSC And The Grid Code OC2".

The Balancing and Settlement Code Panel (the "Panel") recommended to the Authority that the Proposed Modification be approved with an implementation date of 30 September 2002.

The Authority has decided 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. 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 P33.

Background to the proposal

Under the current arrangements NGC is required by provisions in the Grid Code to provide the Balancing Mechanism Reporting Agent ("BMRA") with OC2 information for publication on the Balancing Mechanism Reporting Service ("BMRS"). The OC2 information that is currently published on the BMRS is displayed by "Demand" and "National Margin based on OC2". It has been identified that the National Margin based on OC2 information is not what is required by the BSC due to detailed differences in terminology between the Grid Code and the BSC.

The BMRS displays under the National Margin based on OC2 the 2-14 days ahead Generating Plant Demand Margin forecast (OCNMFDF) and the 2-52 Weeks ahead Generating Plant Demand Margin forecast (OCNMFW). The BSC references the Grid Code for a definition of Generating Plant Demand Margin. The Grid Code defines Generating Plant Demand Margin as the difference between Output Usable and Forecast Demand. The data that NGC is currently required to provide to the BMRA and which is displayed on the BMRS as Generating Demand Plant Margin is actually OC2 derived 'surplus' data, which takes into account allowances for generation plant outages and breakdown, demand, and NGC's Operating Plant Margin.

In addition, the OCNMFDF and OCNMFW are not consistently defined in the BSC; the BMRS Forecast Pages; and the BMRS Help Pages. The BSC refers to Generating Plant Demand Margin; the BMRS Forecast Pages refer to National Margin based on OC2; and the BMRS Help Pages refer to National Margin.

On 10 August 2001 NGC raised Modification Proposal P33: Rectification of inconsistencies in terminology between the BSC and the Grid Code OC2.

The Modification Proposal

Modification Proposal P33 seeks to modify the BSC so as to rectify inconsistencies in terminology between the BSC and the Grid Code OC2.

The Proposed Modification offers two implementation options for publishing the correct OC2 information on the BMRS:

- A) NGC to provide the BMRS with both the 'surplus' (as currently provided) and the Generating Plant Demand Margin (as required by the BSC); or
- B) NGC to provide to BMRS the Generating Plant Demand Margin alone, thus meeting the BSC requirements.

Elxon in consultation with NGC identified a third solution:

- C) NGC to provide 'surplus' only to the BMRS.

In addition, the Modification Proposal recommends removing associated naming inconsistencies between the Grid Code, the BSC, and a number of configurable items which specifically relates to the labelling of titles on the BMRS.

The Modification Group (the "Group") reviewed the responses to the consultation and High Level Impact Assessment ("HLIA"). The majority of the respondents and the Group preferred Option A, subject to implementation costs. The Group considered the NETA Central Service Agent costs and determined that the costs were too high. The Group developed a revised implementation approach that is for 'surplus' to be published by the BMRA on the BMRS and Generating Plant Demand Margin to be published by the BSSCo on the BSC Website. Following a consultation and Detailed Level Impact Assessment on the revised implementation approach by Parties; the NETA Central Service Agent; and ELEXON the implementation costs were significantly reduced and therefore the Group concluded that the revised implementation approach was the most appropriate.

The Panel considered the Assessment Report at their meeting on the 18 October 2001. The Assessment Report recommends that the BSC Panel should:

1. Note that the Modification Proposal requires changes to the BSC, a number of Code Subsidiary Documents and other configurable items;
2. Note that changes will be required to the Grid Code and NGC systems and processes, though these are outside the governance of the BSC¹;
3. Recommend to the Authority that the Modification Proposal be approved with the implementation approach defined below:
 - a) NGC to provide to BSSCo for publication on the BSC Website the Generating Plant Demand Margin; and
 - b) NGC to provide to BMRA the 'surplus' for publication on the BMRA website; and
4. Propose to the Authority an Implementation Date of 25² September 2002 (the Implementation Date is based on including the Modification in the BSC Systems Release 2 Project).

¹ NGC consulted on an amendment to the Grid Code "Clarifications to the Grid Code in conjunction with changes to the Balancing and Settlement Code" and issued a report to the Authority for Decision on the 26 November 2001. The Grid Code amendment amongst other things defines the term "Surplus" in the Grid Code. The Authority directed NGC to make the proposed Amendments to the Grid Code on the 7 December 2001.

The Panel endorsed the Assessment Report's recommendations and ELEXON published a Draft Modification Report on 26 October 2001 that invited respondents' views by 2 November 2001.

Respondents' views

In total, ELEXON received 6 responses (representing 12 Parties) to the consultation on Modification Proposal P33. Of the responses, 3 (representing 6 Parties) expressed support for the Modification Proposal; 1 (representing 1 Party) did not support the Modification Proposal and the remaining 2 (representing 5 Parties) were neither in favour nor opposed to the Modification Proposal.

Respondents that supported the Modification Proposal commented that resolving an inconsistency and providing additional data would promote efficiency in the implementation and administration of the balancing and settlement arrangements. In general respondents noted that the revised implementation approach was not ideal but accepted that it was the most effective way of implementing the Modification given the cost and time considerations.

The respondent that did not support the Proposed Modification commented that the benefits of receiving this information do not outweigh the costs quoted by the NETA Central Service Agent to provide it.

Panel's Recommendation

The Panel met on 15 November 2001 and considered the Modification Proposal P33, the Modification Report, the views of the Modification Group and the consultation responses received.

The Panel recommended that the Authority should approve the Proposed Modification with an implementation date of 30 September 2002.

Ofgem's view

Ofgem³ believes, having had regard to its statutory duties, that Modification Proposal P33 will better facilitate the relevant objectives of the BSC.

Ofgem believes that the Modification Proposal will provide clarity and ensure that there is consistency between the Grid Code and BSC. Although the current inconsistency between the Grid Code and the BSC does not have an impact on the calculation of prices it may potentially have an impact on commercial decisions and therefore indirectly influence prices. Ofgem therefore believes that it is important that this inconsistency should be resolved. Ofgem believes that rectifying this inconsistency promotes efficiency in the implementation and administration of the balancing and settlement arrangements.

Ofgem believes that providing both the 'surplus' (as currently provided) and the Generating Plant Margin (as required by the BSC) improves transparency of information to all market participants and will help companies in taking commercial decisions. Ofgem is satisfied, therefore, that by providing more information at reasonable costs, the Modification Proposal furthers the BSC Objective of promoting effective competition in the sale and purchase of electricity.

Ofgem agrees with respondents that the BMRS would be the best place to publish the Generating Plant Demand Margin information. Ofgem also agrees with respondents that, in this particular circumstance publishing Generating Plant Demand Margin information on the BSC website is the most the most efficient and economic solution.

² The recommended implementation date of 25 September 2002 was changed by the Panel to the 30 September 2002 on the basis that this is the actual physical date on which the BSC Systems Release 2 Project will be implemented.

³ Ofgem is the office of the Authority. The terms "Ofgem" and "the Authority" are used interchangeably in this letter.

The Authority's decision

The Authority has therefore decided to direct that Modification Proposal P33 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 P33. A copy of the text of the modification to the BSC is attached to this letter.

The modification is to take effect from 30 September 2002.

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 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 be 'Steve Smith', written in a cursive style.

Steve Smith

Director of Trading Arrangements

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

Attachment 1

Legal Text to give effect to the Proposed Modification

Section Q 'Balancing Mechanism Activities'

- 6.1.2 Not later than 1700 hours each Friday, the Transmission Company shall send to the BMRA the following data for each week from the 2nd week following the current week to the 52nd week following the current week:
- (a) the National Demand forecast expressed as an average MW value for the Settlement Period at the peak of the week;
 - (b) the national Surplus forecast expressed as an average MW value for the Settlement Period at the peak of the week.
- 6.1.3 Not later than 1600 hours each day, the Transmission Company shall send to the BMRA the following data applicable for each Operational Day from 2nd day following the current Operational Day to the 14th day following the current Operational Day:
- (a) the peak National Demand forecast expressed as an average MW value for the Settlement Period at the peak of the day;
 - (b) the national Surplus forecast expressed as an average MW value for the Settlement Period at the peak of the day.

6.4 Submission of generation data to BSCCo

- 6.4.1 In this paragraph 6.4:
- (a) Generating Plant Demand Margin has the meaning given to that term in the Grid Code;
 - (b) times by which the Transmission Company is required to send data to BSCCo are target times, which the Transmission Company is expected to meet unless abnormal circumstances prevent it from doing so.
- 6.4.2 The Transmission Company shall send to BSCCo the data set out in the table below with the frequency and by the times respectively set out in the table below:

DATA	FREQUENCY	TARGET TIME
2-14 day ahead daily Generating Plant Demand Margin forecast (OCNMFD) – daily peak half hour values	Daily	16:00
2-52 week ahead weekly Generating Plant Demand Margin forecast (OCNMFV) – weekly peak half hour values	Weekly	17:00

Renumber existing paragraph 6.4 as paragraph 6.5.

Section V ‘Reporting’

1.1.5 The provisions of paragraph 1.1.4(b) are without prejudice to:

- (a) the obligations of the Transmission Company to send specified data to the BMRS and BSCCo pursuant to Section Q6;

4.4 Generation data

4.4.1 BSCCo shall arrange for the data set out in Table 8 in Annex V-1 to be published on the BSC Website and revised from time to time as soon as reasonably practicable after BSCCo receives such data from the Transmission Company pursuant to Section Q6.4.

4.4.2 Where such data is received by BSCCo from the Transmission Company on a day which is not a Business Day or after the close of a Business Day, BSCCo shall publish such data on the BSC Website on the next following Business Day.

Section V ‘Reporting, Annex V-1: Tables of Reports’

DATA AND RELEVANT SETTLEMENT PERIODS	FREQUENCY	FORMAT	DEFAULT
2-14 day ahead Surplus forecast (SPLD) – daily peak half hour value	Daily	Tabular	Previous forecast
2-52 week ahead Surplus forecast (SPLW) – weekly peak half hour value	Weekly	Tabular	Previous forecast

TABLE 8 – GENERATION DATA PUBLISHED ON BSC WEBSITE

Notes:

1. In this table terms shall have the meanings given to them in Section Q6.4.
2. Column 1 (data) specifies the data to be published and the day, week or other period to which the data relates.

DATA
2-14 day ahead National Generating Demand Margin forecast (OCNMFD) – daily peak half hour value
2-52 week ahead National Generating Demand Margin forecast (OCNMFV) – weekly peak half hour value

Section X 'Definitions and Interpretations', Annex X-2: Technical Glossary'

Defined Term	Acronym	Units	Definition/Explanatory Text
Generating Plant Demand Margin	OCNMFD or OCNMFW	MW	Has the meaning given to that term in OC2 of the Grid Code.
Surplus	SPLD or SPLW	MW	Has the meaning given to that term in OC2 of the Grid Code.

Section X 'Definitions and Interpretations', Annex X-3: Glossary of Acronyms Applying Except In Relation To Settlement Section S'

Acronym	Units	Corresponding Defined Term or Expression
OCNMFD	MW	Generating Plant Demand Margin (daily)
OCNMFW	MW	Generating Plant Demand Margin (weekly)
SPLD	MW	Surplus (daily)
SPLW	MW	Surplus (weekly)