



Direct Dial: 020-7901 7435

23 September 2002

The National Grid Company, BSC Signatories and
Other Interested Parties

Our Ref: MP No P86

Dear Colleague,

Modification to the Balancing and Settlement Code ("BSC") - Decision and Direction in relation to Modification Proposal P86: "Clarification of frequency and timing of data submission of Generating Plant Demand Margin and Surplus"

The Gas and Electricity Markets Authority (the "Authority")¹ has carefully considered the issues raised in the Modification Report² in respect of Modification Proposal P86, "Clarification of frequency and timing of data submission of Generating Plant Demand Margin and Surplus".

The Balancing and Settlement Code Panel (the "Panel") recommended to the Authority that Modification Proposal P86 be made and implemented on 30 September 2002.

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

This letter explains the background and sets out the reasons 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") in line with Modification Proposal P86, as set out in the Modification Report and its addendum.

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 P86MR, Version No. 1, dated 29 July 2002

Background

Modification Proposal P86, "Clarification of frequency and timing of data submission of Generating Plant Demand Margin and Surplus", was submitted on 31 May 2002 by the National Grid Company (NGC). The justification for the Modification Proposal was that it would better facilitate achievement of the Applicable BSC Objectives³ C3 (3) (a) and C3 (3) (d).

The Panel considered Modification Proposal P86 and the Modification's Initial Written Assessment on 13 June 2002. The Panel agreed to submit the Modification Proposal to the Report Phase for consideration at the following Panel meeting in July 2002. The Panel considered the draft Modification Report on 18 July 2002, recommending that Modification Proposal P86 should be implemented on 30 September 2002.

Following the Panel meeting on 18 July 2002, a minor error was identified in the legal text⁴. ELEXON presented the error to legal advisors for opinion. The legal advisors advised that the error should be corrected. ELEXON then consulted on the issue of the error and its proposed correction. All of the responses received, including one from the proposer, stated that they had no concerns regarding the proposed correction.

The Modification Proposal

Modification Proposal P86 arose as a direct consequence of Modification Proposal P33, "Rectification of inconsistencies in terminology between the BSC and Grid Code OC2". Ofgem approved Modification Proposal P33, submitted by NGC, on 7 December 2001 with an implementation date of 30 September 2002. Modification Proposal P86 seeks to clarify the use of the non-defined terms 'daily' and 'hours' within the BSC. It relates to the provision by NGC of two types of information. The first set of information, Generating Plant Demand Margin, will be provided to ELEXON for publication on the ELEXON website. The second set of information, Surplus, will be provided to the Balancing Mechanism Reporting Agent (BMRA) for publication on the BMRA website. Modification Proposal P86 proposes that Generating Plant Demand Margin and Surplus should be provided by the National Grid Co to BSCCo and the Balancing Mechanism Report Agent (BMRA) respectively on a Business Day and a weekly basis. Modification Proposal P86 seeks to replace generic references to the word 'daily' in the BSC relating to the provision of both Generating Plant Demand Margin and Surplus with references to Business Days. It also seeks to ensure clarity by adding the word 'hours' after a number of timescale references.

ELEXON published a draft Modification Report on 3 July 2002, which invited respondents' views by 9 July 2002.

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.

⁴ Error was identified in paragraph 6.1.3 of section Q of the BSC

Respondents' views

ELEXON received eight responses to the consultation on Modification Proposal P86. Five responses (representing 35 Parties) expressed support for the proposed Modification. Two responses (representing 3 Parties) provided a "no comment" response. The remaining response (representing 3 Parties) rejected Modification Proposal P86. This respondent suggested that the Transmission Company data should be provided every day, rather than on Business Days only, particularly where the Transmission Company had access to the data. As a part of the consultation on the draft Modification Report the National Grid Company confirmed that the current practice of providing the Surplus on Business Days only is as a result of the data being collated and distributed by the operational planning team who are only available on Business Days.

The respondents' views are summarised in the Modification Report for Modification Proposal P86, 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 P86, 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 on 30 September 2002. It was the Panel's view that implementing Modification Proposal P86 would ensure that the BSC reflected actual working practice in relation to the provision of the Surplus and in addition would remove ambiguity. This would better facilitate achievement of the Applicable BSC Objectives C3 (3) (a) and C3 (3) (d).

Ofgem's view

Ofgem considers, having had regard to its statutory duties, that approval of Modification Proposal P86 will better facilitate achievement of the Applicable BSC Objective C3 (3) (a). It will enable the National Grid Company, having regard to the availability of their core operational planning team, to more efficiently discharge the obligations imposed upon it in as regards data submission and publication relating to Surplus and Generating Plant Demand Margin. Ofgem observes that only one respondent indicated that the Surplus and Generating Plant Demand Margin data should be provided on a daily basis.

Furthermore, Ofgem considers that approval of Modification Proposal P86 will remove ambiguity as regards the timings of data submission and would thereby facilitate achievement of the Applicable BSC Objective C3 (3) (d), "promoting efficiency in the implementation and administration of the balancing and settlement arrangements".

Ofgem therefore agrees with the Panel that Modification Proposal P86 should be made and implemented.

The Authority's decision

The Authority has therefore decided to direct that the Proposed Modification P86, as set out in the addendum to the Modification Report for Modification Proposal P86, 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 addendum to the Modification Report.

The implementation date of Modification Proposal P86 is 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 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