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2 September 2003

National Grid Company, BSC Signatories and  
Other Interested Parties

Our Ref: MP No P87

Dear Colleague

**Modification to the Balancing and Settlement Code (“BSC”) - Decision and Notice in relation to Modification Proposal P87: “Removal of market risk associated with the operation of a generator intertrip scheme”**

The Gas and Electricity Markets Authority (the “Authority”<sup>1</sup>) has carefully considered the issues raised in the Modification Report<sup>2</sup> for Modification Proposal P87 “Removal of market risk associated with the operation of a generator intertrip scheme”.

The BSC Panel (the “Panel”) recommended to the Authority that the original Modification Proposal should not be made and that the Alternative Modification Proposal should be made.

The Authority has decided not to direct a Modification to the BSC.

This letter explains the background and sets out the Authority’s reasons for its decision.

**Background**

The operation of certain<sup>3</sup> operational intertrip schemes<sup>4</sup> results in a compensation payment becoming payable to a generator if it is tripped off the Transmission System due to no fault of its

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<sup>1</sup> Ofgem is the Office of the Authority. The terms “Ofgem” and “the Authority” are used interchangeably in this letter

<sup>2</sup> ELEXON document reference P087RR, Version No. 1, dated 22 October 2002

<sup>3</sup> The compensation in section BC2.5.2.3 of the Grid Code is only related to Operational Intertripping schemes, as defined in the Grid Code. The Operational Intertripping scheme must have been switched

own. The Grid Code provides that the compensation should take the form of a deemed Bid-Offer Acceptance<sup>5</sup>. Section Q5.1.5 of the BSC mirrors the requirements set out in the Grid Code and provides that a deemed Bid-Offer Acceptance shall be issued in the event that the circumstances described in section BC2.5.3.2 of the Grid Code have occurred.

Parties have in some circumstances submitted negative Bid prices of -£99,999/MWh. It has been suggested that one of the reasons why such extreme negative Bid prices are made is to signal to the Transmission System Operator that the Balancing Mechanism Unit is not able or willing to reduce output for the Settlement Period in question. Nonetheless, where a generator has submitted such an extreme negative bid and is then tripped off the Transmission System, the provisions of section BC2.5.2.3 of the Grid Code and section Q5.1.5 of the BSC can lead to significant compensation payments to the generator. This is because the compensation is calculated with reference to the submitted Bid Price.

National Grid Company plc ("NGC") as the Transmission System Operator, recoups the costs it incurs in balancing the Transmission System, including the costs of accepting Bids and Offers in the Balancing Mechanism, via the daily System Operator Balancing Mechanism cash flow. The System Operator Balancing Mechanism cash flow forms part of the costs that make up the Balancing Services Use of System charge which is levied on Users of NGC's Transmission System. Parties can, therefore, be exposed to a significant increase in their Balancing Services Use of System charges if a single event, leading to the operation of an intertripping scheme covered by section BC2.5.2.3 of the Grid Code, occurs when an extremely negative Bid has been submitted for that unit. It should, however, be noted that the occurrence of intertrips is rare and there have been no instances of intertrips associated with extremely negative Bid prices since the current trading arrangements were introduced.

On 31 May 2002, NGC raised Modification Proposal P87 "Removal of market risk associated with the operation of a generator intertrip scheme". The Proposer considered that the Modification Proposal will better facilitate achievement of Applicable BSC Objective<sup>6</sup> (c).

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into service according to section BC2.10 of the Grid Code for the compensation mechanism referred to in section BC2.5.2.3 of the Grid Code to have effect.

<sup>4</sup> Operational Intertripping is defined in the Grid Code as the automatic tripping of circuit-breakers to prevent abnormal system conditions occurring, such as over voltage, overload, System instability, etc. after the tripping of other circuit-breakers following power System fault(s) which includes System to Generating Unit, System to CCGT Module and System to Demand intertripping schemes.

<sup>5</sup> Balancing Mechanism Units may use the Balancing Mechanism to submit matching Bids (to decrease generation/increase demand) and Offers (to increase generation/decrease demand). Each Bid/Offer pair must contain data on both volume (MWh) and price (£/MWh). The Transmission System Operator may accept Bids and Offers to balance the Transmission System in real time.

<sup>6</sup> The Applicable BSC Objectives are contained in Standard Condition C3.3 of NGC'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.

The Proposer considered that the Modification Proposal would remove the market risk associated with significant compensation payments that are charged out to Parties via the Balancing Services Use of System charge. In addition, the Proposer considered that the Modification Proposal would remove the possibility of extreme negative System Sell Prices resulting from deemed Bid-Offer Acceptances issued in accordance with section BC2.3.2.5 of the Grid Code.

The Panel considered the Initial Written Assessment at its meeting of 13 June 2002 and agreed to submit the Modification Proposal to a two-month Assessment Procedure. This was later extended by one month to allow for a three-month Assessment Procedure.

### **The Modification Proposal**

The Modification Proposal seeks to remove from the BSC the obligation on NGC, as System Operator, to accept a deemed Bid-Offer Acceptance in the event of an operational intertrip operating in the circumstances described in section BC2.5.2.3 of the Grid Code. Instead, it is proposed that NGC should be allowed to issue an ex-post contract notification for all Settlement Periods for which Gate Closure had already occurred at the time that the operational intertrip operated. The ex-post contract notification would effectively cancel all notified contracts for the Balancing Mechanism Window Period<sup>7</sup> and ensure that the affected Balancing Mechanism Unit is not exposed to imbalance for the duration the Balancing Mechanism Window Period when the operational intertrip operated. The Modification Proposal does not remove any imbalance exposure outside the Balancing Mechanism Window Period. It is therefore up to Parties to trade out their positions outside the Balancing Mechanism Window Period if they do not wish to be exposed to imbalance.

The Modification Proposal also introduces an additional compensation mechanism when the operational intertrip operates outside the Balancing Mechanism Window Period and the Balancing Mechanism Unit does not have a Balancing Services agreement in place with NGC to cover additional compensation. Under this mechanism, affected Balancing Mechanism Units may raise a claim to be determined by the Panel for an Extra Cashflow Compensation. It was envisaged that the Panel would determine the amount of Extra Cashflow Compensation based on the evidence presented to it by the Parties involved. The categories for which a Balancing Mechanism Unit can apply for extra compensation are defined as:

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- (e) without prejudice to the foregoing objectives and subject to paragraph 3A, 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.

<sup>7</sup> In relation to a particular time, the Balancing Mechanism Window Period is the period from that time to the end of the Settlement Period for which Gate Closure has most recently occurred at that time. The Balancing Mechanism Window Period has a duration of between 1 and 1 ½ hours.

1. avoidable costs as described in Section G2 of the BSC (including any costs associated with trading out of its position),
2. lost revenue from any potential actions for Balancing Services and BM activity, and
3. any charges incurred, for example Non-Delivery charges.

The extra compensation would be recovered as part of the System Operator Balancing Mechanism cash flow.

The Modification Proposal has a sunset clause. This was made part of the Modification Proposal in anticipation of the introduction of new arrangements for access to the Transmission System for 1 April 2003<sup>8</sup>. It was expected the new arrangements for access to the Transmission System would cover compensation in circumstances where the access right cannot be honoured. The sunset clause would have come into effect on 31 March 2003. From that date forwards, the BSC would have reverted to its present form in relation to compensation for operational intertripping schemes that have been operated in accordance with section BC2.5.2.3 of the Grid Code as currently in place.

The Modification Report identified that it would be necessary to make consequential changes to the Grid Code and NGC's Transmission Licence to implement the original Modification Proposal.

The Modification Group (the "Group") developed an Alternative Modification Proposal which it considered better facilitated achievement of the Applicable BSC Objectives compared to the original Modification Proposal. The Alternative Modification Proposal builds on the original Modification Proposal and is only different from the original Modification Proposal in the following two respects.

Firstly, the Alternative Modification Proposal seeks to remove imbalance exposure by allowing ex-post contract notifications to be made for the entire period during which a Balancing Mechanism Unit's output deviates from its Physical Notification due to the operation of an operational intertrip. The Alternative Modification Proposal would, therefore, automatically remove any imbalance exposure caused by the operation of an operational intertrip both within and outside the Balancing Mechanism Window Period.

Secondly, the Alternative Modification Proposal does not have a sunset provision, as the Group viewed the Alternative Modification Proposal as an enduring solution. If implemented, it could therefore only be removed by raising a Modification Proposal to remove it.

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<sup>8</sup> Reforms to the access arrangements for the Transmission System have been considered for some time. Following Ofgem's February 2002 document entitled "Transmission access and losses under NETA. Revised Proposals" the Connection and Use of System ("CUSC") Panel decided to form the Transmission Access Standing Group to discuss the issues further. NGC raised Amendment Proposal CAP043 "Transmission Access - Definition" for consideration at the 20 September 2002 CUSC Panel meeting, which was approved by the Authority on 6 February 2003. The work on reforming transmission access arrangements is still ongoing. More information is available in the Ofgem consultation document entitled "NGC system operator incentive schemes from April 2003. Initial proposals, Ofgem, December 2002".

The Panel met on 12 September 2002 and considered the Group's Assessment Report. The Panel made a provisional recommendation that the original Modification should not be made and that the Alternative Modification Proposal should be made. ELEXON published a Draft Modification Report on 25 September 2002, which invited respondents' views by 3 October 2002.

### **Respondents' views**

In total, ELEXON received 11 responses to the consultation on the Modification Proposal. Of these, seven supported the Panel's recommendation. Three respondents did not support the Panel's recommendation. Of these, one supported the original Modification Proposal, whereas the remaining two did not support either the original Modification Proposal or the Alternative Modification Proposal. One respondent made no comment on the Panel's recommendation.

Some of the respondents that supported the Alternative Modification Proposal considered that it provides the best balance of protection from the unmanageable effects of imbalance caused by an intertrip, whilst ensuring that no large windfall payments are made. One respondent considered that the Alternative Modification Proposal would reduce the probability of Parties claiming extra compensation as it removes the imbalance risk for the whole duration of the fault. This may reduce the costs of administration of the new process. One respondent commented that the Alternative Modification Proposal removes the risk to all participants of anomalous Energy Imbalance Prices.

One respondent considered that a sunset clause is not necessary. This respondent suggested that a Party could raise a modification to the BSC to remove the compensation mechanism if new arrangements for access to the Transmission System come into effect in other governance structures.

Of the respondents that did not support the Alternative Modification Proposal, one commented that it supported the principle that Parties affected by an NGC intertrip scheme should be adequately compensated but considered that the amount of compensation payable should be agreed via a commercial arrangement between NGC and the Party. This respondent also considered that the Alternative Modification Proposal would discourage the emergence of appropriate commercial arrangements.

Another respondent considered that the vires of the BSC only covers the period of the Balancing Mechanism Window Period and therefore any solution for removing market risk associated with the operation of a generator intertrip scheme should only deal with the Balancing Mechanism Window Period.

The respondents' views are summarised in the Modification Report for Modification Proposal P87, which also includes the complete text of all respondents' replies.

## **Panel's recommendation**

The Panel met on 17 October 2002 and considered the original Modification Proposal, the Alternative Modification Proposal, the Modification Report, the views of the Modification Group and the consultation responses received.

The Panel recommended that the Authority should reject the original Modification Proposal and approve the Alternative Modification Proposal.

The Panel made its recommendation on the grounds that it considered both the original Modification Proposal and the Alternative Modification Proposal will better facilitate the achievement of Applicable BSC Objective (c) by removing the current market risk for intertrip compensation. However, the Panel considered that the Alternative Modification Proposal would also better facilitate achievement of the following Applicable BSC Objectives when compared to the original Modification Proposal:

- ◆ Applicable BSC Objective (d): as the probability of a claim for an extra cashflow being raised is reduced, and
- ◆ Applicable BSC Objective (b): as the Transmission Company is better placed to manage disconnections that may occur due to the operation of an intertrip scheme, for example, by having a better view of when the event might end.

The Panel recommended that the original Modification Proposal or the Alternative Modification Proposal should be implemented 30 days after the Authority's decision, if either is approved.

The Panel approved the legal text, including changes that were made following comments from respondents to the consultation on the Draft Modification Report. These amendments to the legal text were considered minor but necessary.

## **Ofgem's view**

It should be noted that, as stated above, the original Modification Proposal includes a sunset clause of 31 March 2003, which has now passed. For this reason the Authority is not able to direct its implementation irrespective of its merits in any event. The views expressed below, insofar as they relate to the original Modification Proposal, set out whether the Authority would have been minded to direct the implementation of the original Modification Proposal had the sunset clause date had not been passed. Such views in no way fetters the discretion of the Authority in relation to a similar or any other modification proposal in the future which will be assessed in the normal way, in light of the then prevailing market and trading arrangements situations.

Having carefully considered the Modification Report and the Panel's recommendation, Ofgem considers that, having had regard to the Applicable BSC Objectives and its statutory duties, both the original Modification Proposal and the Alternative Modification Proposal do not better facilitate achievement of the Applicable BSC Objectives for the reasons set out below.

Ofgem notes that the arrangements currently in place in the Grid Code and the BSC could, in extreme circumstances, lead to some generators being paid very significant compensation for intertrips which could also lead to extremely negative System Sell Prices. However, Ofgem considers the risk of an intertrip occurring where the affected generator has submitted extreme Bid prices is low. Although, Ofgem considers that arrangements should be put in place to remove the risk of these events occurring, Ofgem does not consider it appropriate to increase the obligations to pay compensation for intertrips via the Grid Code and BSC. Therefore, for the reasons given below, Ofgem considers that this issue should be dealt with bilaterally between NGC and the generators until appropriate arrangements for firm transmission access rights, including compensation for disconnection, have been developed and implemented.

#### Respective scope of the BSC and CUSC

As part of the introduction of the present England and Wales wholesale electricity transmission and trading arrangements, consultations were carried out as to, amongst other things, the governance structure of the arrangements. Following these consultations, the rules for electricity transmission, trading arrangements and related charges were set out in three main documents: the BSC, the Connection and Use of System Code ("CUSC") and NGC's Charging Methodologies and Statements under its licence.

The BSC's scope is defined in general terms in the Transmission licence. The BSC is a code that sets out the rules for the Balancing Mechanism and imbalance settlement process under the wholesale electricity trading arrangements. Broadly, the BSC sets down the arrangements in respect of:

- ◆ making, accepting and settling offers and bids to increase or decrease electricity delivered to, or taken off, the total Transmission System (NGC's Transmission System and the distribution systems) to assist NGC in balancing the Transmission System, and
- ◆ determining and settling imbalances and certain other costs associated with operating and balancing the Transmission System.

The CUSC is also a licence-based code, setting out the principal rights and obligations in relation to connection to and/or use of the Transmission System and to the provision of certain balancing services. NGC is also obliged by its licence to produce Charging Methodologies and Statements containing detailed information relating to its charges for Use of System and Connection<sup>9</sup>.

#### Reforms to transmission access arrangements

Reforms to the access arrangements for the Transmission System have been considered for some time. Following publication of an Ofgem document in February 2002<sup>10</sup> the CUSC Panel decided to form the Transmission Access Standing Group to establish a forum in which issues associated with access arrangements for the Transmission System could be examined further. Arising out of the work of the Transmission Access Standing Group, NGC raised Amendment

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<sup>9</sup> See Standard Licence Conditions C7, C7A and C7B of NGC's transmission licence.

<sup>10</sup> "Transmission access and losses under NETA, Revised Proposals", Ofgem, February 2002

Proposal CAP043 "Transmission Access - Definition" for consideration at the 20 September 2002 CUSC Panel meeting. The Authority considered that CAP043 more clearly defined existing rights to access the Transmission System and approved it on 6 February 2003<sup>11</sup>.

More recently, during the development of the NGC System Operator incentive scheme for 2003/04<sup>12</sup>, NGC committed to use all reasonable endeavours to review and, if appropriate, bring forward proposals for reform of the contractual framework and Charging Methodologies, for implementation in April 2004. NGC's commitment included, among other things, the provision of firm transmission access rights, compensation for disconnection and remedies for breach of access rights. NGC is currently in the process of reviewing its Charging Methodologies as part of the process of fulfilling its commitments. The Transmission Access Standing Group is also continuing to explore ways of reforming the access arrangements to the Transmission System. Finally, First Hydro Company raised CAP048 "Firm Access and Temporary Physical Disconnection"<sup>13</sup> for consideration by the CUSC Panel at its 21 March 2003 meeting. The CAP048 Working Group has assessed the Amendment and provided its report to the CUSC Panel at its meeting on 25 July 2003. CAP048 is currently out for industry wide consultation.

Applicable BSC Objective (d) – promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

The relative scope of the BSC, the CUSC and NGC's Charging Methodologies are outlined above. Ofgem considers that the BSC is not the right forum for consideration of an issue that relates to the terms for transmission access. It is Ofgem's view that compensation following disconnection from the Transmission System relates to NGC's transmission use of system arrangements and hence should be set out in the CUSC and/or NGC's Charging Methodologies and Statements, rather than under the BSC. Ofgem notes that the existing clause Section Q5.1.5 of the BSC sets out compensation arrangements for intertripping relates to transmission use of system arrangements. However, Ofgem considers that further extending the jurisdiction of the BSC in this area, by approving the Modification Proposal or the Alternative Modification Proposal which would reclarify the compensation arrangements would increase the duplication between the BSC, the CUSC and the Charging Statements and increase the possibility of inconsistencies between them. Ofgem considers that this would be inconsistent with the better facilitation of the Applicable BSC Objective (d).

As work is already being undertaken to introduce enduring arrangements for access to the transmission system, under the CUSC and NGC's Charging Statements, Ofgem considers that implementing either the original Modification Proposal or the Alternative Modification Proposal may cause nugatory work to be undertaken. Ofgem also notes the original and the Alternative

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<sup>11</sup> The decision letter for CAP043 is available at [http://www.nationalgrid.com/uk/indinfo/cusc/mn\\_consultation\\_index.html](http://www.nationalgrid.com/uk/indinfo/cusc/mn_consultation_index.html). On 14 February 2003, Ofgem approved modifications UoSCM-M-09 and CCM-M-06 to NGC's Charging Methodologies that were related to the CAP043 Amendment Proposal. These decision letters are available at [http://www.nationalgrid.com/uk/indinfo/charging/mn\\_modifications.html](http://www.nationalgrid.com/uk/indinfo/charging/mn_modifications.html)

<sup>12</sup> See "NGC system operator incentive scheme from 1 April 2003 – 31 March 2004", Final Proposals and Statutory Licence Consultation, Ofgem, March 2003

<sup>13</sup> More information on CAP048 is available from NGC's website at <http://www.nationalgrid.com/uk/indinfo/cusc/>

Modification Proposal would impose some administrative overheads. For these reasons Ofgem considers that both the Modification Proposal and Alternative Modification Proposal would be detrimental to better facilitating the achievement of Applicable BSC Objective (d) and to the discharge of the Authority's statutory duties.

Applicable BSC Objective (b) - the efficient, economic and co-ordinated operation by the licensee (NGC) of the licensee's Transmission System.

Ofgem accepts that the current compensation arrangements for operational intertrip schemes could lead, in certain circumstances, to extremely negative System Sell Prices and hence that alternative arrangements could assist the efficient and economic operation by NGC of the Transmission System. Alternative arrangements may therefore in turn better facilitate achievement of Applicable BSC Objective (b). Ofgem also considers that, in general, exposing the Transmission Company to the economic consequences of Transmission System failures could better facilitate achievement of Applicable BSC Objective (b). However, Ofgem considers in a wider context that the Alternative Modification Proposal may prove a dis-incentive to the development of enduring arrangements for access to the Transmission System within the appropriate governance structure. This is because Parties covered by the proposed compensation mechanism would already have a route to claim some compensation. Ofgem considers that this concern would have been somewhat mitigated in the case of the original Modification Proposal, due to the sunset clause it contains.

As set out in various consultation papers<sup>14</sup>, Ofgem considers that, in the context of its wider statutory duties, the development of appropriate new arrangements for access to the Transmission System are important. This is because Ofgem considers new arrangements for access to the Transmission System necessary to ensure that proper incentives are in place on NGC to develop and maintain an efficient Transmission System and on market participants to encourage them to make efficient use of the Transmission System. Overall, therefore, Ofgem considers that the implementation of new transmission access arrangements is likely to result in NGC operating the transmission system in an efficient, economic and co-ordinated manner to a greater extent than would be the case if new arrangements were delayed but the original or the Alternative Modification Proposal were implemented. Thus, while the implementation of either the original or the Alternative Modification Proposal could better facilitate achievement of Applicable BSC Objective (b), it would not be consistent with the discharge of the Authority's statutory duties.

Other reasons for Ofgem's views

Leaving aside the issue of the respective scope of the BSC, CUSC and NGC's Charging Methodologies and related industry developments, Ofgem does not consider that the Modification Proposal, or the Alternative Modification Proposal facilitates the Applicable BSC Objectives, and would be in opposition to Ofgem's statutory duties, for the following reasons.

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<sup>14</sup> See for example "Transmission access and losses under NETA, Revised Proposals", Ofgem, February 2002, "NGC system operator incentive schemes from April 2003, Initial Proposals", Ofgem, December 2002 and "NGC system operator incentive scheme from 1 April 2003 – 31 March 2004", Final Proposals and Statutory Licence Consultation, Ofgem, March 2003

Applicable BSC Objective (d) – promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

Ofgem does not consider that it would be appropriate for the BSC Panel to determine compensation claims following a disconnection from the Transmission System, as envisaged under the original and Alternative Modification Proposal. As stated in section B.1.2 of the BSC, the role of the BSC Panel is to administer the BSC and its change process having regard to the Applicable BSC objectives. For this reason, Ofgem considers both the original and the Alternative Modification Proposal would be detrimental to better facilitating achievement of Applicable BSC Objective (d).

Ofgem agrees with the respondent who argued that the most appropriate compensation would be through a commercial arrangement between NGC and the Party. This would minimise any overheads associated with having an administrative solution in place. Ofgem would therefore encourage NGC to put such agreements in place until alternative arrangements can be implemented through the CUSC and NGC's charging statements.

Applicable BSC Objective (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.

Ofgem agrees with the principle of removing imbalance exposure following the operation of an operational intertrip for the period of the disconnection or the Balancing Mechanism Window Period, whichever is shorter, as, during this period, Parties are unable to manage their imbalance exposure risk. However, Ofgem also considers that competition will be enhanced if all Parties are exposed to those imbalance exposure risks that they are able to manage by bilaterally contracting for their positions in the market. Ofgem therefore does not consider that relief from imbalance exposure should extend beyond the Balancing Mechanism Window Period as envisaged under the Alternative Modification Proposal. Ofgem therefore considers that the Alternative Modification Proposal would be detrimental to better facilitating the achievement of Applicable BSC Objective (c).

Summary of Ofgem's view

In summary, Ofgem considers that the issue of compensation for operational intertrips should be considered under the CUSC or Charging Methodology governance arrangements rather than under the BSC. This is because it relates to terms for transmission access rather than the details of the electricity trading arrangements. Ofgem also notes that this issue is being progressed by NGC and the industry via the review of NGC's Charging Methodologies and the work of the Transmission Access Standing Group. Ofgem considers that compensation for disconnection following intertrips should be dealt with bilaterally between NGC and affected generators whilst this work is being progressed.

Moreover, Ofgem considers both the original and the Alternative Modification Proposal would be detrimental to better facilitating achievement of Applicable BSC Objective (d). In addition, Ofgem considers the Alternative Modification Proposal would be detrimental to better

facilitating achievement of Applicable BSC Objective (c). In addition, Ofgem considers that both the original and the Alternative Modification Proposal would be inconsistent with its wider statutory duties. Whilst Ofgem accepts that the original or the Alternative Modification Proposal might better facilitate achievement of Applicable BSC Objective (b), Ofgem does not consider that this justifies the adoption of the original or the Alternative Modification Proposal given their detrimental effects in facilitating achievement of other Applicable BSC Objectives and the Authority's wider statutory duties.

### **The Authority's decision**

For the reasons set out above, the Authority is not able to direct the implementation of the original Modification Proposal P87. The Authority has also decided not to direct that the Alternative Modification Proposal P87, as set out in the Modification Report, 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 the Modification Report.

If you have any questions, please contact me on the above number. Alternatively, please contact Richard Ford on 020 7901 7411.

Yours sincerely

A handwritten signature in black ink, appearing to read "Sonia Brown".

**Sonia Brown**

**Director of Electricity Trading Arrangements**

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