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Direct Dial: 020 7901 7355

National Grid Electricity Transmission plc,
BSC Signatories and Other Interested Parties

20 September 2005

Our Ref: MP No P192

Dear Colleague,

Modification to the Balancing and Settlement Code (“BSC”) - Decision and notice in relation to Modification Proposal P192 “Change of name of the Transmission Company”

The Gas and Electricity Markets Authority (the “Authority”)¹ has considered the issues raised in the Modification Report² in respect of Modification Proposal P192, “Change of name of the Transmission Company”.

The BSC Panel (the “Panel”) recommended to the Authority that the Proposed Modification should be approved.

Having considered the Modification Report and the Panel’s recommendation and having regard to the Applicable BSC Objectives³ and the Authority’s wider statutory duties,⁴ the Authority has decided to direct a modification to the BSC in line with the Proposed Modification.

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

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

² ELEXON document reference P192MR10, Version No. 1.0, dated 13 September 2005.

³ The Applicable BSC Objectives, as contained in Standard Condition C3 (3) of NGC’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.
- e) 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.

⁴ Ofgem’s statutory duties are wider than the matters that the Panel must take into consideration and are detailed in sections 3A to 3C of the Electricity Act 1989.

This letter constitutes notice by the Authority under section 49A Electricity Act 1989 in relation to the direction.

Background

A motion was submitted to the Annual General Meeting of the Transmission Company held on 25 July 2005 proposing to change the company name from "National Grid Company plc" to "National Grid Electricity Transmission plc". The motion was approved by shareholders and took effect legally on 27 July 2005.

The BSC contains references to National Grid Company plc.

In order to rectify this situation, National Grid Electricity Transmission plc submitted Modification Proposal P192, "Change of name of the Transmission Company" on 27 July 2005.

The Modification Proposal

Modification Proposal P192 seeks to modify the BSC so that it reflects the changed name of the Transmission Company. The justification for the Modification Proposal was that it would better facilitate achievement of the Applicable BSC Objectives C3 (3) (a) and (d).

The Proposer considered that objective (a), *'the efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence'* would be satisfied by ensuring the correction definition of its name is reflected in the BSC.

The Proposer additionally contended that objective (d), *'the promotion of efficiency in the implementation and administration of the balancing and settlement arrangements'* would be satisfied, as ELEXON would ensure that the BSC and its Code Subsidiary Documents are consistent and correct with the definition of the Transmission Company.

The Panel considered the Initial Written Assessment at its meeting of 11 August 2005 and agreed to submit Modification Proposal P192 to the Report Phase on the basis that it supported the Proposer's view that better facilitation of the Applicable BSC Objectives was self-evident.

Respondents' views

ELEXON published a draft Modification Report on 15 August 2005, which invited respondents' views by 24 August 2005. Four responses (representing 22 Parties) were received. All expressed support for the Proposed Modification.

The respondents' views are summarised in the Modification Report for Modification Proposal P192, which also includes the complete text of all respondents' replies.

Panel's recommendation

The Panel met on 8 September 2005 and considered the Modification Proposal, 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 five Working Days after an Authority decision.

Ofgem's view

Having considered the Modification Report and the Panel's recommendation, Ofgem considers, having regard to the Applicable BSC Objectives and its statutory duties, that the Proposed Modification will better facilitate the achievement of Applicable BSC Objectives (a) and (d).

Ofgem notes that although the Transmission Company's name has changed, its company number remains the same. The Modification Report references ELEXON advice to the Panel that legally there are no interpretational problems with current BSC references to National Grid Company plc.

Ofgem considers that P192 is of purely clarificatory benefit and that the implementation costs are minimal⁵.

As noted in previous decision letters, Ofgem's view is that uncorrected minor inconsistencies in the BSC may lead to misunderstandings and confusion within industry that impede its efficient application. Ofgem therefore concludes that implementation of P192 will result in efficiency gains that may better facilitate the achievement of both Applicable BSC Objectives (a) and (d).

If you have any questions, please contact me on the above number, or alternatively Richard Hall on 020 7901 7335.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Simpson', written over a horizontal line.

Nick Simpson
Director, Modifications

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

⁵ Estimated at £930.