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The National Grid Company, BSC Signatories and  
Other Interested Parties

28 May 2004

Our Ref: MP No P152 ID

Dear Colleague,

**Modification to the Balancing and Settlement Code (“BSC”) - Decision and notice in relation to the Implementation Date for Modification Proposal P152 “Reduction of Credit Cover for a Trading Party in Default which has ceased trading and which has paid all accrued Trading Charges”**

On 30 April 2004 Ofgem approved Modification Proposal P152<sup>1</sup> and directed NGC to modify the BSC as set out in the Alternative Modification resulting from the Modification Report. P152 was directed to be implemented under a timetable recommended by the BSC Panel in the Modification Report for P152 with an Implementation Date of 3 November 2004.

Having carefully considered the circumstances of P152 in the context of the Applicable BSC Objectives<sup>2</sup> and the Authority’s wider statutory duties<sup>3</sup> the Authority in accordance with its power under section F 2.11.7 of the BSC has decided to direct that the Implementation Date for P152 shall be brought forward from 3 November 2004 to 5 July 2004.

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

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<sup>1</sup> Ofgem Ref: MP No P152 Mod

<sup>2</sup> 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.

<sup>3</sup> Ofgem’s statutory duties are wider than the matters that the Panel must take into consideration and include amongst other things a duty to have regard to social and environmental guidance provided to Ofgem by the government.

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

Ofgem considers that the provisions of the BSC which are and will continue to be part of the operational baseline of the BSC prior to the implementation of P152 have an unfair material effect on two classes of Party to the BSC. The nature of these unfair material effects and Ofgem's views in relation to them are explained in the P152 decision letter. Accordingly the Authority considers it appropriate that the Implementation Date for P152 should be brought forward from 3 November 2004 to 5 July 2004 in order that the Parties concerned should be exposed to the unfair material effects of the current operational baseline of the BSC for as short a period of time as possible.

As discussed in the P152 decision letter Ofgem's primary duty is to protect the interests of consumers and when discharging this duty Ofgem should have regard to (amongst other things) the need to secure that all reasonable demands for electricity are met. Ofgem stated its view in the P152 decision letter that it considered the implementation of P152 would be likely have a positive effect on security of supply. Accordingly Ofgem considers it appropriate that the Implementation Date for P152 should be brought forward from 3 November 2004 to 5 July 2004 in order that the positive effects on security of supply which Ofgem considers likely to arise from the implementation of P152 can be realised under the most practical and expeditious timetable.

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