



Direct Dial: 020-7901 7355

5 April 2004

The National Grid Company, BSC Signatories and
Other Interested Parties

Our Ref: MP No P151

Dear Colleague,

Modification to the Balancing and Settlement Code (“BSC”) - Decision and Direction in relation to Modification Proposal P151: “Housekeeping Modification”

The Gas and Electricity Markets Authority (the “Authority”)¹ has carefully considered the issues raised in the Modification Report² in respect of Modification Proposal P151, “Housekeeping Modification”.

The BSC Panel (the “Panel”) recommended to the Authority that Modification Proposal P151 should be made and that if approved the Proposed Modification should be implemented 10 Working Days following the Authority decision.

Having carefully considered the Modification Report and the Panel’s recommendation and having regard to the Applicable BSC Objectives and the Authority’s wider statutory duties,³ the Authority has decided to direct a Modification to the BSC in line with Modification Proposal P151.

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

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 P151RR, Version No. 1.0, dated 16 January 2004.

³ 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.

Background

Prior to the submission of Modification Proposal P151, ELEXON identified a number of minor inconsistencies, typographical errors and omissions in the BSC. The Modification Proposal is a consolidation of the various 'housekeeping' changes required to rectify these defects.

In order to rectify this situation and on the recommendation of ELEXON the Panel submitted Modification Proposal P151, "Housekeeping Modification" on 28 November 2003.

The Modification Proposal

Modification Proposal P151 seeks to modify the BSC so as to address a number of minor inconsistencies, typographical errors and omissions within the Code. ELEXON has stated that if left uncorrected, these errors, inconsistencies and omissions may lead to misunderstandings and confusion, which could potentially impact a Party's understanding of the operation of the BSC. ELEXON considers that addressing these defects periodically, by way of a consolidated housekeeping modification, is a more robust and efficient way of administering the arrangements than addressing each defect as it is identified, or waiting for a dispute to arise in relation to a particular issue. The justification for the Modification Proposal was that it would better facilitate achievement of Applicable BSC Objective⁴ C3 (3) (d).

It is ELEXON's view that it is in the general interests of all BSC Parties that the BSC is as accurate and internally consistent as possible.

The Panel considered the Initial Written Assessment at its meeting of 11 December 2003 and agreed to submit Modification Proposal P151 to the directly to the Report Phase. ELEXON published a draft Modification Report on 18 December 2003, which invited respondents' views by 6 January 2004.

Respondents' views

ELEXON received 7 responses to the consultation on Modification Proposal P151. 6 responses (representing 25 Parties) expressed support for the Proposed Modification, no Parties opposed the Proposed Modification and the remaining Party provided a "no comment" response.

One respondent to the consultation replied highlighting two of the changes specified by Modification Proposal P151 for particular consideration. Although the two changes were considered desirable, the respondent did not consider it clear that the changes met with

⁴ 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.

ELEXON's usual strict criteria for classification as a Housekeeping Modification. ELEXON responded to this comment by stating that in their view the changes were suitable for inclusion.

The respondents' views are summarised in the Modification Report for Modification Proposal P151, which also includes the complete text of all respondents' replies.

Panel's recommendation

The Panel met on 15 January 2004 and considered the Modification Proposal P151, 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 10 Working Days following the Authority decision.

Ofgem's view

Having carefully considered the Modification Report and the Panel's recommendation, Ofgem considers, having regard to the Applicable BSC Objectives and its statutory duties, that Proposed Modification P151 will better facilitate achievement of the Applicable BSC Objectives.

It is Ofgem's view that Modification Proposal P151 will better facilitate achievement of the Applicable BSC Objective (d). Having considered the proposed changes Ofgem's view is that if uncorrected, these errors, inconsistencies and omissions may lead to misunderstandings and confusion within the industry which could potentially impact a Party's understanding of the operation of the BSC. It is Ofgem's view that reading and understanding of the BSC ought to be as clear and unambiguous as possible at all times. The approval of Modification Proposal P151 will help achieve this.

Yours sincerely,

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

Nick Simpson
Director, Modifications