

<p style="text-align: center;">Modification Proposal</p>	<p>MP No: 138 (mandatory by BSCCo)</p>
<p>Title of Modification Proposal (mandatory by proposer): Contingency arrangements in relation to implementation of Demand Control measures pursuant to Grid Code OC6</p>	
<p>Submission Date (mandatory by proposer): 8th August 2003</p>	
<p>Description of Proposed Modification (mandatory by proposer):</p> <p>This Modification is intended to provide appropriate measures in Section G of the BSC that will cater for the implementation of a Demand Control instruction pursuant to Grid Code OC6. These measures should include the following:</p> <ol style="list-style-type: none"> 1. An Instruction issued by the Transmission Company in a Demand Control Settlement Period under OC6 of the Grid Code would be considered to be an Offer priced at the marginal Offer Price prevailing for the Demand Control Settlement Period; 2. Parties would receive the marginal Offer price for a Demand Control Offer Profile of imbalances for the relevant Demand Control Settlement Period; 3. The Demand Control Offer Profile would be derived from data provided by the Transmission Company to Elexon; and 4. As for accepted Offers, Parties' expected metered volume would be adjusted to reflect the volume of the Demand Control Offer Profile <p>The modification proposal would relate to a set of Demand Control Settlement Periods declared by the Transmission Company.</p>	
<p>Description of Issue or Defect that Modification Proposal Seeks to Address (mandatory by proposer):</p> <p>There are currently no provisions in the BSC that relate to the impact on BSC parties of Demand Control measures as set out in Grid Code OC6. This Modification Proposal seeks to address this defect by introducing contingency provisions into Section G of the BSC.</p> <p>Tighter system margins have apparently increased the risk that Demand Control could be implemented. A Demand Control event would have a number of consequences including:</p> <ol style="list-style-type: none"> i. Some parties being forced into a long imbalance position as a result of their customers being affected by Demand Control; ii. Parties thus affected could face potentially significant costs; and iii. Residual reallocation cashflows could be high and unpredictable <p>Currently NGC has the perverse incentive of implementing demand control as a free option rather than contracting forward for an appropriate level of reserve, thus creating a higher probability of demand control being exercised.</p>	
<p>Impact on Code (optional by proposer):</p> <p>Revisions to Section G</p>	
<p>Impact on Core Industry Documents (optional by proposer):</p> <p>Revisions may be required to OC6 of the Grid Code, particularly in relation to information provision from the Network Operators to the Transmission Company.</p>	

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Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i> None	
Impact on other Configurable Items <i>(optional by proposer):</i>	
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer)</i> <p>The proposal will better facilitate Objective (b) of the BSC in relation to the efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System by ensuring that Demand Control periods will be utilised effectively under the BSC. Furthermore, the proposal will create the correct incentive for NGC to ensure that the cost of demand control is appropriately incurred.</p> <p>By treating demand control as a BM action and removing the potential financial risks associated with Demand Control measures, the proposal will better facilitate Objective (c) of the BSC in relation to the promotion of effective competition in the generation and supply of electricity, and (so far as is consistent therewith) promoting such competition in the sale and purchase of electricity. Specifically the proposal will remove the risk that parties are exposed to high and unpredictable imbalance charges and residual cashflow reallocation cashflows during a Demand Control Period.</p>	
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Attachments: NO If Yes, Title and No. of Pages of Each Attachment:	