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22 April 2003

The National Grid Company, BSC Signatories and
Other Interested Parties

Our Ref: MP No P106

Dear Colleague,

Modification to the Balancing and Settlement Code (“BSC”) - Decision and Direction in relation to Modification Proposal P106: “Amendment to the BSC to allow Multiple Supplier Ids”

The Gas and Electricity Markets Authority (the “Authority”)¹ has carefully considered the issues raised in the Modification Report² in respect of Modification Proposal P106, “Amendment to the BSC to allow Multiple Supplier Ids”.

The BSC Panel (the “Panel”) recommended to the Authority that the Proposed Modification P106 should be made with an Implementation Date of 24 June 2003 if a decision is received from the Authority prior to 23 April 2003, or with an Implementation Date of 4 November 2003 if a decision is received from the Authority on or after 23 April 2003 and prior to 2 September 2003.

Having considered the Modification Report and the Panel’s recommendation and having regard to the Applicable BSC Objectives and the Authority’s wider statutory duties³, the Authority has decided to direct a Modification to the BSC in line with the Modification Proposal P106.

This letter explains the background and sets out the Authority’s reasons for its decision. In addition, the letter contains a direction to The National Grid Company plc (“NGC”) to modify the BSC in line with Modification Proposal P106, as set out in the Modification Report.

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

² ELEXON document reference P106MR10, Version No. 1.0, dated 18 March 2003.

³ Ofgem’s statutory duties are wider than the matters that the Panel must take into consideration and include amongst other things social and environmental guidance provided to Ofgem by the government.

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

Background

A Supplier ID is a data item used to identify a particular Supplier in the computer systems operated by Supplier Meter Registration Agents and other Supplier Volume Allocation (“SVA”) participants. The BSC is unclear as to the circumstances under which a Party may have more than one Supplier ID. While the BSC does not expressly state that Suppliers cannot have more than one Supplier ID, there are certain sections of the BSC which may be interpreted as implying a single Supplier ID per Party.

In order to address this lack of clarity, British Gas Trading submitted Modification Proposal P106, “Amendment to the BSC to allow Multiple Supplier Ids”, on 25 October 2002.

The Modification Proposal

Modification Proposal P106 proposes to clarify the Code in relation to the circumstances under which Parties may have more than one Supplier ID. The initial justification for the Modification Proposal was that it would better facilitate achievement of the Applicable BSC Objective⁴ C3 (3) (d).

The Panel considered the Initial Written Assessment at its meeting of 14 November 2002 and it agreed to submit Modification Proposal P106 to the Assessment Procedure. The Volume Allocation Standing Modification Group (the “Group”) considered the Modification Proposal over the course of three meetings (20 November, 20 December 2002 and 29 January 2003). During its discussions, the Group concluded that the only way of implementing a trade sale or a merger in a timely manner is through the provision of multiple Supplier IDs, but that the current uncertainty over what is supported by the Code did not lead to an efficient process for handling requests for multiple Supplier IDs. It also identified that BSC Systems impose a limit on the availability of additional Supplier IDs and that the most restricting factor is that of the Supplier Volume Allocation Agent (“SVAA”), which has a design limit of 200 IDs. Accordingly, the Group agreed that:

- ◆ it would not be appropriate to restrict the number of Supplier IDs allowable where they are requested for trade sales and mergers, as otherwise this would impose a barrier to commercial activities

⁴ The Applicable BSC Objectives, as contained in 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.

- ◆ a limit should apply in the case where multiple Supplier IDs are requested for Suppliers' own internal use, to prevent the number of Supplier IDs growing out of control
- ◆ implementation of the Modification Proposal would assist Parties in conducting trade sales and mergers in a timely manner, and also clarify the rules relating to multiple Supplier IDs, thereby better facilitating the achievement of Applicable BSC Objectives (c) and (d) respectively.

The Panel considered the Assessment Report at its meeting of 13 February 2003 and it agreed to submit the Modification Proposal to the Report Phase. ELEXON published a draft Modification Report on 20 February 2003, which invited respondents' views by 4 March 2003.

Respondents' views

ELEXON received eleven responses to the consultation on Modification Proposal P106. Ten responses (representing 54 Parties) expressed support for the Proposed Modification and the remaining one (representing 2 Parties) provided a "no comment" response.

The respondents' views are summarised in the Modification Report for Modification Proposal P106, which also includes the complete text of all respondents' replies.

Panel's recommendation

The Panel met on 13 March 2003 and considered the Modification Proposal P106, the draft Modification Report, the views of the Modification Group and the consultation responses received.

The Panel recommended that the Authority should approve the Proposed Modification and that, if approved, the Implementation Date should be 24 June 2003 if an Authority decision is received prior to 23 April 2003, or 4 November 2003 if an Authority decision is received on or after 23 April 2003 and prior to 2 September 2003.

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 Modification Proposal P106 will better facilitate achievement of the Applicable BSC Objectives.

Ofgem's view is that the clarification of the circumstances under which Parties may have more than one Supplier ID will assist with the administration of the Code in relation to such requests, thereby facilitating achievement of the Applicable BSC Objective (d).

Ofgem accepts the Group's assertion as to the necessity for multiple Supplier IDs to facilitate timely trade sales and mergers. The codification of this existing practice provides clarification for participants without imposing burdens on other Parties. Ofgem agrees with the rationales of the Group and the Panel as to how this better facilitates achievement of the Applicable BSC Objective (c).

Ofgem also accepts the Group's conclusion as to the benefits to be gained from having multiple Supplier IDs for internal business use. Ofgem considers the imposition of a limit of two additional Supplier IDs per Supplier to be a pragmatic means of allowing this facility whilst taking account of the key BSC System constraints and the desire to minimise implementation costs. Ofgem agrees that the extra flexibility gained through the use of multiple Supplier IDs for internal business use could bring marginal benefits to the competitiveness of Suppliers, thereby further facilitating achievement of the Applicable BSC Objective (c).

The Authority's decision

The Authority has therefore decided to direct that the Proposed Modification P106, as set out in the Modification Report, should be made and implemented.

Direction under Condition C3 (5) (a) of NGC's Transmission Licence

Having regard to the above, the Authority, in accordance with Condition C3 (5) (a) of the licence to transmit electricity granted to NGC under Section 6 of the Electricity Act 1989 as amended (the "Transmission Licence"), hereby directs NGC to modify the BSC as set out in the Modification Report.

The Implementation Date for Modification Proposal P106 is 24 June 2003.

In accordance with Condition C3 (5) (b) of NGC's Transmission Licence, NGC shall modify the BSC in accordance with this direction of the Authority.

If you have any questions, please contact me on the above number.

Yours sincerely,



David Edward
Head of Electricity Code Development

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