



Laone Roscorla
BSC Panel Secretary
c/o Elexon
350 Euston Road
London
NW1 3AW

20 July 2004

Dear Laone,

Review of aspects of the modifications process

The ability to make changes to the governance process and the modifications process under the Balancing and Settlement Code (BSC) are two of the successes of the new electricity trading arrangements. After years of inertia, the BSC has demonstrated it can provide a fluid governance structure, which facilitates sensible change when measured against the applicable BSC objectives.

Although, generally, the modifications process works well, there are shortcomings that have been recognised within the process. These include the inability to withdraw a modification after it has been presented to the BSC Panel, even if the modifications group has concluded that the proposal is no longer relevant, and the inability to amend superseded legal text while a modification is under consideration by the Authority, to quote two examples. Furthermore, similar modification and amendment processes exist within other parts of the energy sector, although the details of the processes differ, which offer some more flexible (though no less transparent) processes.

Given that the remit of this year's BSC review has now been scoped but does not include governance matters, I believe that a review of the BSC modifications process should now be undertaken in a timely manner. There are good efficiency reasons, in some cases highlighted by Elexon in a paper presented to April's BSC Panel meeting (75/014), why the current process is deficient in some relatively small respects, and nonetheless warrant assessment with a view to correction. There may also be efficiency lessons that can be learned from other similar processes within the energy sector but where different practices have evolved, and I consider it would be timely to look across governance structures to ascertain best practice. I understand that views have been expressed at Panel meetings regarding the approach to housekeeping modifications. Furthermore the resolution of manifest errors in the Code is particularly cumbersome, and I understand other governance structures seem to offer more flexibility.

As a starting point, it would seem sensible for a standing modifications group (the Governance Standing Modification Group (GSMG) would clearly be the most appropriate), to undertake an investigation of the points raised in the issues register produced by Elexon to accompany BSC Panel paper 75/014 but which have also been expressed by other market participants via BSC Panel members. I believe it would be appropriate for the BSC Panel to develop the terms of reference for this investigation and





it may be a matter that can be dealt with promptly at the forthcoming BSC Panel meeting on 12 August.

I would appreciate the BSC Panel's early consideration of this proposal and look forward to receiving your response.

Yours sincerely,

Keith Munday
Commercial Director

cc Sarah Parsons