



Direct Dial: 020-7901 7435

21 November 2002

The National Grid Company, BSC Signatories and  
Other Interested Parties

Our Ref: MP No P93

Dear Colleague,

**Modification to the Balancing and Settlement Code ("BSC") - Decision and Notice in relation to Modification Proposal P93: "Introduction Of A Process For Amendment Of Proposed Implementation Dates"**

The Gas and Electricity Markets Authority (the "Authority")<sup>1</sup> has carefully considered the issues raised in the Modification Report<sup>2</sup> in respect of Modification Proposal P93, "Introduction Of A Process For Amendment Of Proposed Implementation Dates".

The Balancing and Settlement Code Panel (the "Panel") recommended to the Authority that Modification Proposal P93 should be made with an Implementation Date of:

- 30 September 2002 if an Authority determination is made on or prior to 9 September; or
- 15 Working Days after such Authority determination if that determination is made after 9 September 2002.

The Authority has decided not to direct a Modification to the BSC.

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

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<sup>1</sup> Ofgem is the office of the Authority. The terms "Ofgem" and "the Authority" are used interchangeably in this letter.

<sup>2</sup> ELEXON document reference P93RR Version No. 1.0, dated 20 August 2002

## Background

Modification Proposal P93, "Introduction of A Process For Amendment Of Proposed Modification Implementation Dates " was raised on behalf of the Panel on 8 July 2002. The justification for the Modification Proposal was that it would better facilitate achievement of the Applicable BSC Objective<sup>3</sup> C3 (3) (d) of National Grid Company's Transmission Licence.

The Panel considered the Initial Written Assessment at its meeting of 18 July 2002 and agreed to submit Modification Proposal P93 to the Report Phase.

A draft Modification Report for P93 was issued for consultation on 26 July 2002.

## The Modification Proposal

Modification Proposal P93 seeks to modify the BSC so as to allow the Panel to amend the proposed Implementation Date in a Modification Report submitted to the Authority for a determination, but on which a decision has not yet been made. The amendment would take place after the Panel had consulted with interested parties<sup>4</sup> and prior to an Authority decision.

ELEXON published a draft Modification Report on 26 July 2002, which invited respondents' views by 2 August 2002.

## Respondents' views

ELEXON received twelve responses to the consultation on Modification Proposal P93. Nine responses (representing 34 Parties) expressed support for the proposed Modification. One respondent (representing 5 Parties) had concerns with the Modification Proposal and did not support it. In this respondent's view, implementation of the Modification Proposal would only increase the level of uncertainty as to when determinations from the Authority may be forthcoming. Two respondents (representing 3 parties) had no comment to make on the proposal.

The respondents' views are summarised in the Modification Report for Modification Proposal P93, which also includes the complete text of all respondents' replies.

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<sup>3</sup> The Applicable BSC Objectives, as contained in Condition C3 (3) of National Grid Company'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>4</sup> Each of the persons listed in Section F paragraph 2.1.10(a) of the BSC

### **Panel's recommendation**

The Panel met on 15 August 2002 and considered the Modification Proposal P93, 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 on:

- 30 September 2002 if an Authority determination is made on or prior to 9 September; or
- 15 Working Days after such Authority determination if that determination is made after 9 September 2002.

### **Ofgem's view**

Ofgem considers, having had regard to its statutory duties, that Modification Proposal P93 does not better facilitate achievement of the Applicable BSC Objectives, in that it does not promote efficiency in the implementation and administration of the balancing and settlement arrangements.

Currently, Section F of the BSC provides that if a Modification Proposal or its Alternative is approved, the Approved Modification's Implementation Date may be extended or brought forward as appropriate.

Further, prior to the Modification Report being issued to the Authority, Ofgem has the ability at various points in the process to direct the alteration of proposed Implementation Dates. Consequently, under normal circumstances, the proposed Implementation Dates for Proposed Modifications that have a dependency on external factors (such as system updates) should be set so that the Authority will be in a position to make a determination in time for Parties to effect appropriate changes to their systems.

The rationale behind submitting an Implementation Date is to provide certainty to Parties as to when a change to the Code will take effect. Ofgem considers that the addition of yet another mechanism to alter Implementation Dates would introduce unnecessary regulatory uncertainty to the market with no corresponding gains in efficiency. This would not better facilitate achievement of the Applicable BSC Objectives in that it would not promote efficiency in the implementation and administration of the balancing and settlement arrangements.

### **The Authority's decision**

The Authority has therefore decided not to direct that Proposed Modification P93, as set out in the Modification Report for Modification Proposal P93, should be made and implemented.

Having regard to the above, the Authority, in accordance with Section F1.1.4 of the BSC, hereby notifies NGC that it does not intend to direct NGC to modify the BSC as set out in the Modification Report.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'DE', written in a cursive style.

**David Edward**

**Head of Electricity Codes Development**

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