



Nick Simpson  
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13 June 2006

Dear Nick,

**Panel recommendation regarding urgency for Modification Proposal P201 'Energy Imbalance Tolerance Band'**

Modification Proposal P201 'Energy Imbalance Tolerance Band' (P201) was raised by Utilita on 26 May 2006.

BSCCo has recommended that P201 should be progressed as an Urgent Modification Proposal. The Proposer supports BSCCo's recommendation. In accordance with the procedures set out in Section F2.9 of the Balancing and Settlement Code ('the Code'), the Panel has carefully considered this recommendation, and recommends to the Authority that P202 should be progressed as an Urgent Modification Proposal.

I am writing to seek the Authority's determination as to whether urgency should be granted and, if so, endorsement of the process and timetable to be followed in respect of the Urgent Modification Proposal.

Issues Addressed by the Modification Proposal

A copy of Modification Proposal P201 is attached to this letter.

P201 seeks to introduce a tolerance band for the application of Imbalance Charges to Supplier Consumption Energy Accounts. Where a Supplier was short on its Consumption Energy Account and the System was short, the Party would be charged a Tolerance Price for the first 20 MWh of imbalance (rather than the Main Price). The Tolerance Price would be the Market Price adjusted to include a premium (e.g. plus 10 percent).

Rationale for Urgency Recommendation

P201 identifies similar issues to those raised by P202 – 'Energy Imbalance Incentive Band' (P202). On considering the request for urgent treatment of P202, BSCCo and the Panel acknowledged the relationship between P202 and P201. It was noted that an Authority decision on P201 and P202 may need to be taken in parallel and that any benefit of progressing P202 via the urgent process may be lost if the P201 Modification Report is not provided to the Authority in the same timescale as P202. The Panel noted that, should the Authority determine P202 be progressed as an Urgent Modification, BSCCo would recommend that P201 also be treated as an Urgent Modification.

The Authority determined that P202 should be treated as an Urgent Modification Proposal on 12 June 2006. The Authority indicated that it had received commercially confidential information that

indicated P202 should be progressed as an Urgent Modification Proposal. The Authority also expressed the view that P202 seeks to address issues associated with a time related event i.e. the implementation of P194.

BSCCo recognises that the issue identified in the proposal is of significant concern to some participants ahead of winter 06/07. BSCCo also acknowledges that imbalance charging mechanism over winter periods may have material commercial impacts on some participants. Whilst BSCCo considers it is not clear that urgent progression would allow for implementation ahead of winter 06/07, it considered that the rationale for granting urgent treatment of P202 applies equally to P201. Specifically that P202 seeks to address issues associated with a time related event i.e. the implementation of P194. BSCCo also consider it is necessary to align the progression of P201 with P202 in order to avoid any inefficiency in the process or delays to the P202 decision making process.

BSCCo noted the view of the P201 Proposer that it would be desirable to consider implementation of P201 ahead of winter 06/07. BSCCo contacted the Proposer, who supported BSCCo's recommendation that P201 should be treated as an Urgent Modification Proposal.

#### Panel Views

The Chairman sought views of Panel Members via teleconference on 12 June 2006. Panel Members agreed unanimously that P201 should be progressed as an Urgent Modification Proposal.

The Panel unanimously agreed with the view of BSCCo that it is necessary to align the progression of P201 with P202 in order to avoid any inefficiency in the process or delays to the P202 decision making process. The Panel also agreed that the rationale set out in the Authority decision letter granting urgent treatment of P202 applies equally to P201. The Panel noted that the issues raised by P201 are aligned with those it had considered in relation to the urgency request for P202.

#### Proposed Process and Timetable

The proposed process and timetable that would be adopted if this Modification Proposal were to be treated as urgent is set out in the table below. This timetable is aligned with the urgent timetable for P202 which has been agreed by the Authority. The aim would be to submit Urgent Modification Reports in respect of P201 and P202 to the Authority on 14 August 2006.

#### **P201 Proposed Process and Timetable**

<b>Activity</b>	<b>Date</b>
First Modification Group Meeting	14 June
Second Modification Group Meeting	22 June
Issue Consultation and Requirements Specification to Modification Group for review	30 June
Comments from Modification Group	5 July
Consultation / Impact Assessment	6 July – 19 July
Third Modification Group meeting	25 July
Issue Urgent Modification Report to Modification Group for review	2 August
Comments from Modification Group	6 August
Issue Urgent Modification Report to Panel	8 August
Panel Meeting	10 August
Issue Urgent Modification Report to Authority	14 August

Decision Required

You are invited to determine whether P201 should be treated as Urgent Modification Proposal and, if so, to direct the processes and timetables to be followed. Given the proposed timing of the first Modification Group Meeting on 14 June 2006, I would be grateful if you could reach a timely decision on this matter. Ideally a decision would be provided by close of business Tuesday 13 June 2006 prior to the scheduled Modification Group Meeting.

Yours sincerely,

*Nick Durlacher*

Nick Durlacher  
**BSC Panel Chairman**

Enc: 1. Modification Proposal P201