



Making a positive difference  
for energy consumers

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Dear Ms Waters,

**Response to request for Designation by Ofgem to raise BSC Modification Proposal 'Introduction of a BM Lite balancing mechanism'**

We have received your letter dated 16 March 2017 requesting that the Authority designate the Flexible Generators Group ("FGG") and/or related parties as a "representative of interested third parties" under the Balancing and Settlement Code ("BSC") to raise a modification to this code.

This letter outlines our understanding of the proposal, the details of your application for designation and decision to designate PeakGen as the proposer, and Welsh Power as the proposer's 'alternate', for the purposes of raising the above referenced modification only.

**Background**

The application for designation was submitted to Ofgem on behalf of the Flexible Generators Group ("FGG"). The applicant is seeking designation under the BSC for the FGG, individual FGG members, and/or 'embedded generators' as a class of system user, to enable the raising of BSC modification 'Introduction of a BM Lite balancing mechanism'. The BSC permits that "bodies representative of interested third parties" may be designated by the Authority from time to time for the purposes of raising a modification to the code.<sup>1</sup>

In response to a request from Ofgem, the BSC draft modification proposal form was submitted as supplementary information in support of your application. We understand that you have worked with the Code Administrator to develop this proposal and the proposed solution. The Code Admin has concluded that the revised proposal form meets the requirements to be progressed to the BSC Panel for consideration of next steps, if raised by a valid proposer.<sup>2</sup>

We understand the identified defect is that neither the current Supplier Volume Allocation ("SVA") or Central Volume Allocation ("CVA") provide a way for independent embedded generators to aggregate generating units at multiple sites into a single BM Unit. As such, the proposal is seeking to create a new BSC registration system that

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<sup>1</sup> BSC section F, 2.1 Modification Proposals, 2.1.1(d)

<sup>2</sup> Correspondence from BSC Panel dated 12/4/17.

allows embedded generators to create Embedded Generator BM Units ("EG BMUs") of between 5MW and 200MW in size for the purpose of BM access only.

### **Authority View**

Ofgem assesses applications for designation on a case-by-case basis, in the context of the status of the relevant code provisions at the time. While not judging the merits of the modification proposal, the clarity of the proposal is also taken into account.

Following our internal assessment of this application, we consider that in the particular circumstances of this request, the proposer has satisfied us it would be appropriate for them to be able to raise this modification proposal. In addition, we have taken into account the views of the Code Administrator. **We hereby designate PeakGen as the proposer and Welsh Power as the proposer's alternate, "bodies representative of interested third parties"** to raise the BSC modification provided to us in support of your application for designation. The modification proposal has identified the defect that *"the BSC is not promoting effective competition in generation and is therefore hindering the SO from operating the transmission system in the most efficient, economic and coordinated manner. Currently neither SVA nor CVA provides a way for independent, embedded generators to aggregate generating units at multiple sites into a single BM Unit."*

Our decision is not a reflection of our views on the merits of the modification proposal itself. This decision must not be regarded as having predetermined the outcome of any BSC modification proposals currently in the industry modification processes. The decision here is based solely on the facts presented to the Authority by you in seeking designation on behalf of the proposer and/or alternate.

Yours sincerely,

Frances Warburton

**Partner, Energy Systems**

Signed on behalf of the Authority and authorised for that purpose