

Direct Dial: 020-7901-7412

The National Grid Company, BSC Signatories and  
Other Interested Parties

30 November 2001

Your Ref:  
Our Ref : MP No: P54

Dear Colleague

**Modification to the Balancing and Settlement Code (“BSC”) - Decision and Direction in relation to Modification Proposal P54: “Ability To Hold Short Notice BSC Panel Meetings”**

The Gas and Electricity Markets Authority (the “Authority”) has carefully considered the issues raised in Modification Proposal P54 “Ability To Hold Short Notice BSC Panel Meetings”.

The Balancing and Settlement Code Panel (the “Panel”) recommended to the Authority that Modification Proposal P54 be approved.

The Authority has decided to direct a modification to the Balancing and Settlement Code (“BSC”).

This letter explains the background to the Modification Proposal 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 as set out in Modification Proposal P54.

**Background to the proposal**

Currently, the Panel is unable to respond within 24 hours to major events that impact upon the balancing and settlement arrangements. This proposal was raised following the movement into administration of a number of companies within the Enron Group. It became clear that it might be necessary for the Panel to respond within 24 hours to such situations if they were to impact on the balancing and settlement arrangements. It was considered that it would be appropriate to make provisions for the Panel to convene meetings at shorter notice so that they will have the ability to respond in the event of a emergency with more timely action if necessary.

On 29 November 2001, NGC submitted Modification Proposal P54: Ability To Hold Short Notice BSC Panel Meetings with a recommendation that the proposal be treated as an Urgent Modification Proposal. After obtaining the views of the Panel the Authority gave consent for this proposal to be treated as urgent for the purposes of Section F2.9 of the BSC on the 30 November 2001. The Authority instructed that the Modification Report should be completed and submitted on the same day and that a consultation on this proposal was not necessary

### **The Modification Proposal**

Modification Proposal P54 seeks to modify the BSC so as to reduce the notice period required to hold a Panel Meeting from 24 hours to 1 hour at the discretion of the BSC Panel Chairman.

ELEXON published a Modification Report on 30 November 2001.

### **Panel's Recommendation**

The Panel held a telephone conference call on 30 November 2001 and considered Modification Proposal P54.

The Panel recommended that the Authority should approve the Proposed Modification and that the Proposed Modification should be implemented with immediate effect.

### **Ofgem's view**

Ofgem<sup>1</sup> considers that Modification Proposal P54 will better facilitate the Relevant Objectives of the BSC.<sup>2</sup>

Ofgem believes that the presence of a minimum notice period of 24 hours to convene a Panel Meeting restricts the ability of the Panel to take timely action in the event of an emergency that impacts upon the balancing and settlement arrangements. Ofgem believes that reducing the notice period to convene a Panel Meeting to 1 hour will enable the Panel to respond in a more timely manner in the event of an emergency. Therefore Ofgem believes that the Modification Proposal promotes efficiency in the implementation and administration of the balancing and settlement arrangements.

### **The Authority's 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> The Relevant BSC Objectives are defined in standard condition C3.3 of NGC's Transmission Licence

The Authority has therefore decided to direct that Modification Proposal P54 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 Modification Proposal P54. A copy of the text of the modification to the BSC is attached to this letter.

The modification is to take effect from 30 November 2001.

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 queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely

**Sonia Brown**

**Head of Electricity System Operation**

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

## **Attachment 1**

### **LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION**

A new section 4.7 to be inserted into Section B of the BSC, as follows :

#### **4.7 Urgent Panel Meetings**

4.7.1 Notwithstanding anything to the contrary in the preceding provisions of this paragraph 4, if any matter (not being Modification Business) arises which, in the Panel Chairman's opinion is of a sufficiently urgent nature as to require a decision of the Panel earlier than may be possible under paragraph 4.10.10:

- (a) the Panel chairman shall determine the time by which ,in his opinion, a decision of the Panel is required in relation to such matter, having regard to the degree of urgency in all the circumstances ,and references in this paragraph 4.7 to the 'time available' shall mean the time available, based on any such determination of the Panel Chairman:
- (b) the Panel Secretary shall, at the request of the Panel Chairman, convene a meeting or meetings (including meetings by telephone conference call, where appropriate) of the Panel in such manner and on such notice (but in any event not less than 1 hours notice) as the Panel Chairman considers appropriate, and such that, where practicable within the time available, as many Panel Members as possible may attend:
- (c) each Panel Member shall be deemed to have consented, for the purposes of paragraph 4.1.10, to the convening of such meeting(s) in the manner and on the notice determined by the Panel Chairman.