



17 January 2003

The National Grid Company, BSC Signatories and  
Other Interested Parties

Our Ref: MP No P75

Dear Colleague

**Modification to the Balancing and Settlement Code (“BSC”) - Decision and Notice in relation to Modification Proposal P75: “Introduction of zonal transmission losses”**

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 P75, “Introduction of zonal transmission losses”.

The BSC Panel (the “Panel”) recommended to the Authority that neither the original Modification Proposal nor the Alternative Modification Proposal be made.

Having considered the Modification Report and the Panel’s recommendation and having regard to the Applicable BSC Objectives and the Authority’s wider statutory duties, the Authority has decided not to direct a Modification to the BSC.

This letter explains the background to the Modification Proposal and sets out the Authority’s reasons for its decision.

Ofgem notes the recommendation of the BSC Panel that the arrangements put forward in Modification Proposal P82 (original and Alternative), Modification Proposal P75 (original and Alternative) and Modification Proposal P105 are mutually exclusive i.e. that it is only possible to determine in favour of one of the five proposals. Whilst Ofgem accepts that this is true and has considered the issues raised in these modification proposals concurrently, each Modification Proposal has been the subject of a separate determination, as required by the BSC and the Transmission Licence. The determinations in respect of all these Modification Proposals are being published simultaneously.

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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 P075R R, Version No. 1.0, dated 16 December 2002.

## Background

Some electricity is used up in the process of its transportation from power plants to electricity consumers. The electricity lost on the transmission network is commonly referred to as "transmission losses".

There are two types of losses: variable losses and fixed losses. Variable losses account for the majority of electricity lost. These are a function of the current flowing through a circuit or transformer windings, causing heating of the transmission lines, cables and transformer windings. These variable losses therefore increase with the distance that the electricity has to travel. Fixed losses, which are unrelated in the short run to the distance that the electricity has to travel, occur in both transformers and the overhead lines. For transformers, the fixed losses arise in their iron cores, which are subject to an alternating magnetic field, and do not vary significantly with the power flow through the transformer. Overhead line fixed losses are relatively small and dependent on voltage levels and weather conditions.

The current arrangements for allocating transmission losses are set out in Section T.2 of the BSC. Transmission losses are presently recovered on a uniform basis and divided between generators and suppliers<sup>3</sup> on a 45/55 split.<sup>4</sup> The rules apply a transmission loss multiplier ("TLM") to all metered volumes of BSC Participants to scale these to account for transmission losses. The TLM is calculated on a half-hourly basis to take account of the actual transmission losses in each Settlement Period. The TLM is derived from a transmission loss factor ("TLF"), which is currently set to zero for all Balancing Mechanism Units ("BMUs"), and transmission loss adjustments ("TLMOs")<sup>5</sup>, which are different for offtaking and delivering BMUs (TLMO- and TLMO+ respectively). The TLMOs ensure that 45% of the actual transmission losses are allocated to generators (delivering BMUs) and 55% to suppliers (offtaking BMUs).

The need to review the basis of charging for transmission losses was referred to in the Pooling & Settlement Agreement, introduced in 1990, and there has been a long standing regulatory commitment to reform transmission losses, supported initially by the Director General of Electricity Supply ("DGES") and subsequently by Ofgem. In November 1995, the DGES wrote to the Electricity Pool (the "Pool") Chairman asking the Pool to develop proposals for a more cost-reflective charging of transmission losses. Subsequently, a proposal for charging transmission losses on a zonal basis was developed and the proposal was approved by the majority of Pool members. However, this decision was appealed to the DGES for determination. The DGES upheld the Pool's resolution, and a date of November 1997 was set for implementation of the scheme. Two Pool members challenged the DGES determination by judicial review on procedural grounds. While the judicial review did not proceed to hearing, the arrangements

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<sup>3</sup> For the purposes of this letter when Ofgem makes reference to suppliers this includes all customers who are directly connected to NGC's transmission system.

<sup>4</sup> The 45:55 split is equivalent to a 50:50 split, by taking into account that the Defined Meter Point for generation is the high voltage side of the generator transformer, whereas that for demand is the low voltage side of the supergrid transformer. Therefore, the loss volumes calculated do not take into account the supergrid transformer losses already incurred by generators, but do include the supergrid transformer losses on the demand side. This split in the responsibility for losses between generators and suppliers was introduced with NETA in March 2001. Previously all the losses were allocated to suppliers.

<sup>5</sup> It is noted that TLMO is not a direct abbreviation of transmission loss adjustments. However, it is the formulation used in the BSC to denote this.

envisaged were not implemented in 1997 and the matter was superseded by the review of the Pool based trading arrangements and the introduction of the New Electricity Trading Arrangements in 2001. The basis for charging for transmission losses was incorporated into the BSC, which was introduced in March 2001, and became subject to the normal governance arrangements for modifying the BSC.

## The Modification Proposal

The Proposer, Powergen, submitted Modification Proposal P75, "Introduction of zonal transmission losses" on 5 April 2002. The Proposer considered that the Modification Proposal would better facilitate achievement of the Applicable BSC Objectives<sup>6</sup> (b) and (c) as set out in Condition C3.3 of NGC's Transmission Licence.

The Proposer considered that the current uniform approach to allocating transmission losses fails to provide appropriate cost-signals and that it provides hidden cross subsidies for northern generation and southern demand. The Proposer considered that introducing a zonal allocation of transmission losses would provide appropriate locational signals to parties which would help reduce overall transmission losses in the short-term and encourage more optimal siting of generation and demand in the longer-term.

The Modification Proposal seeks to modify the BSC to introduce zonal transmission losses. The Modification Proposal set out that ELEXON<sup>7</sup> would appoint a Transmission Loss Factor Agent ("TLFA") to calculate zonal marginal TLFs for each BMU for each Settlement Period. The TLFs would be calculated in accordance with a Transmission Loss Factor Methodology ("TLFM"), which would be set out in the BSC. The TLFM would be a marginal approach.

The Proposer considered that the exact approach would be for the Transmission Loss Factor Modification Group (the "Group") to decide but put forward some suggestions in the Modification Proposal:

- demand and generation would be determined for all nodes on the System for each Settlement Period on an ex-post basis;
- a load flow model would be run to determine how a small increment of demand at a node would be met by a suitable increase in generation spread across all nodes;
- nodal marginal loss factors would be derived by repeating this process for each node on the system;

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<sup>6</sup> The Applicable BSC Objectives, as contained in Condition C3.3 of NGC'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) without prejudice to the foregoing objectives and subject to paragraph 3A, 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>7</sup> The BSCCo is ELEXON.

- nodal marginal loss factors would then be averaged to provide zonal marginal loss factors (the TLFs) for the current Transmission Network Use of System (“TNUoS”) zones in respect of generators and the Grid Supply Point (“GSP”) Groups in respect of demand; and
- the TLFs would be submitted to the BSCCo by the TLFA as soon as practicable and preferably in time for the Initial Settlement Run.

The TLFs calculated in this fashion would be used in the calculation of the TLMs, as described in section T.2.3 of the BSC. As at present, the TLMs would be used to multiply the metered volumes of generators and demand to adjust them for transmission losses.

The Panel considered the Initial Written Assessment for the Modification Proposal at its meeting of 18 April 2002 and agreed to submit it to a one month Definition Procedure.

The Group met twice during the Definition Procedure and agreed the terms of reference and the items for assessment for the Assessment Procedure.

The Panel agreed to submit the Modification Proposal to a six month Assessment Procedure at its meeting on 16 May 2002. The Panel considered that the Group should consider the Modification Proposal in parallel with Modification Proposal P82 “Introduction of zonal transmission losses on an average basis”.

In its Interim Report to the Panel, issued for the 18 July 2002 Panel meeting, the Group set out its initial findings and its intention to procure a modelling service in order to assess the impact of the Modification Proposal. The Panel agreed with the intention to procure a modelling service.

The Group set up two sub-groups to agree a requirement specification for the modelling service and the input data to be used for the modelling exercise. An invitation to tender for the modelling service was issued on 22 July 2002. Power Technologies International (“PTI”) won the tender and was awarded the contract on 15 August 2002.

Preliminary results from PTI’s modelling work were made available to all interested parties for the assessment consultation, which was issued on 2 October 2002. PTI delivered its final report on the results of the load flow modelling of both Modification Proposal P75 and Modification Proposal P82 on 14 October 2002. The assessment consultation closed on 21 October 2002.

The Group reviewed PTI’s modelling results and the responses to the assessment consultation and agreed to refine the original Modification Proposal. The modelling results indicated there would be little variation within day for TLFs. The detailed level impact assessments by NGC and the NETA Central System Agent suggested that there would be additional costs associated with providing half-hourly network data and accommodating half-hourly variation in TLFs in the Settlement systems. The Group therefore decided to refine the original Modification Proposal to calculate daily TLFs rather than Settlement Period specific TLFs.

Advised by the results of PTI’s modelling, the Group also decided that the TLFs should be derived using a Direct Current (“DC”) type load flow modelling technique and that the network configuration data for the load flow model should be based on a historical, intact network configuration. The Group agreed that the process for converting nodal TLFs into zonal TLFs

would be by volume weighted averaging. Finally, the Group decided that the conversion from Settlement Period TLFs into daily TLFs would be by time-weighted averaging.

Parties were requested to undertake an Impact Assessment on Modification Proposal P75. In addition, ELEXON undertook an impact assessment on BSC Systems and Services.

During the assessment, the Group developed an Alternative Modification Proposal. The Group considered that under the Alternative Modification Proposal the TLFs should be fixed in advance for a month at a time and that it should have a phased implementation over four years.

The Group considered that a phased implementation would smooth the impact of zonal differentiation of TLFs and protect forward contracts made prior to the introduction of new transmission losses arrangements. The Group discussed several alternative phasing methods but finally settled on a scheme which was referred to as the "B-phasing approach". With this phasing mechanism, the Alternative Modification Proposal would be phased in gradually over four years. In the first year following implementation, the TLFs applied would be set to 25% of their calculated values. In the second year, they would be set to 50% of their calculated value whilst in the third year they would be set to 75% of their calculated values. From the fourth year onwards, the TLFs would equal their full calculated values.

The majority of the Group considered that the original Modification Proposal did not better facilitate achievement of the Applicable BSC Objectives. They considered that, on balance, the gains in the accuracy of the allocation of the costs of transmission losses would be outweighed by the costs associated with the risks inherent in any ex-post scheme, particularly since they were of the view that it would not be possible to hedge these risks.

The majority of the Group considered that the Alternative Modification would better facilitate achievement of the Applicable BSC Objectives in that it would retain the advantages of the original Modification Proposal (as refined by the Group) but avoid many of the costs and risks associated with it. In addition, the majority of the Group considered that phased implementation would smooth the impact of zonal differentiation.

Consequently, the Group recommended in the Assessment Report submitted to the Panel that the draft Modification Report should contain a provisional recommendation that the Alternative Modification should be made and that the original Modification Proposal should not be made.

ELEXON published a draft Modification Report on 21 November 2002, which invited respondents' views by 4 December 2002. The draft Modification Report contained a provisional recommendation by the Panel that neither the original Modification Proposal nor the Alternative Modification Proposal better facilitated the achievement of the Applicable BSC Objectives and both should be rejected.

### **Respondents' views**

ELEXON received 18 responses to the consultation on the draft Modification Report. Of these, 16 agreed with the Panel's recommendation to reject both the original Modification Proposal

and the Alternative Modification Proposal, one disagreed with the Panel's recommendation and the remaining respondent did not express an opinion on the Panel's recommendation.

The respondent that disagreed with the Panel's recommendation expressed support for the Alternative Modification Proposal. The respondent considered that the Alternative Modification Proposal would remove the current cross-subsidy in the allocation of transmission losses and improve efficiency in competition.

Most of the respondents opposed to both the original Modification Proposal and the Alternative Modification Proposal considered that the costs of their implementation would outweigh any benefits the modifications might deliver. Furthermore, respondents also argued that both the original Modification Proposal and the Alternative Modification Proposal would introduce windfall gains and losses without any overall benefits.

Two of the respondents commented that the ex-post nature of the calculation of TLFs in the original Modification Proposal would introduce a risk that would be impossible to hedge and that this would harm competition.

One respondent considered that using different zones for demand and generation would add unnecessary complexity to the process, with no clear benefit. The respondent considered that this can lead to perverse local incentives as the TLFs in some locations will not be equal and opposite. Two respondents commented that demand would not be able to respond to any locational signals arising from a zonal allocation of transmission losses.

One respondent considered that the original Modification Proposal and the Alternative Modification Proposal would impact on the development of renewable generation and would put at risk the ability of the industry to achieve the 's targets in this area. This respondent also considered that the original Modification Proposal and the Alternative Modification Proposal would be contrary to Ofgem's statutory duty with respect to the environment.

One respondent considered that there should be no phased implementation, as this would delay the full realisation of the benefits that are likely to be obtained from the introduction of zonal transmission losses. Two other respondents considered that, if approved, the Modification Proposal should have a phased implementation to provide protection for existing contracts.

Finally, four respondents specifically mentioned the British Electricity Trading and Transmission Arrangements ("BETTA") in their response. Of these, three respondents expressed a firm view that the potential impact on BETTA needs to be addressed before the arrangements for transmission losses are changed.

The respondents' views are summarised in the Modification Report for Modification Proposal P75, which also includes the complete text of all respondents' replies.

## Panel's recommendation

The Panel met on 12 December 2002 and considered the original Modification Proposal, the Alternative Modification Proposal, the draft Modification Report, the views of the Modification Group and the consultation responses received.

The Panel was of the opinion that it had not been proven that zonal differentiation would result in a more accurate allocation of the cost of losses. In addition, the Panel considered that, on balance, the effect of any gains in the accuracy of cost allocation would be outweighed by the additional risk introduced by the ex-post nature of Modification Proposal P75 and the industry-wide costs associated with its implementation. Furthermore, a majority of Panel members believed that the ex-ante nature and phased implementation of the Alternative Modification would not be sufficient to yield a net benefit.

The Panel recommended that the Authority should reject both the original Modification Proposal and the Alternative Modification Proposal.

The Panel also recommended that, if either the original Modification Proposal or the Alternative Modification Proposal should be approved by the Authority, the Implementation Date should be 1 April 2004 where an Authority determination is received by 17 January 2003. Where an Authority determination is received after this date, but before 31 March 2003, the Implementation Date should be 1 October 2004.

## Ofgem's view

Having carefully considered the Modification Report and the Panel's recommendation, Ofgem considers, having had regard to the Applicable BSC Objectives and its statutory duties<sup>8</sup> that, on balance, neither the original Modification Proposal or the Alternative Modification better facilitates the achievement of the Applicable BSC Objectives. Ofgem is therefore not directing a modification to the BSC as regards either the original Modification Proposal or the Alternative Modification Proposal.

Applicable BSC Objective (b) - enhancing the efficient economic and co-ordinated operation by the licensee (NGC) of its transmission system.

Ofgem considers that the adoption of zonal transmission losses will remove cross subsidies which the present uniform charging for transmission losses create. If charges do not reflect costs, there will be cross subsidisation in the charging arrangements which will tend to have two effects:

- in the short run costs are higher than would otherwise be the case. Cross subsidisation will lead to some plant generating when it would be less costly for it not to generate, whilst other plant, which it would be more efficient to use, is not generating. Similarly,

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<sup>8</sup> Ofgem's statutory duties are wider than the matters that the Panel must take into consideration and include amongst other things social and environmental guidance provided to Ofgem by the government.

cross subsidies are likely to result in the pattern of electricity consumption failing to reflect fully the costs of providing the electricity; and

- in the long run there will be a tendency towards an inefficient (locational) pattern of investment in generation and closure of generation with a consequential adverse impact on transmission. There could also be inefficiency in the location of demand.

These inefficiencies have economic and environmental costs, the size of which will depend upon system conditions.

The introduction of zonal transmission losses would enhance efficiency through more cost reflective charging which could be expected to influence both short and long term business decisions. This enhanced efficiency is of particular importance over the next 20 years given the potential major changes in the type and distribution of plant, especially as a result of the government's climate change commitments. In principle, therefore, based on the benefits that could accrue, the implementation of either the original Modification Proposal or the Alternative Modification Proposal could better facilitate achievement of the Applicable BSC Objective (b).

Applicable BSC Objective (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.

In general, uniform pricing presents a barrier to competition as it offers less scope for competitors to secure a lower cost. The present uniform pricing arrangements artificially impose higher costs on generators in the south and suppliers in the north. This restricts the market for generation alternatives in the south (whether this be Combined Heat and Power ("CHP") or other forms of new generation) and supply in the north. Consequently, introducing differential charges would have a positive effect on competition. However, Ofgem was concerned that some participants consider that the allocation of fixed and variable losses in a marginal scheme (such as the original Modification Proposal and the Alternative Modification Proposal) would introduce new cross subsidies in the opposite direction to those presently existing. Ofgem agrees that allocating fixed losses on a marginal basis may be inappropriate.

Therefore, Ofgem considers that it is currently unclear whether the original Modification Proposal or the Alternative Modification Proposal better facilitates the achievement of the Applicable BSC Objective (c).

Applicable BSC Objective (a) - the efficient discharge by the licensee (NGC) of the obligations imposed upon it by its licence.

NGC has a range of statutory duty and licence obligations which include ensuring efficient, economic and co-ordinated operation of the system, the facilitation of competition<sup>9</sup> and non-discrimination in its charges<sup>10</sup>. Ofgem considers that the original Modification Proposal and the Alternative Modification Proposal could enhance NGC's discharge of the first of these obligations, but that it is unclear whether it will enhance its discharge of the second obligation.

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<sup>9</sup> Section 9 (2) (b) of the Electricity Act 1989.

<sup>10</sup> Standard Condition C7C of the Transmission Licence



Ofgem does not agree with the view of some respondents that the introduction of fixed and variable losses in a marginal scheme would constitute discrimination in that fixed costs cannot be attributed to any particular BSC Party. However, as outlined above, Ofgem agrees that allocating fixed losses on a marginal basis may be inappropriate. On balance, Ofgem considers that either the original Modification Proposal or the Alternative Modification Proposal could better facilitate achievement of the Applicable BSC Objective (a).

The benefits of removing market distortions, such as uniform losses, are generally difficult to quantify, since they depend upon the uncertain and unknowable evolution of the relevant market including, in this case, transmission system conditions. As the Panel noted, any calculation is highly dependent on the assumptions made. Although a marginal scheme (such as the original Modification Proposal and the Alternative Modification Proposal) would have higher benefits than an average zonal losses scheme (such as Modification Proposal P82) the costs will also be higher.

ELEXON has indicated that the likely NETA Central Service Agent costs associated with implementing the original Modification Proposal are £782,700, with on-going costs of £9132 per month. ELEXON will additionally have to appoint a TLFA. Ofgem has also given careful consideration to the views of respondents on the potential cost impact of costs in respect of both the original Modification Proposal and the Alternative Modification Proposals on their internal systems and processes. In general in relation to the original Modification Proposal, respondents were of the view that the costs and risks associated with the original Modification Proposal could be significant, and significantly higher than the costs associated with Modification Proposal P82. This is because the original Modification Proposal involves daily loss factors that are set ex post. Respondents considered that such arrangements would substantially increase the risks to which they were exposed, since the loss factors might vary in an unpredictable way and hence it would be impossible to hedge the risks associated with them. The higher risks and the need to have systems and processes that could deal with loss factors varying on a daily basis led some respondents to suggest that the costs associated with the modification could be very high.

Ofgem accepts respondents' views that the expected costs associated with the Alternative Modification Proposal are likely to be considerably lower than the original Modification Proposal but considers that they will overall be higher than those associated with Modification Proposal P82, as Modification Proposal P82 incorporates annual rather than monthly loss factors.

The Alternative Modification Proposal phases the introduction of zonal losses over four years. An argument put forward by respondents for phasing is that it would give market participants time to adjust to the new situation. This argument has to be set against the opposing arguments that delay would reduce the net benefits of the change and that the change has already been long awaited. Given that there will be no change to the current arrangements until 1 April 2004, being the implementation date envisaged by all the modifications under consideration, Ofgem considers that participants have already considerable time to adjust to the new arrangements.

In this regard, it is important to note that a change to strengthen the signals of transmission losses has been foreshadowed since 1990 so that market participants have had the opportunity to take it into account in planning and investment over the intervening years.

Better charging signals will lead to more efficient use of existing plant and more informed locational decisions, both of which are immediate as well as long term issues (decisions on closures and new plant are likely to have to be taken in the next few years as well as over the longer term).

On this basis, Ofgem considers that the case for further phasing is unpersuasive and that there is a strong efficiency case for the earlier implementation of the improved price signals.

As Ofgem has concluded that the original Modification Proposal and the Alternative Modification Proposal could better facilitate achievement of at least one of the Applicable BSC Objectives, it was additionally necessary to consider the original Modification Proposal and the Alternative Modification Proposal in relation to the statutory duties of the Authority. Ofgem considers that the original Modification Proposal and the Alternative Modification Proposal would deliver consequential benefits in accord with its principle objective<sup>11</sup> to protect the interests of consumers, present and future, by promoting competition in the electricity industry. Average zonal charges can be expected to reduce the total costs of generating and transmitting electricity (together with concomitant environmental benefits) in the short and longer run to the overall benefit of present and future consumers.

Ofgem additionally has a statutory duty in relation to the environment and has received government guidance on the subject<sup>12</sup> and it considers that the original Modification Proposal and the Alternative Modification Proposal would be consistent with that duty and guidance, as described in our decision letter on Modification Proposal P82.

In summary, Ofgem considers that the original Modification Proposal does better facilitate the achievement of Applicable BSC Objectives (c) and (a). However, Ofgem has concluded that the original Modification Proposal does not better facilitate the achievement of relevant objective (d) and it is not clear to the extent, that there has been achievement of Applicable Objective (b). Overall, it is not clear whether the Modification Proposal better facilitates the achievement of the Applicable BSC Objectives. As such, the Authority has decided to reject the original Modification Proposal.

In respect of the Alternative Modification Proposal, in summary, Ofgem considers it does better facilitate the achievement of Applicable BSC Objectives (c) and (a). However for the reasons set

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<sup>11</sup> The principal objective and general duties of the Authority are set out at section 3A, 3B and 3C of the Electricity Act 1989. The principal objective of the Authority is to "protect the interests of consumers in relation to electricity conveyed by distribution systems, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission, distribution or supply of electricity." Section 3A (6) provides that "consumers" includes both existing and future consumers.

<sup>12</sup> The Guidance says: "There are significant greenhouse gas emissions as a result of losses in both gas and electricity. More extensive embedded generation and CHP, as outlined above, may help to reduce those losses. In addition, the Authority, in exercising its functions, should have regard to the desirability of reducing those losses through other means, given the contribution that this would make to meeting the government's Climate Change commitments and objectives." (Social and Environmental Guidance, November 2002).

out above, Ofgem is not persuaded by the case for the further phasing of the introduction of zonal transmission losses and notes that there is a strong efficiency case for earlier implementation of the improved price signals. Accordingly, Ofgem has decided not to direct the Alternative Modification Proposal. Ofgem was additionally concerned that the expected costs of the Alternative Modification Proposal are higher than those envisaged by original Modification Proposal P82 and whilst as stated above, each modification proposal must be considered on its own merits, where there are concurrent modification proposals before the Authority on similar issues, it is relevant and appropriate to consider the relative degree of achievement of each of the Applicable BSC Objectives. As such, for the reasons set out in this decision letter, the Authority has decided to reject the Alternative Modification Proposal.

In making the decision not to approve the original Modification Proposal or the Alternative Modification Proposal to the BSC, the Authority has decided not to conduct a consultation upon GB issues in relation to these Modification Proposals. Ofgem has today issued a letter which explains the consultation process for Modifications to the BSC prior to and during the course of legislation to introduce BETTA.

There are further modification proposals currently in assessment which may relate to the subject of this decision. As with all modifications, the Authority's decision on Modification Proposal P75 will in no way fetter its discretion as regards any further proposals that may come to it for determination in the future.

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

The Authority has therefore decided not to direct that the original Modification Proposal P75 or the Alternative Modification Proposal P75 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 queries in relation to the issues raised in this letter contact Sonia Brown on 020 7901 7412 or Richard Ford on 020 7901 7411.

Yours sincerely



**Callum McCarthy**  
**Chairman of the Gas and Electricity Markets Authority**  
**Chief Executive of Ofgem**

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