



Direct Dial: 020-7901 7327

07 December 2001

The National Grid Company, BSC Signatories and
Other Interested Parties

Your Ref:
Our Ref : MP No: P22

Dear Colleague,

Modification to the Balancing and Settlement Code - Decision and Direction in relation to Modification Proposal P22: "The Provision of Generator Planned Outage Information to all BSC Signatories"

The Gas and Electricity Markets Authority (the "Authority") has carefully considered the issues raised in Modification Proposal P22: "The Provision of Generator Planned Outage Information to all BSC Signatories".

The Balancing and Settlement Code Panel (the "Panel") recommended to the Authority that the Proposed Modification be rejected and that the Alternative Modification Proposal be approved. The Panel also recommended to the Authority that the Alternative Modification should be implemented via the Balancing and Settlement Code ("BSC") website, with an Implementation Date of 1 April 2002, subject to Authority approval by 1 December 2001.

The Authority agrees with the Panel's recommendation.

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 Balancing and Settlement Code ("BSC") as set out in the Alternative Modification Proposal P22.

Background to the proposal

Operating Code number 2 ("OC2") of the Grid Code has provisions for all generators to submit to NGC at a genset level planned Outage and Output Usable¹ (generation availability) information. The information provided by generators to NGC under OC2 is a "best estimate" and generators' plans are indicative and can change. The OC2 information, in addition to other information, is used by NGC in its capacity as System Operator for the purpose of operational planning of the NGC Transmission System. Operational planning involves planning, through various timescales, the matching of generation output with forecast NGC demand together with a reserve of generation to provide a margin whilst taking into account outages. The OC2 information enables NGC to harmonise outages of gensets in order that such outages are co-ordinated. The objective of OC2 is also to enable the provision by NGC of Generating Plant Demand Margins (the difference between Output Usable and Forecast Demand) both for national and zonal groups.

NGC provide to generators² the Generating Plant Demand Margins for the zone in which they have gensets. Zones are regions of the NGC Transmission System within a described boundary and they are subject to dynamic change. NGC do not currently publish the boundaries of these zones and the term zone is not defined in the Grid Code. Generators may request from NGC, the data for zones other than those in which they have gensets and through summation of zonal data generators have access to

¹ Output Usable is defined in the Grid Code as "that portion of Registered Capacity which is not unavailable due to a Planned Outage or breakdown".

² OC2 applies to NGC and all Users of the Grid Code which in addition to generators, other than those which only have Embedded Small Power Stations or Embedded Medium Power Stations, and Network Operators and Non-Embedded Customers.

national margins. NGC provides zonal Generating Plant Demand Margins to generators to allow them to assess whether their generation availability is causing any system issues and to reduce the number and effect of system constraints on the NGC Transmission System.

NGC provide Generating Plant Demand Margins on a national basis to the Balancing Mechanism Reporting Agent ("BMRA"). This information is displayed on the Balancing Mechanism Reporting Service ("BMRS") under "National Margin based on OC2"³. This provides the 2-14 days ahead Generating Plant Demand Margin forecast and the 2-52 Weeks ahead Generating Plant Demand Margin forecast.

Through interpolation of weekly data and access to Outage plans, currently only NGC has access to daily margin data for weeks 7 to 52 and through to 5 years ahead. While all market participants have access to daily national margins for the period 2-14 days ahead only generators (and NGC) have access to daily national margin data for the period 15-49 days ahead through summation of zonal data.

Some Parties argue that it is important to ensure that all parties participating in competitive markets should have access to the same information and that daily margins are of importance in making commercial decisions. They suggest that the apparent asymmetry between NGC and all other BSC Parties and between generators and non-generators may give rise to a distortion in the forwards and futures markets.

On 22 June 2001, Dynegy UK Limited proposed Modification P22: The Provision of Generator Planned Outage Information to all BSC Signatories.

The Modification Proposal

The Modification Proposal seeks to make provisions in the BSC for Output Usable and Generator Planned Outage data to be obtained from NGC for publication on the BMRS. This data would be displayed on a time-scale consistent with the provision of other NGC information currently displayed on the BMRS. All of the information published on the BMRS under the Modification Proposal would be available for download and available historically.

In the Definition Process the Modification Group ("the Group") considered the appropriate level of aggregation for publishing Output Usable and Outage data. The Group identified three options: non-aggregated by genset; by NGC zones; or by BMRS zones⁴. The Group suggested that the national level⁵ (for the whole NGC Transmission System) of Output Usable and Outage data could also be published in addition to each of the options.

During the Assessment Procedure the Group developed an Alternative Modification which it considered better facilitated the relevant BSC Objectives⁶ than the Proposed Modification. The Alternative Modification seeks to address only the apparent asymmetry between generators and non-generators by publishing Output Usable data on a NGC zone and national level so that all non-generators would have access to the same information as generators. The rationale for publishing only Output Usable data at a NGC zone level related to concerns expressed by some respondents to the consultation during the Assessment Procedure and by some of the Group that publishing Outage data and unaggregated Output Usable data would diminish the quality of information provided to NGC.

The Alternative Modification does not address the asymmetry between NGC and all other BSC Signatories. The Group recognised that NGC has a unique position in the market and is subject to licence conditions that ensure OC2 data is used for prescribed purposes only. The Group considered that if NGC were to benefit from any advantage conferred by its asymmetry of access to OC2 data, it

³ It has been identified that the National Margin based on OC2 information displayed on the BMRS is not what is required by the BSC due to detailed differences in terminology between the Grid Code and the BSC. Modification Proposal P033 seeks to modify the BSC so as to rectify inconsistencies in terminology between the BSC and the Grid Code OC2 so that the correct information is provided to the BMRS. The Authority directed NGC to implement Modification Proposal P33 on the 7 December 2002

⁴ There are five BMRS Zones that cover the E&W Transmission System and are formed by regional transmission constraints.

⁵ It should be noted that the MW Output Usable figure for the NGC Transmission System may not be equal to the sum of the values for all NGC zones as some zones may overlap.

⁶ The relevant BSC Objectives are defined in Condition C3.3 of NGC's Transmission Licence.

would be for the Authority to take any necessary action. Thus, it was unnecessary for the Modification Proposal to seek to remove the second of the two asymmetries of market data.

The Alternative Modification proposes to publish Output Usable data on the ELEXON website. The Group considered that it would be more appropriate to publish the data on the BMRS. However, after consideration of the Impact Assessment by the NETA Central Services provider the Group opted for publication on the ELEXON website as this can be carried out sooner and at a lower cost. In addition the Group considered it necessary to publish the definition of NGC's zones because without this additional information being made available to all BSC signatories, only generators within a zone where there is a shortfall will be aware of which zone such a shortfall is in. Therefore the Alternative Modification proposes to publish the boundaries of NGC's zones alongside the Output Usable data on the ELEXON website. There are currently more than 30 active NGC zones, although this number is expected to reduce when NGC undertake a review of zone boundaries prior to the implementation of the Modification to remove zones that give explicit information about particular generating stations.

The Panel met on 20 September 2001 to consider the Assessment Report. The Panel determined to proceed to the Report Procedure and recommended that the Modification Proposal as submitted is rejected and the Alternative Modification Proposal is approved and implemented on 1 April 2002, subject to Authority approval by 1 December 2001. ELEXON published a draft Modification Report on 26 September, which invited respondents' views by 10 October 2001.

Respondents' views

ELEXON received 11 responses (representing 44 Parties) to the consultation on the draft Modification Report. Of these responses, eight (representing 39 Parties) supported implementation of the Alternative Modification and rejection of the Proposed Modification; one (representing one Party) supported implementation of the Proposed Modification and rejection of the Alternative Modification; one (representing 3 Parties) did not support the implementation of either the Proposed or the Alternative Modification; and one (representing one Party) did not offer an opinion.

The respondents in favour of the Alternative Modification believe that providing Output Usable data to all Parties will further the Applicable BSC Objectives by promoting competition in the generation and supply of electricity. One respondent commented that they would have concerns with the Proposed Modification because they believed that publishing unaggregated Outage plans would give rise to a significant reduction in the quality of planning data received by NGC. Some respondents that supported the Alternative Modification stated a preference for the information to be published on the BMRS rather than the ELEXON website but they recognised that the differences in cost make the ELEXON website the only practical solution. In addition it was commented that it is important that NGC zones do not give explicit information about particular generating stations and that it is fundamental that NGC's zones should be defined in such a way as to maintain the commercial confidentiality of individual generators.

The respondent that supported the implementation of the Proposed Modification commented that it was important that all information that is available to NGC should be made available to all other BSC signatories to remove the ability for NGC to create distortions in the forwards and futures markets. The respondent recommended that the Authority should reject the Alternative Modification and accept the Proposed Modification.

The respondent that did not support the implementation of either the Proposed Modification or the Alternative Modification did not consider that either assists in achieving the Relevant Objectives of the BSC. They suggested that the release of such information could reduce the incentives on generators to provide accurate information to NGC. In addition they were concerned that indicative information could be misinterpreted as firm information. This respondent suggested that a more effective way of removing the asymmetry in information between generators and non-generators would be to only make this information available to NGC.

In NGC's response they identified some necessary changes to the Legal Text to give effect to the Alternative Modification to make the BSC consistent with amendments to be proposed to the Grid Code. They commented that the proposed changes to the Legal Text of the BSC should improve consistency with the current OC2 process and not unduly interfere with governance of the OC2 process under the Grid Code. ELEXON accepted the suggested changes to the Legal Text were necessary to make the BSC consistent with the Grid Code. As a result, the changes to the BSC Legal Text are dependent on a reciprocal amendment to the Grid Code. NGC issued a Consultation on revising the Grid Code on the 23

October 2001 to clarify the Grid Code in conjunction with changes to the BSC proposed in Modification Proposals P22 and P33. The Grid Code Amendment seeks to clarify OC2 by defining the meaning of a zone by adding the term 'System Zone' and to recognise the new data flow described in the Alternative Modification. The Authority received the proposed Grid Code Amendment for decision on the 26 November 2001 and has directed NGC to make the proposed changes to the Grid Code on the 7 December 2001.

Panel's Recommendation

The Panel met on 18 October 2001 and considered the Modification Report, the views of the Modification Group and the consultation responses received.

The Panel recommended that the Authority should reject the Modification Proposal as submitted and approve the Alternative Modification Proposal and that if approved it should be implemented by 1 April 2002, subject to Authority approval by 1 December 2001.

Ofgem's view

Ofgem⁷ believes that Modification Proposal P22 will better facilitate the Relevant Objectives of the BSC.

Ofgem has stated its concern on numerous occasions that only generators receive NGC zonal Output Usable data. Ofgem considers that this situation can potentially provide advantages to certain market participants. Ofgem believes that all Parties should have access to the same information so long as this is practical and that the information is not commercially sensitive. Ofgem believes that, subject to these caveats, equal access to information is important in ensuring successful market development under NETA. Removing any asymmetry of access to information will better facilitate effective competition in the generation and supply of electricity by removing the possibility of any distortions and/or commercial advantage being gained by generators who have access to the information.

Ofgem believes that the current asymmetry of access to market data between generators and non-generators identified in the Alternative Proposal, i.e. access to Output Usable data, is, for the reasons outlined above, inconsistent with promoting effective competition in the generation and supply of electricity. Ofgem agrees with the majority of respondents that the Alternative Modification would remove this asymmetry of access to market data and therefore further the BSC Objective of promoting effective competition in the generation and supply of electricity.

During the Assessment Procedure, the Group identified that the asymmetry of access to market data could also be removed by amending the Grid Code to prevent generators from having access to the Output Usable data. Ofgem agrees that this might be a possible solution although it could have adverse operational implications. Ofgem continues to believe that effective competition will be better facilitated by the provision of more information to BSC signatories where practical and having consideration to commercial confidentiality.

Ofgem considers that NGC's review of System Zone boundaries prior to the implementation of the Modification to remove System Zones that give explicit information about particular generating stations is sufficient to ensure commercial confidentiality of generators. Therefore Ofgem does not expect the quality of the information provided by generators to NGC to diminish.

Ofgem notes that one of the objectives stated in the Proposed Modification sought to remove the asymmetry of information between NGC and all other BSC Signatories in regards to all OC2 data. In relation to NGC having access to certain information, there are circumstances where it is not practical for wider disclosure to the market. These circumstances arise, in a limited number of cases, because of NGC's duties to operate the Transmission System in an efficient, economic and co-ordinated manner.

It is therefore essential that Transmission Licensee's be regulated in a way that prevents them from using such information other than for the prescribed purpose. The FSA and Ofgem have developed arrangements to enable Ofgem to enforce effective ring fencing provisions against the Transmission Licensee to prevent information being used for any other reason than to fulfil the conditions in the

⁷ Ofgem is the office of the Authority. The terms "Ofgem" and "the Authority" are used interchangeably in this letter.

Transmission Licence. If information were used other than for prescribed purposes, NGC would be in breach of its licence and Ofgem would take the appropriate enforcement action. If market participants have issues about the provisions in NGC's Transmission Licence or the behaviour of the Licensee, then these issues should be raised directly with Ofgem.

The Alternative Modification Proposal seeks to publish the Output Usable data by System Zone on the ELEXON website as opposed to the BMRS, as was proposed in the Proposed Modification. Ofgem agrees with the Group's conclusion that it is appropriate to publish the Output Usable data on the ELEXON website given cost and time considerations. However, Ofgem considers that the BMRS would be the best place to publish the Output Usable data information and is disappointed that this could not be achieved within acceptable limits.

Ofgem agrees that it is appropriate to clarify the different uses of the term 'zone' by making clear that existing references in the BSC refer to BMRS Zones while introducing where appropriate the Grid Code concept of System Zone using the new Grid Code definition.

Ofgem recognises that the implementation date recommended by the Panel was dependent on the Authority approving the Modification Proposal by the 1 December 2001. However, ELEXON has indicated to Ofgem that the approval of the Modification Proposal by the Authority on the 7 December 2001 will not result in the implementation date being delayed. On this basis, Ofgem approves the implementation date proposed in the Modification Report to the Authority.

The Authority's decision

The Authority agrees with the Panel's recommendation that Modification Proposal P22 should be made and implemented on 1 April 2002.

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 the Alternative Modification Proposal P22. A copy of the text of the modification to the BSC is attached to this letter.

The modification is to take effect from 1 April 2002.

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,



Steve Smith

Director of Trading Arrangements

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

Throughout the BSC the term 'Zone' shall be replaced with the term 'BMRS Zone'.

SECTION Q

Insert as new paragraph 6.4:

6.4 Submission of generation data to BSCCo

6.4.1 In this paragraph 6.4:

- (a) Genset, ⁸System Zone and Output Usable have the meanings given to those terms in the Grid Code;
- (b) references to Output Usable are to the Output Usable data for the time being provided to the Transmission Company by the relevant User pursuant to the Grid Code;
- (c) "Zonal Output Usable" means the sum of Output Usable for all Gensets in a System Zone plus expected Interconnector transfers into that System Zone, and "Total Output Usable" means the sum of Output Usable for all Gensets plus expected Interconnector transfers into the Transmission System;
- (d) times by which the Transmission Company is required to send data to BSCCo are target times, which the Transmission Company is expected to meet unless abnormal circumstances prevent it from doing so.

6.4.2 The Transmission Company shall send to BSCCo the data set out in the table below with the frequency and by the times respectively set out in the table below:

DATA	FREQUENCY	TARGET TIME
2-14 day ahead daily Zonal Output Usable for each System Zone and daily Total Output Usable – daily peak half hour values	Whenever provided to any User pursuant to the Grid Code	16:00 Daily on Business Days only
2-49 day ahead daily Zonal Output Usable for each System Zone and daily Total Output Usable – daily peak half hour values	Whenever provided to any User pursuant to the Grid Code	Weekly at 17:00 on Fridays
2-52 week ahead weekly Zonal Output Usable for each System Zone and weekly Total Output Usable – weekly peak half hour values	Whenever provided to any User pursuant to the Grid Code	Weekly at 17:00 on Fridays
1-2 year ahead weekly Zonal Output Usable for each System Zone and weekly Total Output Usable – weekly peak half hour values	Whenever provided to any User pursuant to the Grid Code	Twice each year at about 6 month intervals
3-5 year ahead weekly Zonal	Whenever	Twice each

⁸ An amendment is required to the Grid Code to include a definition for the new term 'System Zone'.

Output Usable for each System Zone and weekly Total Output Usable – weekly peak half hour values	provided to any User pursuant to the Grid Code	year at about 6 month intervals
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6.4.2 The Transmission Company shall send to BSCCo the System Zone boundaries. If pursuant to the Grid Code any changes are made to System Zone definitions these shall be forwarded to BSCCo by the Transmission Company prior to implementation and whenever provided to any User pursuant to the Grid Code.

Renumber existing paragraph 6.4 as paragraph 6.5.

SECTION V

Amend paragraph 1.1.5(a) to read:

- (a) the obligations of the Transmission Company to send specified data to the BMRS and BSCCo pursuant to Section Q6;

Insert as new paragraph 4.4:

4.4 Generation data

- 4.4.1 BSCCo shall arrange for the data set out in Table 8 in Annex V-1 to be published on the BSC Website and revised from time to time as soon as reasonably practicable after BSCCo receives such data from the Transmission Company pursuant to Section Q6.4.
- 4.4.2 Where such data is received by BSCCo from the Transmission Company on a day which is not a Business Day or after the close of a Business day, BSCCo shall publish such data on the BSC Website on the next following Business Day.

Insert as new Table 8 in Annex V-1:

TABLE 8 – GENERATION DATA PUBLISHED ON BSC WEBSITE

Notes:

- 1. In this table terms shall have the meanings given to them in Section Q6.4.
- 2. Column 1 (data) specifies the data to be published and the day, week or other period to which the data relates.

DATA
2-14 day ahead daily Zonal Output Usable for each System Zone and daily Total Output Usable – daily peak half hour values
2-49 day ahead daily Zonal Output Usable for each System Zone and daily Total Output Usable – daily peak half hour values
2-52 week ahead weekly Zonal Output Usable for each System Zone and weekly Total Output Usable – weekly peak half hour values
1-2 year ahead weekly Zonal Output Usable for each System Zone and weekly Total Output Usable – weekly peak half hour values
3-5 year ahead weekly Zonal Output Usable for each System Zone and weekly Total Output Usable

- weekly peak half hour values
System Zone boundaries

ANNEX X-2

Insert new definitions (in appropriate alphabetic place) in Table X-2:

<i>Defined Term</i>	<i>Units</i>	<i>Definition/explanatory text</i>
Output Usable	MW	Has the meaning given to that term in the Grid Code.
System Zone		Has the meaning given to that term in the Grid Code.
Total Output Usable	MW	Has the meaning given to that term in Section Q6.4.
Zonal Output Usable	MW	Has the meaning given to that term in Section Q6.4