

Direct Dial: 020-7901 7435

16 October 2001

The National Grid Company, BSC Signatories and  
Other Interested Parties

Your Ref:  
Our Ref : MP No: P20

Dear Colleague,

Modification to the Balancing and Settlement Code ("BSC") - **Decision and Notice in relation to Modification Proposal P20: "Revision of Obligations on Parties in Relation to BM Unit Registration"**.

The Gas and Electricity Markets Authority (the "Authority")<sup>1</sup> has carefully considered the issues raised in Modification Proposal P20 "Revision of Obligations on Parties in Relation to BM Unit Registration".

The Balancing and Settlement Code Panel (the "Panel") recommended to the Authority that the Authority reject both Modification Proposal P20 and the Alternative proposal as described in the final Modification Report.

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.

### **Background to the proposal**

Modification Proposal P20 was submitted by London Electricity plc on 18 May 2001. ELEXON produced an Initial Written Assessment and presented it to the Panel on 28 June 2001. The Panel endorsed ELEXON's recommendation that the Modification be progressed through the Assessment Procedure supported by a Modifications Group and that an Assessment Report be submitted to the Panel for its meeting on 26 July 2001.

The P20 Modifications Group considered the proposal on 10 July 2001. Following a consultation exercise, the Modifications Group met for a second time on 17 July 2001 to

<sup>1</sup> Ofgem is the office of the Authority. The terms "Ofgem" and "the Authority" are used interchangeably in this letter.

review responses to the consultation along with initial High Level Impact Assessments. An Assessment Report was presented to the Panel at its meeting on 26 July 2001.

An Assessment Report was presented to the Panel at its meeting on 26 July 2001. Subsequently, a draft of the Modification Report was consulted upon and revised accordingly. The final version of this Report was approved by the Panel at its meeting of the 23 August 2001, prior to being forwarded to the Authority for determination.

### **The Modification Proposal**

Modification Proposal P20 proposes to allow BM Units and Metering Systems to be registered in the name of a BSC Party that is an 'Affiliate' of the BSC Party that is 'responsible' for the exports or imports of electricity at the relevant Boundary Point. 'Affiliate' is defined in the BSC in the annex. 'Responsible' has the meaning given in paragraph K 1.2.2 of the BSC.

In considering the basic elements of the Modification Proposal, the Modifications Group considered that there was no particular significance to the concept of Affiliate acting on behalf of a given Party. The Modifications Group took the view that, so long as the necessary undertakings were given that the Party acting as Lead Party was able to fully discharge all of its obligations under the BSC, then affiliation became a limitation, with no discernible benefit. The Modifications Group, therefore, developed an Alternative Modification whereby a Party acting on behalf of another Party, in the manner described in P20, could be any such Party so designated.

ELEXON published a Draft Modification Report on 1 August 2001 that invited respondents' views by 13 August 2001.

### **Respondents' views**

In total, ELEXON received 7 responses to the consultation on Modification Proposal P20. Of the responses, all expressed support for the Panel recommendation that both the proposed Modification P20 and P20 (alternate) should be rejected.

The respondents' views are comprehensively summarised in the Modification Report for Modification Proposal P20 dated 30 August 2001.

### **Panel's Recommendation**

The Panel met on 23 August 2001 and considered the Modification Proposal P20, the Modification Report, the views of the Modification Group and the consultation responses received.

The Panel recommended that the Authority should reject the Proposed Modification.

## **Ofgem's view**

Ofgem considers, having had regard to its statutory duties, that Modification Proposal P20 and its alternative do not better facilitate the relevant objectives of the BSC. Ofgem notes that the Proposal is not supported by an analysis that fully details the ramifications and implications of P20 (or its alternative).

Detailed consideration of the impact on the overall framework of obligations in licences, the BSC and Core Industry Documents is absent. Furthermore, Ofgem notes there is an overall doubt by BSC members who responded to consultation as to whether the proposal (or its alternative) would better facilitate the BSC Objectives. This doubt was considered, by the Panel, to be unlikely to change following such further assessment.

In addition, there are concerns regarding the implications of the proposal (or its alternative) for the licensing regime. In particular the concern is that such a modification would undermine the licence regime in that a licensee would in effect be transferring its responsibilities under the BSC to a third Party. Therefore, this modification proposal would not better facilitate the efficient discharge of NGC's licence obligations as per C.3 (a).

Ofgem agrees with the Panel's recommendation that the Authority should reject the Proposed Modification.

## **The Authority's Decision**

The Authority has, therefore, decided not to direct that Modification Proposal P20 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 Modification Proposal P20.

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,

David Edward

**Head of Electricity Code Development**

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