



Direct Dial: 020-7901 7412
13 November 2002

The National Grid Company, BSC Signatories and
Other Interested Parties

Your Ref:
Our Ref: MP No: P91

Dear Colleague

Modification to the Balancing and Settlement Code ("BSC") - Decision and Direction in relation to Modification Proposal P91: "Extension to Data Provided to the Transmission Company in the TUoS Report"

The Gas and Electricity Markets Authority (the "Authority") has carefully considered the issues raised in the Modification Report¹ in respect of Modification Proposal P91, "Extension to Data Provided to the Transmission Company in the TUoS Report".

The BSC Panel (the "Panel") recommended to the Authority that Modification Proposal P91 should be made with a calendar day Implementation Date of 17 March 2003 if an Authority decision is received by 15 November 2002, and a calendar day Implementation Date of 1 August 2003 if an Authority decision is received after 15 November 2002 but before 20 December 2002.

The Authority has decided 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. In addition, the letter contains a direction to The National Grid Company plc ("NGC") to modify the BSC as set out in out in the Modification Report. This letter constitutes the notice by the Authority under Section 49A of the Electricity Act 1989 in relation to the direction.

Background to the proposal

The Transmission Company is required by Condition C7 of its transmission licence to have in place Charging Statements which describe NGC's charges and the methodologies by which NGC recoups its costs related to its roles as Transmission Owner ("TO") and System Operator ("SO") as well as the criteria that NGC applies when it makes decisions about investments in the

¹ ELEXON document reference P91MR, Version No. 1, dated 22 October 2002.

transmission system. The Statement of the Use of System Charging Methodology requires NGC to calculate the annual Transmission Network Use of System ("TNUoS") tariffs payable by customers for supplying electricity to or taking demand from the transmission system. To enable the Transmission Company to determine accurately the apportionment of energy for each Supplier Balancing Mechanism Unit ("BMU") between half-hourly and non-half-hourly demand they receive the Transmission Use of System ("TUoS") Report from the Supplier Volume Allocation Agent ("SVAA"). The TUoS Report provides the half-hourly and non-half-hourly demand at the granularity of Market Participant and Grid Supply Point Group ("GSP Group").

On the 8 July 2002 NGC proposed Modification Proposal P91: "Extension to Data Provided to the Transmission Company in the TUoS Report". The Proposer believes that the Modification Proposal will better facilitate BSC Objectives (b) the efficient, economic and co-ordinated operation by the licensee of the licensee's transmission system and (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.

The Proposer suggests that increasingly, Suppliers are choosing to have more than one BMU within a GSP Group and want their TNUoS charges calculating down to this level of granularity. Furthermore, where embedded generation has been netted off via the SVA system, this level of granularity is required to calculate the Use of System charges.

The Modification Proposal

Modification Proposal P91 seeks to further the applicable BSC Objectives², by modifying the BSC so as to extend the data provided to the Transmission Company in the TUoS Report to include the split between half-hourly and non-half-hourly metering data at the BMU level, in addition to being aggregated to Supplier level.

In the Assessment Procedure the Modification Group (the "Group") considered that the lack of half-hourly and non-half-hourly metering data at the BMU level has not, to date, prevented the implementation by NGC of the TNUoS charging rules, given the limited number of Suppliers with additional BMUs and the current composition of Trading Units.

However, the Group considered that, following the implementation of Modification Proposal P07,³ whereby Supplier demand for all supply companies in the same company group can now be allocated to the same BMU within a GSP Group, a rise in additional Supplier BMUs and the formation of new Trading Units is anticipated. Therefore the Group determined that the

² The applicable BSC Objectives are contained in Condition C3.3 of NGC's Transmission Licence and 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.

³ Modification Proposal P07 was implemented on 25 February 2002.

Transmission Company should receive a data flow that will represent the half-hourly and non-half-hourly metering data at a BMU level in addition to being aggregated to Supplier level.

The Group considered implementation issues and determined that the Modification should be implemented via the cheapest solution, which would be to enhance the current dataflow in the TUoS Report, estimated to cost £17,768. The Group determined by majority that the costs of implementing the Modification Proposal should not be targeted upon the Transmission Company but recovered from all BSC Parties under the current financial arrangements.

ELEXON published a Draft Modification Report on 26 September 2002, which invited respondents' views.

Respondents' views

In total, ELEXON received nine responses to the consultation on Modification Proposal P91. Of the responses, eight expressed support for the Proposed Modification and the remaining one was neither in favour nor opposed to the Proposed Modification.

In general, respondents considered that the Modification Proposal would facilitate the Transmission Company in fulfilling its obligations in accordance with its TNUoS Methodology and Statement of Use of System Charging Methodology.

Three of the respondents suggested that the implementation and operational costs should be targeted at NGC. One of these respondents suggested that decisions by the Authority on previous Modification Proposals have determined that costs should be borne by those utilising a Modification Proposal.

Panel's Recommendation

The Panel met on 17 October 2002 and considered Modification Proposal P91, the Modification Report, the views of the Group and the consultation responses received.

The Panel recommended that the Authority should approve the Proposed Modification and that, if approved, the Proposed Modification should be implemented with a calendar day Implementation Date of 17 March 2003 if an Authority Decision is received by 15 November 2002, and a calendar day Implementation Date of 1 August 2003 if an Authority Decision is received after 15 November 2002 but before 20 December 2002.

Ofgem's view

Ofgem⁴ considers, having had regard to its statutory duties, that Modification Proposal P91 will better facilitate the applicable BSC Objectives.

Ofgem agrees with the Panel that providing NGC with a data flow that will represent the half-hourly and non-half-hourly metering data at a BMU level in addition to being aggregated to Supplier level will better enable the Transmission Company to calculate TNUoS charges in accordance with the Statement of Use of System Charging Methodology. Therefore Ofgem

⁴ Ofgem is the office of the Authority. The terms "Ofgem" and "the Authority" are used interchangeably in this letter.

considers that the Proposed Modification will better facilitate applicable BSC Objective (a) the efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence.

Ofgem agrees with the recommendation of the majority of the Group and the Panel that the costs should be recovered from all BSC Parties under the current financial arrangements. One of the respondents suggested that on previous Modification Proposals the Authority have determined that costs should be borne by those utilising a Modification Proposal. The Authority has previously determined that the costs of implementing and operating a Modification Proposal should be targeted on the relevant persons⁵. This is pursuant to BSC Section D Annex D-3.6: 'Further Charges' which provides for the Panel to make a charge to the relevant person where ELEXON provides or procures any relevant service for a relevant person. A relevant service is a service not provided to Parties or Trading Parties on a routine basis pursuant to the Code. The TUoS report is provided to a Party on a routine basis pursuant to the Code and the Proposed Modification provides an enhancement to this report.

The Authority's decision

The Authority has therefore decided to direct that the Proposed Modification P91, as set out in Modification Report, 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 Report.

The Implementation Date for Modification Proposal P91 is the 17 March 2003.

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.

Please do not hesitate to contact me on the above number if you have any queries in relation to the issues raised in this letter or alternatively contact Jo Witters on 020 7901 7159.

Yours sincerely,



Sonia Brown

Director of Electricity Trading Arrangements

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

⁵ See Ofgem decisions on Modification Proposals P17: 'ECVNAs to Receive 7 Day Report', P30: 'Availability Of Market Information To BSC & Non BSC Parties' and P66: 'ECVNAs & MVRNAs to Receive ECVAAs Forward Contract Report'. These decisions are available on the ELEXON website: www.elexon.co.uk.