

Modification proposal:	<b>Balancing and Settlement Code (BSC) P228: 'Replace Balancing Mechanism Reporting Service (BMRS) High Grade Service charge amounts/rates with references to a BSC Website schedule' (P228)</b>		
Decision:	The Authority <sup>1</sup> directs that this proposal be made <sup>2</sup>		
Target audience:	National Grid Electricity Transmission Plc (NGET), Parties to the BSC and other interested parties		
Date of publication:	21 January 2009	Implementation Date:	1 April 2009

## Background

### **The Balancing Mechanism Reporting Service (BMRS)**

The BMRS is a website operated by Logica, a Balancing and Settlement Code Agent<sup>3</sup> ('BSC Agent'), on behalf of Elexon<sup>4</sup>. The service is designed to supply electricity market participants with operational and commercial information<sup>5</sup>.

This service makes two types of communication services available to participants; a low and high grade service. These services are also used by market participants<sup>6</sup> to submit contract notifications<sup>7</sup> to BSC central systems.

The low grade communication service is a free service that enables parties to send and receive information via the public internet to/from BSC central systems. The high grade communication service provides parties with dedicated telecommunications facilities used to submit information to BSC central systems. The high grade communication service is an optional service for which Users are charged directly by Elexon.

The high grade communication service is provided by a BSC Agent. This proposal relates to how the BSC sets out and reflects changes made to the charges market participants pay for use of the high grade communication service.

### **Current high grade charges**

There are three main charges relating to the provision of the high grade service and these are outlined in Section D, annex 3 ('Annex D-3') of the BSC (the 'code'). These are

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> BSC Agents contract with Elexon for the provision of services that the BSC states must be provided. Further information regarding the role of BSC Agents can be found on Elexon's website at [www.elexon.com](http://www.elexon.com).

<sup>4</sup> The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

<sup>5</sup> Details of the operational and commercial information provided on the BMRS website are outlined in section V2 of the BSC.

<sup>6</sup> This refers to BSC Parties, Party Agents (Energy Contract Volume Notification Agents and or a Metered Volume Reallocation Notification Agents) and others that communicate or intend to communicate with BSC Agents.

<sup>7</sup> Contract notification refers to either an Energy Contract Volume Notification and/or a Metered Volume Reallocation Notification. Market participants are able to contract ahead in the forwards, futures and short-term markets to balance their contract position. This service is used by these participants to notify relevant parties of their metered volume or of any contracts they make.

the dataline monthly charge; TIBCO set-up charge; and TIBCO software support charge<sup>8</sup>. These charges are outlined below.

- *Dataline monthly charge* – This is a compulsory charge that covers the one-off costs of installing the high grade communications line, as well as the ongoing line rental and support costs of this line.
- *TIBCO set-up charge* – TIBCO software is an optional service for high grade users. This set-up charge is designed to reflect the one-off costs of providing TIBCO licenses and software.
- *TIBCO software support charge* – This is intended to reflect the ongoing costs of supporting the TIBCO software.

## **Project ISIS**

A number of the current contracts for BSC Agents expire in 2009 and Elexon established Project ISIS to help secure the systems and services provided by these Agents beyond 2009<sup>9</sup>.

As part of Project ISIS, Elexon tendered for the re-procurement of BSC Agent services. As a result of this process in April 2008 Logica, were awarded a new contract which is effective from April 2009. The new contract between Elexon and Logica for provision of the high grade service resulted in changes to high grade service charges.

## **New high grade charges**

Under the terms of the new contract between Elexon and Logica, high grade Users are now offered differentiated levels of service, with associated differentiated price levels<sup>10</sup>. These new price levels are not currently outlined in the code.

Section 1 of Annex D-3 of the code allows the BSC Panel<sup>11</sup> (the 'Panel') to revise charges relating to the provision of the high grade communications service. The Panel has recently used this power to agree a new schedule of high grade charges (the 'Charging Schedule') that will be effective from April 2009<sup>12</sup>. Therefore, from April 2009 the current amounts and rates outlined in Annex D-3 of the BSC will not reflect the charges levied for the high grade communications service.

## **The modification proposal**

Modification proposal P228 'Replace Balancing Mechanism Reporting Service (BMRS) High Grade Service charge amounts/rates with references to a BSC Website schedule' (the 'proposal') seeks to remove explicit references to the amounts and rates levied for high grade communication service charges<sup>13</sup> outlined in Annex D-3 of the BSC. The proposal

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<sup>8</sup> Currently, the BMRS High Grade service charges are outlined in Annex D-3 of the BSC. This can be found on Elexon's website at [www.elexon.com](http://www.elexon.com).

<sup>9</sup> Further information relating to Project Isis can be found on Elexon's website at [www.elexon.com](http://www.elexon.com).

<sup>10</sup> These new service levels and their associated charges are outlined in the schedule of charges attached to the Final Modification Report (FMR) for this proposal. This can be found on Elexon's website at [www.elexon.com](http://www.elexon.com).

<sup>11</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

<sup>12</sup> In a paper to the BSC Panel Elexon highlighted that these charges reflect the costs to Elexon of providing the high grade service. For further details please see Panel Paper 144/10 that is available on Elexon's website at [www.elexon.com](http://www.elexon.com).

<sup>13</sup> From this point forward the amounts and rates relating to high grade communication charges will be referred to as 'high grade communication charges'.

will replace explicit references with a reference to a Charging Schedule that Elexon will be required to publish on its website. Post-implementation, ELEXON will be required to update the schedule to reflect future changes to high grade communications service charges.

### **BSC Panel recommendation**

The Panel unanimously recommended implementation of this proposal at its meeting on 11 December 2008.

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

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 12 December 2008. The Authority has considered and taken into account the responses to Elexon's consultation which are attached to the FMR<sup>14</sup>. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the BSC<sup>15</sup>; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties<sup>16</sup>.

### **Reasons for the Authority's decision**

The Authority notes that three parties responded to Elexon's consultation on the draft modification report for this proposal. All responses agreed with the Panel's initial recommendation that the proposal should be implemented.

The Authority agrees with the views of respondents and the Panel that implementation of the proposal would better facilitate relevant BSC objectives (c) and (d), against the current baseline. In relation to the remaining BSC objectives, we consider the proposal to be neutral.

***Relevant 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'***

#### *Enhancing clarity*

The Authority considers that this proposal would reduce potential uncertainty with regards to the charges that apply for use of the high grade communications service after April 2009 and following any future change to these charges. We consider that this proposal would alleviate potential confusion for existing parties and provide clarity for new market entrants, as to the applicable high grade charges. We note that the impact of this proposal is likely to be relatively small but as a general principle, improvements in clarity for market participants and interested parties is likely to help facilitate entry to the

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<sup>14</sup> BSC modification proposals, modification reports and representations can be viewed on the Elexon website at [www.elexon.com](http://www.elexon.com)

<sup>15</sup> As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=4151](http://epr.ofgem.gov.uk/document_fetch.php?documentid=4151)

<sup>16</sup>The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

market, and the understanding of operational costs in the market and as such promote competition.

***Relevant BSC objective (d) 'promoting efficiency in the implementation and administration of the balancing and settlement arrangements...'***

Ofgem agrees with respondents and the Panel that the most significant benefits associated with this proposal relate to the better facilitation of relevant BSC objective (d). We consider that there are two main benefits in relation to this objective; a reduction in administrative burden for Elexon and increased flexibility.

*Administrative burden*

Firstly, the Authority considers that this proposal could help reduce administrative burdens placed on Elexon as a result of updating the code to reflect any changes to high grade charges that are agreed by the Panel. The Authority notes that this proposal would provide Elexon, when directed by the Panel, with the ability to reflect changes to high grade charges without the need to go through the code modification process.

We note the Panel's consideration that some participants may take comfort from the high grade service charges being set out in the code and as such being subject to the modification process<sup>17</sup>. However, we do not consider this proposal amends the process used to change charges for the high grade communication service. Instead, this proposal adjusts the mechanism used to reflect in the code, changes in these charges. This will require Elexon to make changes to the Charging Schedule that will be published on its website, instead of changing the code. On balance, as the Panel already has the power to approve changes in high grade communication charges, we consider this to be a proportionate mechanism to reflect a change of this magnitude in the code.

Overall, we consider the process implemented by this modification proposal to be administratively more efficient compared to the current baseline.

*Flexibility*

Secondly, the Authority agrees with the two respondents that considered that this proposal would make the process used to amend the code to reflect changes to high grade charges more efficient by providing flexibility for future potential changes. The Authority agrees with these respondents and the Proposer that this would improve efficiency in the processes used to keep Users up-to-date with high grade communication service charges.

Overall, the Authority considers that this proposal would provide flexibility and improve efficiency in the processes used to update the code to reflect changes in high grade charges. Therefore, we consider that this proposal better facilitates this objective against the current baseline.

**Decision notice**

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<sup>17</sup> More information relating to the code modification process can be found on Elexon's website at [www.elexon.com](http://www.elexon.com).

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority, hereby directs that modification proposal BSC 228: 'Replace Balancing Mechanism Reporting Service (BMRS) High Grade Service charge amounts/rates with references to a BSC Website schedule' be made.



**Ian Marlee**  
**Director, Trading Arrangements**

Signed on behalf of the Authority and authorised for that purpose