



Making a positive difference
for energy consumers

Michael Gibbons
Chair of BSC Panel
4th Floor
350 Euston Road London
NW1 3AW

Direct Dial: 020 7901 3900
Email: Dominic.scott@ofgem.gov.uk

Date: 10 September 2014

Dear Michael

Ofgem decision on urgency for P314 – Reduction in PAR from 500MWh to 350MWh

We consent to the request of First Utility (the proposer) that BSC modification proposal P314¹ be treated as an urgent modification proposal. We agree that the proposal may proceed according to the expedited timetable recommended by the BSC Panel as follows:

Date	Action
8 Sept 14	Panel meeting
w/c 15 Sept 14	Workgroup meeting
w/c 15 Sept 14	Assessment Consultation
w/c 22 Sept 14	Workgroup meeting
9 Oct 14	Draft Modification Report presented to Panel
10 Oct 14	Modification Report issued to Authority

For the avoidance of doubt, we have made no assessment of the merits of P314 and the granting of urgent status is without prejudice to any subsequent decision on this modification proposal.

The remainder of this letter outlines the background to the request and provides further detail on Ofgem's decision to grant urgency.

Background

On 5 September 2014 First Utility submitted BSC modification proposal P314. This proposes a reduction in the Price Average Reference (PAR) value from 500MWh to 350MWh, to be implemented on 2 January 2015, with the PAR value reverting back to 500MWh on 5 November 2015. The proposer requested that P314 be treated as an Urgent Modification Proposal. Urgency could allow the proposal to be considered by the BSC Panel alongside P304 which also proposes a PAR reduction – to PAR 250MWh (with earlier implementation, and without a sunset clause²), and which is scheduled for final consideration of the BSC Panel in October.

¹ <http://www.elexon.co.uk/mod-proposal/p314/>

² <http://www.elexon.co.uk/mod-proposal/p304/>

BSC Panel view

At a specially convened meeting of the BSC Panel on 8 September 2014, members voted unanimously to recommend that P314 follow urgent procedures.

Authority decision on urgency

We consent to P314 being treated as urgent and consider this is consistent with our published guidance.³ Specifically, we consider that avoiding the market uncertainty that could arise if proposal P314 and P304 are not considered at the same time is “an imminent issue or a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder(s)”. In coming to this conclusion we note

- the views of the Panel and the proposer in respect of urgency,
- our original rationale for a PAR reduction by this winter from our ‘Electricity Balancing Significant Code Review’ (EBSCR) Final Policy Decision which included that a more marginal PAR may help to counter-act potential tightening of margins this winter,
- if timetables for P304 and P314 are not aligned this risks generating uncertainty with potentially significant commercial impact on parties, consumers or other stakeholder(s),
- in order for a reduction in PAR to be implemented this winter, and in order that this new proposal can be considered in parallel to P304, we consider it will be necessary, in this case, for P314 to follow an expedited timetable, and
- that the analysis already undertaken by the P304 workgroup in respect of a possible PAR 350MWh solution can be leveraged to ensure delivery in the timetable put forward by the Panel.

Nevertheless, we have concerns with the process that has led to the raising of P314 with requested urgent status.

A solution almost identical⁴ to the content of P314 was raised and dismissed as an alternative solution by members of the P304 Work Group during the process for P304. We do not consider that it is efficient or desirable to use the Urgent Modification procedures as a means for code parties to raise what is essentially an alternative to an existing modification proposal. We therefore urge the BSC Panel to consider how the process for raising alternative proposals could be strengthened, bearing in mind the Panel objective that the Code should be given effect as economically and efficiently as practicable⁵ and the provisions of the Code Administration Code of Practice.⁶

Yours sincerely

Mark Copley
Associate Partner
European Markets and Co-ordination

³ <https://www.ofgem.gov.uk/ofgem-publications/61726/ofgem-guidance-code-modification-urgency-criteria.pdf>

⁴ The proposed solution was PAR 375MWh, starting in early January 2015, with a sunset clause.

⁵ Para 1.2.1, Section B, BSC

⁶ <https://www.ofgem.gov.uk/ofgem-publications/85687/cacovp30.pdf>