

By email to: Rory.P.Edwards@ofgem.gov.uk

Rory Edwards
Ofgem
9 Millbank
London
SW1P 3GE

25 July 2016

Dear Rory,

BSC Panel's discussion on Modification Proposal P350 'Introduction of a seasonal zonal transmission losses scheme'

I am writing to you as the Balancing and Settlement Code (BSC) Panel Chairman, on behalf of the BSC Panel, concerning the progression of this Modification Proposal.

National Grid has raised [P350](#) to implement, in the BSC, the Competition and Market Authority's (CMA's) remedy on locational transmission losses. The Panel considered ELEXON's [P350 Initial Written Assessment](#) at its meeting on 14 July 2016, which you attended.

As you are aware, the Panel agreed with ELEXON that a Workgroup should assess P350 and deliver its report and recommendation to the Panel meeting on 12 January 2017. The BSC then requires the Panel to consult on its own initial recommendation, meaning that the Panel will deliver its own final report and recommendation to Ofgem shortly after the Panel meeting on 9 February 2017.

During its discussions, the Panel:

- Noted that the CMA's remedy, as worded in its [final report](#), requires a zonal transmission losses scheme based on Proposed Modification [P229](#) to be in place on 1 April 2018.
- Noted that P229, and other similar past Modifications, had an implementation lead time of 12 months from the point of Ofgem approval.
- Sought the CMA's clarification on the nature of the mandate that the CMA's order will provide to National Grid, how prescriptive this is, whether the wording could change during the CMA's consultation process on the draft order, and whether it gives the P350 Workgroup flexibility to consider solutions that differ from Proposed Modification P229.
- Agreed with ELEXON's recommendation that the P350 Workgroup should conduct load-flow modelling, to give BSC Parties an indication of the zonal loss factors that would apply to them in 2018 upon implementation of P350.
- Agreed with ELEXON's recommendation that the P350 Workgroup should conduct an up-to-date impact assessment of the BSC activities required to implement P350, and their impacts, costs and lead times.
- Disagreed with ELEXON's recommendation that the Panel should instruct the Workgroup not to conduct any further cost-benefit analysis to that already undertaken by the CMA,

and agreed that it was important to allow the Workgroup to decide what analysis it considers necessary to support its recommendation to the Panel.

- Noted that the Panel would need to approve the Workgroup undertaking any further analysis that would increase the timetable or expenditure for P350's progression.
- Asked the Workgroup to consider any interaction between P350 and the treatment of transmission losses under the separate Contracts for Difference arrangements, which sit outside the BSC.

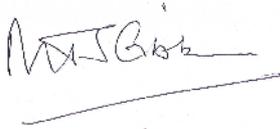
To support it in its work, the Panel is seeking any further comments from Ofgem that would aid the progression of P350.

I would encourage Ofgem to participate actively in the P350 Workgroup discussions, to ensure that the Workgroup delivers a robust assessment which enables Ofgem to make a decision while meeting the CMA's remedy timetable.

Please return any comments to the Panel Secretary, Victoria Moxham (PanelSecretary@elxon.co.uk).

If you have any questions on the content of this letter, please contact Kathryn Coffin (020 7380 4030 / kathryn.coffin@elxon.co.uk).

Yours sincerely,



Michael Gibbons CBE FEI
Chairman, BSC Panel