

**The Balancing and Settlement Code under  
BETTA**

**Ofgem/DTI Conclusions and second  
consultation on the legal text of a GB BSC**

**Volume 1**

November 2003

## Summary

This document is the third in a series of three consultations to develop a Balancing and Settlement Code as part of the British Electricity Trading and Transmission Arrangements (BETTA), which are planned to be introduced in April 2005<sup>1</sup>. It is proposed that under BETTA there will be a single Balancing and Settlement Code for Great Britain (“the GB BSC”) which will be based on the current BSC which applies only in England and Wales and will replace the separate trading arrangements in Scotland, which are based on the Trading Code, bilateral contracts and the Settlement Agreement for Scotland (SAS).

In this document:

- ◆ Ofgem/DTI conclude on the issues raised in the second consultation paper on a GB BSC that was issued in June 2003 (‘the second GB BSC consultation’)
- ◆ the timetable and process for the further development of the GB BSC is set out
- ◆ the modifications that have been introduced to the England and Wales BSC since the version of the BSC specified in the second GB BSC consultation are listed, and views are invited on their inclusion in the GB BSC, and
- ◆ the second draft of the proposed legal text for a GB BSC is set out and views are invited on this text. Ofgem/DTI anticipate that following receipt of views in response to this third GB BSC consultation, a conclusions document will be published together with revised legal text.

This document comprises two volumes. The first volume summarises the issues that were consulted upon in the second GB BSC consultation paper, provides details of the responses received and sets out Ofgem/DTI’s conclusions. It also identifies those modifications to the England and Wales BSC which have been approved by the Authority since the second GB BSC consultation and sets out Ofgem/DTI’s proposals for whether or not these modifications should be included in the GB BSC. The second volume contains the amended proposed legal text of the GB BSC.

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<sup>1</sup> Subject to Royal Assent to the Electricity (Trading and Transmission) provisions of the Bill by July 2004.

Ofgem/DTI's key conclusions in this, the third GB BSC consultation paper are that:

- ◆ the governing law of the GB BSC should be English law and that jurisdiction should be conferred exclusively on the courts of England and Wales
- ◆ the GB BSC should be implemented by modifying the current BSC
- ◆ there is no need to alter the role or constitution of the Panel in the GB BSC but Ofgem/DTI recognise that there is an argument for further consideration of a process of re-election of elected Panel Members to reflect the wider scope of the GB BSC
- ◆ the England and Wales metering Codes of Practice should be adopted GB-wide
- ◆ the definition of "relevant Code of Practice" should be amended to incorporate metering systems which comply with the metering codes of practice under the SAS prior to BETTA go-live, and
- ◆ that it is not necessary to make specific exemptions for Scottish parties to the BSC from the obligations under the Pool Supplement.

Ofgem/DTI further propose that:

- ◆ in relation to Profiles, the GB BSC should allow for different day-types to be accommodated in Scotland from those in England and Wales
- ◆ the single profiling arrangement as recommended by industry experts should be adopted GB-wide
- ◆ two alternatives be considered in relation to BMRS zones under BETTA, (a) six BMRS Zones with the sixth zone covering all of Scotland or (b) five BMRS Zones as now, but with the northern zone expanded to include Scotland, and
- ◆ if it is concluded that access to half-hourly metered data by transmission owners is necessary, the GB BSC and the SO-TO Code (STC) should provide for this.

It is recognised that the progress of other current or planned consultations, particularly those on the treatment of small generators and the co-ordination of change between the STC and user-facing industry codes, may also impact upon the drafting of the GB BSC. The results of these other consultations, to the extent that they have an impact upon the GB BSC, will be addressed in separate future consultations.

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# 1. Rationale

- 1.1. The rationale for the British Electricity Trading and Transmission Arrangement (BETTA) reforms is set out in a consultation paper of December 2001<sup>2</sup> (the “December 2001 consultation”) and a report of May 2002<sup>3</sup> (the “May 2002 report”).
- 1.2. On 30 January 2003, the DTI published the draft Electricity (Trading and Transmission) Bill (the E(TT) Bill) together with a Regulatory Impact Assessment (RIA), which explained the purpose and impact of the proposed primary legislation to enable the BETTA reforms and the expected costs and benefits of BETTA. On 27 November 2003 an Energy Bill was introduced into the House of Lords. The provisions of the draft E(TT) Bill were incorporated into this Energy Bill and are contained in Chapter 1 of part 3 of the Energy Bill (the E(TT) provisions).
- 1.3. The December 2001 consultation proposed that GB wide trading arrangements should be achieved by introducing a BSC to apply across the whole of GB (the “GB BSC”), using arrangements applying in England and Wales as a basis for consultation. The consultation sought views on any issues associated with GB balancing and settlement.
- 1.4. The May 2002 report noted that the majority of respondents to the December 2001 consultation supported the introduction of a GB BSC. The document also noted that there would be consultation on any issues arising from the application of the England and Wales BSC (EW BSC) across GB.
- 1.5. In December 2002 Ofgem/DTI published a consultation document<sup>4</sup> on the arrangements that should be embodied in a BSC to apply across GB. That consultation is referred to in this document as “the first GB BSC consultation”.

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<sup>2</sup> The Development of British Electricity Trading and Transmission Arrangements (BETTA): A consultation paper, Ofgem, December 2001. Ofgem 74/01.

<sup>3</sup> The Development of British Electricity Trading and Transmission Arrangements (BETTA): Report on consultation and next steps. Ofgem/DTI, May 2002. Ofgem38/02.

<sup>4</sup> The Balancing and Settlement Code under BETTA, Ofgem/DTI consultation on a BSC to apply throughout GB, Ofgem/DTI, December 2002. Ofgem 80/02.

- 1.6. In June 2003 Ofgem/DTI published conclusions<sup>5</sup> from the first GB BSC consultation and a first proposal for legal text for a GB BSC. That publication is referred to in this document as “the second GB BSC consultation”.
- 1.7. The rationale for this document is to consider the responses received to the second GB BSC consultation, to reach conclusions on the issues raised in that document, to propose the way forward on any new issues arising since the second GB BSC consultation, and to consult upon an updated draft of the GB BSC legal text.

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<sup>5</sup> Volumes 1 and 2 of the Balancing and Settlement Code under BETTA. An Ofgem/DTI conclusions and consultation on the legal text of a GB BSC, June 2003. Ofgem 40/03.

## 2. Timetable

- 2.1. As a part of the work to agree the BETTA programme baseline 1 plan at the BETTA Progress Group (BPG), Ofgem/DTI have reconsidered the plan for the development of a GB BSC. The consultation recently issued by Ofgem/DTI on the position of small generators under BETTA<sup>6</sup> considers a number of issues of significance to the development of the GB BSC. A conclusions paper on the matters raised in the small generators consultation paper is planned for February 2004. Should that paper conclude that changes are required to the GB BSC, it is the intent that the proposed legal drafting for those changes will also be included in the conclusions paper on small generator issues under BETTA and that such legal drafting would be consulted upon as a change to the then extant GB BSC. Accordingly, Ofgem/DTI have separated the progress of the development of the GB BSC from the consideration of small generator issues. This approach will allow for the development of the GB BSC to continue without awaiting the conclusions from the small generator consultation.
- 2.2. It is recognised that changes to the GB BSC and other codes will continue to arise from a variety of causes including the approval of modifications to England and Wales codes. Incorporation of such changes into the GB BSC will be accommodated in a continuing process of consultation for all the GB codes.
- 2.3. The proposed timetable for the development of the GB BSC is now as follows:
- ◆ this paper sets out Ofgem/DTI's conclusions on the issues raised in the second GB BSC consultation and makes proposals in respect of other issues that have arisen since that time. It also considers each of the BSC modifications that have been approved by the Authority since the issue of the first proposal for legal text for a GB BSC and sets out proposals for whether such modifications should be incorporated into the GB BSC. This paper also proposes a revised draft of the legal text for the GB BSC, together with an explanation of the derivation of that text

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<sup>6</sup> Smaller generator issues under BETTA – An Ofgem/DTI consultation document, 20 November 2003, Ofgem 145/03

- ◆ Ofgem/DTI are seeking responses to this third GB BSC consultation by Friday 23 January 2004 and, subject to those responses, conclusions and the legal text of the GB BSC will be published in April 2004
- ◆ as mentioned above, any necessary changes to the GB BSC which result from the consideration of small generator issues will be consulted upon separately and subject to the outcome of that consultation, will then be incorporated into the GB BSC
- ◆ in addition, the recently published consultation on the GB Grid Code<sup>7</sup> seeks views on the processes to be adopted for the co-ordination of changes between the SO-TO Code (STC) and user-facing codes, including the GB BSC. Once conclusions have been reached on this topic, should any further changes be necessary to the GB BSC they will be consulted upon separately and, subject to the outcome of that consultation, incorporated into the GB BSC
- ◆ it is anticipated that the GB BSC will be created by designating changes to the prevailing BSC that are considered necessary for it to apply across GB, through the use of powers provided in the E(TT) provisions of the Energy Bill, and
- ◆ further changes to the GB BSC may be required in the run-up to BETTA go-live. For example, modifications may have been made to the EW BSC which may need to be reflected in the GB BSC that exists at BETTA go-live. Should such changes arise, their inclusion in the GB BSC will be consulted upon at that time.

2.4. ELEXON is undertaking the drafting of the GB BSC in accordance with Ofgem/DTI policy instructions and under Ofgem/DTI oversight as described in ELEXON BETTA Work Package 6.2 A<sup>8</sup>.

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<sup>7</sup> "The Grid Code under BETTA, Ofgem/DTI conclusions and consultation on the text a GB Grid Code and consultation on change co-ordination between the STC and user-facing industry codes", September 2003, Ofgem 111/03.

<sup>8</sup> See Ofgem website [www.ofgem.gov.uk](http://www.ofgem.gov.uk) – BETTA section

## ***Views invited***

- 2.5. Parties are free to raise comments on any of the matters covered in this paper and in particular on the items requested. All responses will normally be published on the Ofgem website and held electronically in Ofgem's Research and Information Centre unless there are good reasons why they must remain confidential. Respondents should try to put any confidential material in appendices to their responses. Ofgem prefers to receive responses in an electronic form so they can easily be placed on the Ofgem website.
- 2.6. Any responses should be sent to:
- David Halldearn  
BETTA Project  
Office of Gas and Electricity Markets (Ofgem)  
9 Millbank  
London  
SW1P 3GE  
Fax: 020 7901 7479
- 2.7. Please e-mail responses to [BETTA.consultationresponse@ofgem.gov.uk](mailto:BETTA.consultationresponse@ofgem.gov.uk) marked "Response to third GB BSC consultation". All consultation responses will be forwarded to the DTI.
- 2.8. If you wish to discuss any aspect of this document, please contact Simon Street, e-mail [simon.street@ofgem.gov.uk](mailto:simon.street@ofgem.gov.uk), telephone 020 7901 7057 or Owain Service at DTI, email [owain.service@dti.gov.uk](mailto:owain.service@dti.gov.uk), telephone 020 7215 2779.

### 3. Background

- 3.1. In the December 2001 consultation Ofgem set out its vision of a model that would enable all consumers in Great Britain to benefit from more competitive wholesale markets. The set of proposed reforms outlined in that paper is termed BETTA.
- 3.2. On 15 April 2002, the Government announced its intention to bring forward legislation to implement BETTA when Parliamentary time allows<sup>9</sup>.
- 3.3. The requirement for a GB BSC under BETTA was discussed in the December 2001 consultation paper and the May 2002 report. In December 2002, the first consultation on a GB BSC was published.
- 3.4. Also in December 2002, Ofgem/DTI published consultation documents on the regulatory framework for transmission licensees<sup>10</sup>, on the GB Connection and Use of System Code (CUSC)<sup>11</sup>, on the GB Grid Code<sup>12</sup> and on the Settlement Agreement for Scotland (SAS) under BETTA<sup>13</sup>.
- 3.5. On 30 January 2003, the DTI published a draft of the Electricity (Trading and Transmission) Bill<sup>14</sup> (the E(TT) Bill). This was subject to pre-legislative scrutiny by the Trade and Industry Committee (TIC) and the TIC published a report<sup>15</sup> on 8 April 2003. The committee published the Government's response<sup>16</sup> to its report on 2 July 2003.

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<sup>9</sup> See Hansard, 15<sup>th</sup> April 2002 Official Report Column 748W.

<sup>10</sup> "Regulatory framework for transmission licensees under BETTA, An Ofgem/DTI consultation", December 2002. Ofgem 88/02.

<sup>11</sup> 'The Connection and Use of System Code under BETTA, Ofgem/DTI consultation on a CUSC to apply throughout GB', Ofgem/DTI, December 2002. Ofgem 79/02.

<sup>12</sup> "The Grid Code under BETTA, Ofgem/DTI consultation on the development of a Grid Code to apply under BETTA", December 2002. Ofgem 78/02.

<sup>13</sup> "The Impact of BETTA on the Settlement Agreement for Scotland (SAS), An Ofgem/DTI Consultation", December 2002. Ofgem 81/02.

<sup>14</sup> See DTI press notice P/2003/60 published 30 January 2003 on [www.dti.gov.uk](http://www.dti.gov.uk) follow 'Press Notices'.

<sup>15</sup> 'The British Electricity Trading and Transmission Arrangements: Pre-legislative scrutiny of the draft Electricity (Trading and Transmission) Bill. Fifth report of session 2002-3. Volumes 1 and 2.' See [www.parliament.uk/parliamentary\\_committees/trade\\_and\\_industry.cfm](http://www.parliament.uk/parliamentary_committees/trade_and_industry.cfm).

<sup>16</sup> "Government response to the Trade and Industry Committee's Fifth Report of Session 2002-03" (HC 468-I), available at [www.parliament.uk](http://www.parliament.uk) and follow Committees to the Trade and Industry Committee, Tenth Report for 2002-03

- 3.6. On 31 January 2003, Ofgem/DTI published a consultation on changes to electricity generation, distribution and supply licences under BETTA<sup>17</sup>.
- 3.7. On 6<sup>th</sup> June 2003, Ofgem/DTI published the second GB BSC consultation containing a first proposal for the legal text of the GB BSC<sup>18</sup>. This document is considering the responses to that consultation and reaching conclusions on the issues raised. It also proposes revisions to the drafting for the GB BSC.
- 3.8. Also on 6<sup>th</sup> June, Ofgem/DTI published the first consultation on a System Operator – Transmission Owner Code (SO-TO Code)<sup>19</sup> or STC to apply between the GB system operator and transmission owners and on 13<sup>th</sup> June the first proposal for a GB CUSC<sup>20</sup>.
- 3.9. Also in June 2003, Ofgem/DTI published a second consultation on the regulatory framework for transmission licensees<sup>21</sup>. In July 2003, Ofgem/DTI published their conclusions on the principles of cost recovery with respect to BETTA<sup>22</sup>. These conclusions lead to the need for changes to the GB BSC to enable the recovery of ELEXON BETTA costs. This is discussed in chapter 4.
- 3.10. On 30<sup>th</sup> September 2003, Ofgem/DTI published the second consultation on the Grid Code under BETTA<sup>23</sup> and a second consultation on the changes to generation, distribution and supply licences under BETTA<sup>24</sup>.
- 3.11. On 20<sup>th</sup> November 2003, Ofgem/DTI published a consultation on smaller generator issues under BETTA.

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<sup>17</sup> "Changes to electricity generation, distribution and supply licences under BETTA, An Ofgem/DTI consultation", January 2003, Ofgem 04/03

<sup>18</sup> "The Balancing and Settlement Code under BETTA, Ofgem/DTI Conclusions and Consultation on the legal text of a GB BSC", June 2003, Ofgem 40/03.

<sup>19</sup> "The SO-TO Code under BETTA, Summary of responses and conclusions on Volumes 3 and 4 of the December 2002 consultation on the regulatory framework for transmission licensees under BETTA, and further consultation on content of the SO-TO Code", Ofgem/DTI, June 2003, Ofgem 41/03

<sup>20</sup> "The Connection and Use of System Code under BETTA, Ofgem/DTI Conclusions and Consultation on the legal text of a CUSC to apply throughout GB", June 2003, Ofgem 46/03.

<sup>21</sup> "Regulatory framework for transmission licensees under BETTA – Second consultation on electricity transmission licences under BETTA: An Ofgem/DTI consultation", June 2003, Ofgem 59/03

<sup>22</sup> "Recovery of costs under BETTA, An Ofgem/DTI conclusions document", July 2003, Ofgem 66/03 and "Addendum to 'Recovery of Costs under BETTA: An Ofgem/DTI conclusions document", 30 July 2003.

<sup>23</sup> "The Grid Code under BETTA, Ofgem/DTI conclusions and consultation on the text of a GB Grid Code and consultation on change co-ordination between the STC and user-facing industry codes", September 2003, Ofgem 111/03.

<sup>24</sup> "Changes to generation, distribution and supply licences under BETTA, A second Ofgem/DTI consultation", September 2003, Ofgem 114/03.

- 3.12. On 26 November 2003, the Government announced its intention to bring forward an Energy Bill. On 27 November 2003 the Energy Bill was introduced into the House of Lords. This Bill incorporates the provisions previously presented in the draft E(TT) Bill. Such legislation is referred to in this document as the E(TT) provisions of the Bill or, based upon an assumption of Royal assent to such a Bill, as the E(TT) provisions of the Act.
- 3.13. All of the consultation papers mentioned, together with others which have less relevance to the GB BSC can be found on the Ofgem web-site at [www.ofgem.gov.uk](http://www.ofgem.gov.uk) .
- 3.14. Work is ongoing in other areas of the BETTA project, such as the changes required to transmission licences under BETTA, the further allocation of roles between the system operator and transmission owners, the drafting of the STC, the development of a GB CUSC and GB Grid Code. If, as a result of work in these other areas, changes to the GB BSC seem necessary, Ofgem/DTI will consult upon such changes at that time.
- 3.15. This document does not consider the arrangements necessary to make the legal transition to a BSC to apply it across GB. This document makes proposals only in respect of the enduring arrangements. The legal transition to a GB BSC and other practical transitional issues will be consulted upon at a later date in the context of implementation and transitional issues. If interested parties wish to refer to any such matters in their responses they should feel free to do so.

## 4. Summary of responses and Ofgem/DTI views

- 4.1. Thirteen responses were received to the second GB BSC consultation. A list of respondents is shown in Appendix 1. The responses are available on the Ofgem website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk).
- 4.2. This chapter sets out respondents' views on the matters raised in the second GB BSC consultation and Ofgem/DTI's conclusions, in the order that those matters were addressed in that document. Matters raised on other issues by respondents are also addressed at the end of this chapter.

### *The legal framework for and the basis of the GB BSC*

- 4.3. In the second GB BSC consultation, Ofgem/DTI concluded that as the GB system operator is to be responsible for balancing the GB transmission system, the licence obligation to have in force a Balancing and Settlement Code should be in the GB system operator's transmission licence and that the GB BSC should be based on the existing England and Wales BSC.
- 4.4. Three respondents provided comments on the legal framework for and the basis of the GB BSC. All three agreed with the proposal that the GB system operator should have the licence obligation to have in place a GB BSC.
- 4.5. One respondent also expressed its concerns about the relationship between the consideration of proposed modifications to the EW BSC and the development of the GB BSC.
- 4.6. Ofgem/DTI are aware of the concerns expressed and Ofgem published a letter to the BSC Panel Chairman explaining their position<sup>25</sup>. In that letter Ofgem explained its general approach which is that it will consult on a GB basis on modification proposals to the EW BSC from the time when the Energy Bill receives its second reading in either House of Parliament. Therefore until the time that GB consultation is undertaken on such modification proposals, Ofgem is obliged to continue with developments which will benefit both current and

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<sup>25</sup> Letter to BSC Panel – Changes to the Industry Codes following BETTA progress, 17 January 2003, Ofgem

future consumers within both England and Wales and Scotland respectively and separately.

- 4.7. The same respondent went on to say that it should be recognised that issues may arise not only in relation to the extension of the geographical scope of the BSC, but also in relation to its extension to a system with 132kV classified as transmission over part of GB, and to the proposed split-transmission model. Such issues may also impact on the transition from the current separate Scottish arrangements to the enduring BETTA arrangements.
- 4.8. The respondent added that given that these issues have not yet been resolved within the consultative process, respondents' consideration of the approved England and Wales modifications for inclusion in a GB BSC must be caveated with the statement that their views are dependent on the outcome of the related consultations. However, it expected that by the second reading of the E(TT) Bill, such issues will have been finalised, following which Ofgem's assessment of the effect of modifications in a GB context prior to the Authority's decision on their application in England and Wales should be of a comparable level of detail, robustness and transparency as that given by the existing governance arrangements, and with reference to the by then agreed applicable GB BSC objectives and in the context of the overall BETTA design.
- 4.9. Ofgem/DTI note the reference to the BSC applicable objectives, which are currently included in the National Grid Company's transmission licence standard condition C3 and which are intended to be included in the transmission licence of the GB system operator in respect of the BSC to apply GB-wide. As set out in the second consultation on transmission licences under BETTA<sup>26</sup>, Ofgem/DTI are planning changes to the C3 licence condition to remove the existing references in clause 10 and some changes for implementation reasons. No changes to the applicable objectives have been proposed although it is recognised that objective (e) will have to cease at an appropriate point.

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<sup>26</sup> "Regulatory framework for transmission licensees under BETTA, Second consultation on electricity transmission licences under BETTA, An Ofgem/DTI consultation", June 2003, Ofgem 59/03.

4.10. Ofgem/DTI remain of the view that the licence obligation to have a GB BSC in place should be in the licence of the GB system operator and that the GB BSC should be developed using the EW BSC as a basis for consultation.

### ***Geographic scope of the GB BSC: the Shetland Isles***

4.11. In the second GB BSC consultation, Ofgem/DTI stated that they considered that the Shetland Isles should be included within the scope of the GB BSC arrangements.

4.12. Four respondents commented on the inclusion of the Shetland Isles in the geographical scope of the GB BSC. Three respondents supported the proposed arrangements for the Shetland Isles.

4.13. One respondent did not believe that the argument for including the electrically isolated Shetland Isles in the imbalance settlement arrangements had yet been adequately made. It stated that the proposal to include the Shetlands within the scope of the GB BSC arrangements seemed to go against the grain of common sense for the sake of an inflexible adherence to the principle of 'equal treatment'. It went on to say that if, however, the Shetlands were to be included, it would need to see something more substantial than a mere expectation 'that the DSO will contract with generators on the Shetland Isles' (paragraph 4.14). In its view the commercial arrangements must guard against any perverse incentive for rewards to the generation plant on the Shetlands'.

4.14. One respondent was fully supportive of the proposal to include the Shetland Isles into the scope of the GB BSC arrangements despite it not being connected to the mainland electricity system. It stated that it was important that generators in the Shetland Isles enjoyed the same access to competitive supply arrangements as other generators within GB along with the opportunity to contract directly with their DNO to provide services for balancing supply and demand.

4.15. Another respondent noted that the Shetlands are electrically isolated from the mainland, and are served by a distribution network and local generation. The operation of the network is entirely in the hands of the distribution network operator and the distribution network connected customers.

- 4.16. Another respondent, whilst agreeing that the GB BSC arrangements should encompass all of GB including the Shetland Isles, did not believe that sufficient consideration had so far been given to the detailed issues arising from inclusion of a disconnected distribution system within the industry codes for the GB transmission system, and noted its interest in further discussion on these matters within the next round of consultations.
- 4.17. In the July 2003 consultation on the regulatory framework for transmission licensees, Ofgem/DTI stated that they believed that the responsibility of the GB system operator should be to meet relevant standards (including, for example, those related to system frequency) on the transmission system. In addition Ofgem/DTI stated that the Distribution Code also outlines responsibilities for the management of frequency response within a distribution network and allows the Distribution Network Operator, giving due consideration to the requirements of the generation plant embedded within its network, to contract for frequency response, allowing investment decisions to be made about the need to reinforce the network or constrain the generator as appropriate. Ofgem/DTI stated that, as the network on the Shetland Isles is licensed as distribution, they considered that, until such time as there is transmission on the Shetland Isles, it would be appropriate that the current operational responsibilities for maintaining voltage and frequency should continue to apply.
- 4.18. Practically, the DNO has to ensure that the generation and the demand on the Shetland Isles is in balance. The metering for this generation and demand will be included in the appropriate production and consumption accounts of the relevant party responsible for those metering systems under the GB BSC.
- 4.19. No special rules are necessary in the GB BSC to accommodate the Shetland Isles. This means that the generation on the Isles could choose to join the balancing mechanism, but in practice as their output would not have any effect on the main system (due to the islands being electrically isolated) then any offers or bids would be of no interest to the GB system operator. Ofgem/DTI are still of the view that the Shetland Isles should be included within the scope of the GB BSC arrangements.

## ***Generic changes***

- 4.20. The second GB BSC consultation made a number of proposals for generic changes in the GB BSC legal drafting. These were described in detail in chapter 6 of that document and are repeated in chapter 6 of this document.
- 4.21. One respondent provided comments on the proposed generic changes to the legal text of a GB BSC. It noted that Ofgem/DTI proposed to adopt a split-transmission model in which the GB system operator was solely responsible to users and the transmission owner role was removed from the user-facing codes, with any underlying responsibilities amongst the respective transmission licensees specified through the drafting of “back-off” arrangements within the STC. It stated that it believed that it was important that any such provisions concerning the transmission owner role in relation to the GB system operator’s responsibilities under the GB BSC should be clearly identified within the STC and cross-referenced to the GB BSC and supporting documents. However, this could not be fully addressed until the detailed SO-TO split under BETTA was finalised and the roles, rights, obligations and liabilities of the respective transmission licensees established. It looked forward to the interactions between the industry codes and licences being taken forward in the next round of consultations on these documents.
- 4.22. Ofgem/DTI confirm that the issue of the “back-off” requirements for any transmission owner role in the provision of services by the GB system operator under the user-facing GB codes (BSC, CUSC and Grid Code) are being worked up in detail for the STC with substantial input from the three transmission licensees.

## ***Parties and participation***

- 4.23. In the second GB BSC consultation Ofgem/DTI concluded that transmission owners should not be a member of the BSC Panel nor have a seat at BSC Panel meetings. Ofgem/DTI also concluded that the definition of Public Distribution System Operator should be widened to GB.
- 4.24. Five respondents provided comments on parties and participation. Four respondents supported the proposal not to make transmission owners subject to

obligations under a GB BSC nor to be members of the BSC Panel or have seats at Panel meetings.

- 4.25. One respondent stated that the transmission owner would have a key role in any decision to de-energise a defaulting party under the code and for this reason alone would have preferred to see the transmission owner as a BSC Party and assumed this issue would be addressed under the STC.
- 4.26. Ofgem/DTI note this view but believe that the necessary rights or obligations with regard to disconnection under the GB BSC should lie with the GB system operator and that any necessary action by transmission owners should be specified in the STC.
- 4.27. Another respondent agreed that there was no need for the transmission owners to be parties to the GB BSC, adding that the corollary of this was a licence condition which required the transmission owners to co-operate with the GB system operator. The respondent added that the situation was not comparable for Public Distribution System Operators (PDSOs), since these each provided services (registration systems) that were necessary for supply competition in their area. It stated that it followed that Scottish Hydro-Electric Power Distribution and Scottish Power Distribution should become PDSOs.
- 4.28. In respect of the respondent's comment about obligations on transmission owners to co-operate with the GB system operator, in the second consultation on electricity transmission licences under BETTA<sup>27</sup>, Ofgem/DTI proposed a standard licence condition for all transmission licensees which required (among other things) the licensee to comply with the STC. The STC will set out the necessary interactions between the system operator and transmission owners in this regard.
- 4.29. Another respondent noted that the indirect role of the transmission owner, for example in respect of data provision, making assets available for use and de-energising assets following user default, must be fully specified through "back off" arrangements within the STC, and cross referenced to the GB BSC. There

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<sup>27</sup> "Regulatory framework for transmission licensees under BETTA, Second consultation on electricity transmission licences under BETTA, An Ofgem/DTI consultation", June 2003, Ofgem 59/03.

should also be provisions to allow transmission owners to propose changes to the GB BSC to bring about consistency with other codes. Notwithstanding that transmission owners need not be parties to the GB BSC, adequate provisions needed to be included in the GB BSC which endow non-affiliated transmission owners with the same legal protection afforded to the combined SO-TO in the BSC, in particular as regards liabilities. Further it stated that, under the GB BSC the GB system operator should assume in full all liabilities currently assigned to the Transmission Company under the BSC, in order to provide the same legal rights under BETTA to users of non-affiliated networks as those in England & Wales.

- 4.30. Ofgem/DTI recognise that one consequence of the role of the GB system operator being the party responsible for providing the contractual service of connection and use of system is that it will take responsibility for all transmission related obligations under the user facing codes (BSC, CUSC and Grid Code). However, the transmission owners have a significant role in transmission and the three transmission licence holders are working closely with Ofgem/DTI to develop the necessary “back-off” obligations, duties and rights to be included in the STC. This work includes the consideration of liabilities between the three transmission licensees.
- 4.31. Ofgem/DTI also note the comment about change co-ordination between codes. The recently published second consultation on the GB Grid Code<sup>28</sup> considers this point and seeks views on a number of options for achieving such co-ordination. Once a conclusion is reached on this matter, any necessary changes to the GB BSC will be consulted upon.
- 4.32. Ofgem/DTI remain of the view that transmission owners should not be parties to the BSC nor should they be a voting member of the BSC Panel or attend BSC Panel meetings. Ofgem/DTI also welcome the support for their view that the definition of Public Distribution System Operator should be widened to GB.

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<sup>28</sup> “The Grid Code under BETTA, Ofgem/DTI conclusions and consultation on the text of a GB Grid Code and consultation on change co-ordination between the STC and user-facing industry codes”, September 2003, Ofgem 111/03.

## ***Governing law and general legal conditions***

- 4.33. In the second GB BSC consultation Ofgem/DTI proposed that the governing law of the GB BSC should be English law and that jurisdiction should be conferred exclusively on the courts of England and Wales. Further Ofgem/DTI proposed that the existing BSC should be amended to create the GB BSC, rather than introducing a new GB BSC.
- 4.34. Five respondents provided comments on the proposal on the law and jurisdiction. Three respondents agreed with Ofgem/DTI's proposal.
- 4.35. Of those who did not agree, one noted that the current proposals seemed strange given the likely location of the majority of new renewables and would increase (especially small) developer cost and risk and thus threaten developments.
- 4.36. The other respondent who disagreed with Ofgem/DTI's proposal noted its disappointment that Ofgem/DTI had concluded that the governing law for the GB BSC should be English Law and that jurisdiction should be exclusive to the courts of England and Wales. It stated that it remained of the view that this was unnecessary and discriminated against Scottish users, and had seen no justifiable reason why the GB BSC and any ancillary documents should not be interpreted by either Scots or English Law in either Scots or English courts, in accordance with the rules governing the allocation of jurisdiction and choice of law within the UK. Further it stated that these proposals placed Scottish users at an unfair commercial disadvantage, and referred to its response to the first GB BSC consultation for further discussion of these issues. It noted its particular disappointment that the BETTA arrangements, which are intended to assist the development of renewable generation in Scotland, would disadvantage the developers in this way.
- 4.37. Ofgem/DTI do not believe that their proposals discriminate against Scottish participants. The circumstances where a party to the BSC finds it necessary to take an issue to the courts are likely to be very rare given the dispute resolution processes built into the BSC. Ofgem/DTI also believe that the proposed arrangements for the GB BSC are consistent with the Network Code, which also has a GB scope and provides for the exclusive jurisdiction of English courts.

Further, Ofgem/DTI believe that it will be substantially more efficient to implement the GB BSC as a change to the current BSC and that the price of such an efficiency gain is a risk of a relatively small inconvenience on rare occasions.

- 4.38. Ofgem/DTI, as explained in the second GB BSC consultation, do not accept the legal arguments put forward to permit interpretation of the GB BSC under both Scottish and English law because there may have to be legal argument about which law applies should a dispute arise. Further, in order for parties to resolve any dispute without litigation they must be certain of their respective rights and obligations and thus must be aware of the governing law, rather than potentially having to seek a determination upon which law applies.
- 4.39. Ofgem/DTI therefore conclude that the governing law of the GB BSC should be English law and that jurisdiction should be conferred exclusively on the courts of England and Wales.
- 4.40. Ofgem/DTI also conclude that the GB BSC should be implemented by modifying the current BSC.

## **Governance**

- 4.41. In the second GB BSC consultation it was proposed that there should be no change to the composition of the Panel and the process for appointment of Panel Members under a GB BSC. It was also suggested by respondents that there might be new elections for members of the GB BSC Panel. Ofgem/DTI stated that the question of the appointment of a GB Panel would be addressed in a consultation on transition and implementation issues.
- 4.42. Seven respondents provided comments on governance each making comments on different aspects of the matter. One respondent sought confirmation that new elections will be held for the GB BSC Panel. A third respondent registered its agreement that the implementation of BETTA should not introduce a requirement for Panel Members to represent geographical areas.
- 4.43. Another respondent considered it important that the structure of a GB BSC Panel included the opportunity for Scottish Parties to effect their influence on the vote and looked forward to seeing this proposal included in the transition and implementation issues.

- 4.44. Another respondent stated that given that the GB BSC objectives will be GB-wide, it agreed with the premise that it would be unreasonable to elect GB Panel Members on the basis of their geographical location. It noted the proposed modification P129 - Changes to Panel Determination Process and Panel Election Procedures, under the England & Wales BSC, which it hoped would be included in a subsequent draft of the GB BSC. Under this proposal, there was no need to appoint industry members to specifically represent English, Scottish or Welsh interests, as the proposed constituency classes were already designed to ensure that the Panel would represent a diversity of stakeholder views, irrespective of any regional differences.
- 4.45. One respondent had major concerns regarding the governance of the BSC, and other codes, in England and Wales, specifically in relation to the inefficiencies arising from the fragmentation of governance of the codes and what they viewed as Ofgem's micro-management role in the process, the misalignment of the Authority's decision criteria with the relevant code objectives, and the absence of a mechanism to appeal the content of a decision taken by the Authority. It was pleased to see that some of these issues were being taken forward through White Paper initiatives such as the recent DTI consultation on the governance of industry codes, and the draft Social and Environmental Guidance, and looked forward to improved arrangements in the future. Another respondent noted its agreement that the development of BETTA was not the appropriate occasion to develop a super-code.
- 4.46. Another respondent noted that there appeared to be no presumption that the Scottish DNOs would be represented on the BSC Panel. Given that their duties are, if anything, more onerous than those of a DNO in England or Wales, this appeared unreasonable. This respondent thought that perhaps one seat should be reserved for a DNO with 132/33kV GSPs, which would be more flexible in the event of further changes than simply 'a Scottish DNO'.
- 4.47. The BSC<sup>29</sup> provides for the appointment of a representative of distribution system operators to attend and to speak at BSC Panel meetings. It also specifies that the Authority will approve a body to be the distribution-representative body

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<sup>29</sup> See Section B 2.13

which has the right to appoint the person to represent distribution system operators at the BSC Panel. The Authority has appointed the Distribution Commercial Group of the Energy Networks Association as the distribution-representative body. This organisation includes both the Scottish distribution licensees as members. The Scottish distribution licensees will therefore be able, together with the other twelve distribution system operators, to ensure that the individual chosen to represent them at the Panel has the right range of skills to do the job effectively.

- 4.48. Ofgem/DTI do not therefore see a need to make special additional provision in the GB BSC for the representation of any particular class or category of interested party. Ofgem/DTI conclude that there is no need to alter the role or constitution of the Panel in the GB BSC but recognise that there is an argument for further consideration of a process of re-election of elected Panel Members to recognise the wider scope of the GB BSC. If it is concluded that a re-election should take place, the mechanism will be addressed in a consultation on transitional and implementation issues.

### **BSCCo**

- 4.49. In the second GB BSC consultation Ofgem/DTI concluded that ELEXON Limited should be identified in the GB BSC as BSCCo and that the role of BSCCo should remain generally unchanged.
- 4.50. Two respondents provided comments on this subject with both being content for ELEXON to undertake the role of BSCCo under the GB BSC. One respondent stated that it did not wish to see any disturbance to the wealth of knowledge and experience that had been accumulated within ELEXON and that the issue of ELEXON's cost control was not relevant to the development of BETTA. It went on to say that it was for the DTI and Ofgem to satisfy themselves that a competitive tender exercise was not required.
- 4.51. Ofgem/DTI are satisfied that a competitive tender exercise is not required to put GB BSCCo in place.
- 4.52. One respondent stated that it had no issue with ELEXON fulfilling the GB BSCCo role should NGC be appointed as the GB system operator. However it

suggested that neither role should be evergreen, suggesting that the arrangements should allow for both roles to be put to competitive tender, say every 10 years.

- 4.53. Ofgem/DTI notes that the party who fulfils the role of GB BSCCo is identified in the BSC. Should any party conclude that the role should be fulfilled by another person, a modification to the BSC would have to be proposed. Ofgem/DTI do not believe that a change to the BSC to put in place mechanisms to change the party who fulfils the GB BSCCo role on a regular basis can properly be considered to be a change required for BETTA.

### ***Cost recovery***

- 4.54. In the second GB BSC consultation, Ofgem/DTI stated that the then recent consultation paper on cost recovery under BETTA<sup>30</sup> considered matters associated with the recovery of ELEXON costs associated with BETTA implementation and the recovery of any outstanding New Electricity Trading Arrangements (NETA) costs. Ofgem/DTI added that the outcome of that consultation would be fed into the next draft of the GB BSC.
- 4.55. One respondent commented on the issue of cost recovery. It noted that the treatment of BSC and SAS related costs under BETTA was deferred for the subsequently issued conclusions document on Recovery of Costs under BETTA, and took the opportunity to comment on those conclusions. It agreed that any outstanding NETA development costs should be recovered on a GB basis from BETTA go-live and remained of the view that any outstanding Scottish 1998 development costs should be treated in the same way. It also believe that operating costs associated with SAS run-off arrangements should be recovered from a GB charging base under the GB BSC following BETTA go-live, together with equivalent costs associated with the BSC.
- 4.56. In the Ofgem/DTI conclusions on cost recovery<sup>31</sup> Ofgem/DTI stated that they remained of the view that the benefits associated with the implementation of BETTA will accrue to GB consumers as a whole and those continuing to benefit

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<sup>30</sup> "Recovery of costs under BETTA, Ofgem/DTI consultation", April 2003, Ofgem 23/03.

<sup>31</sup> "Recovery of costs under BETTA, An Ofgem/DTI conclusions document", July 2003, Ofgem 66/03

from trading under the revised arrangements should fund such modifications to those arrangements. Ofgem/DTI also stated that costs incurred by BSCCo in preparation for BETTA, funded by the current England and Wales parties in the first instance, should be recovered by GB BSCCo following the implementation of BETTA from GB participants on the basis of Credited Energy Volumes. Ofgem/DTI noted that GB cost recovery mechanisms would be developed to support the GB BSC, and it was expected that such mechanisms would be based upon Section D of the current England and Wales BSC. Ofgem/DTI also stated that, in accordance with the consultation process for the development of the GB BSC, should it prove necessary, any changes to the legal text to accommodate cost recovery mechanisms would be consulted upon in due course.

- 4.57. Ofgem/DTI also stated that they believe that a period of 5 years for recovery was likely to be most appropriate for depreciating the costs of BETTA implementation as this period accorded with some previous decisions in this area and was likely to minimise the impact on participants and ultimately consumers. Ofgem/DTI stated that this decision would be confirmed as and when final cost information is known.
- 4.58. As was made clear in the cost recovery conclusions document, once trading and settlement under a GB BSC starts it will be necessary to administer the run-off arrangements for settlement in England & Wales and Scotland under the BSC and SAS respectively. The document also noted that in principle it would be appropriate for the costs associated with administering England & Wales run-off to be recovered from England & Wales parties and the run-off of Scottish settlements to be recovered from SAS parties. However, it noted that the eventual treatment of such costs would be driven by practical considerations and the most cost-effective route for recovery of those costs. Should SAS parties wish to bring forward a modification to give effect to the run-off of SAS arrangements, then consideration would need to be given to such matters at that time.
- 4.59. The cost recovery consultation also noted that any costs associated with the removal of the Scottish settlement obligations would fall to the Scottish distribution licensees. The document further noted that consideration would

need to be given to an appropriate charging base for these costs at the time that such costs were known and if necessary further consultation would be undertaken.

- 4.60. In accordance with the cost recovery conclusions, legal drafting has been prepared for Section D of the GB BSC to recover BETTA Support Costs over a five year period on the basis of GB BSC Parties' Credited Energy Volumes and to repay those costs to the parties who funded them. BETTA Support Costs are those costs incurred in accordance with Section C8 of the BSC. Section C8 requires that ELEXON proposes packages of work to the Authority and states that ELEXON may not undertake any such work until it has been approved by the Authority.

### ***Settlement metering***

- 4.61. The second GB BSC consultation paper proposed that the definition of "relevant Code of Practice" in Section L (3.2) of the BSC should be amended in the GB BSC to incorporate metering systems which comply with the metering codes of practice under the SAS immediately prior to BETTA go-live. Legal drafting was proposed in volume 2 of the second GB BSC consultation to achieve this end.
- 4.62. Ofgem/DTI also stated that given the common nature of the existing Codes of Practice, they did not consider it necessary to prepare a new standard but would welcome views on this approach.
- 4.63. The second GB BSC consultation paper also stated that Ofgem/DTI had asked ELEXON to identify those parties in Scotland who would, against the background of the proposals outlined in the previous paragraphs, need metering dispensations and to consult GB-wide on the provision of each dispensation. Ofgem/DTI stated that they would use the results of that process to inform the proposed dispensations to be included in any consultation on BETTA implementation arrangements.

- 4.64. This process is now underway and on 24<sup>th</sup> September 2003 ELEXON published a consultation document<sup>32</sup> on the metering dispensations requested by those parties that believe that they will need them.
- 4.65. Six respondents provided comments on settlement metering.
- 4.66. One respondent welcomed and supported the decision to ask ELEXON to identify those parties in Scotland who will need metering dispensations and to consult GB-wide on the provision of each dispensation.
- 4.67. Another respondent felt that given the lead time for procurement and installation of metering systems at existing sites, the process for and agreement of, dispensations for existing compliant metering could not wait until the GB BSC Panel is established. It stated that new transmission connected projects currently under development in Scotland need clarity on whether compliance with current Scottish codes would be acceptable under a GB BSC/BETTA.
- 4.68. Ofgem/DTI explained in the second GB BSC consultation that they have been informed that the Scottish Metering Codes of Practice are technically equivalent to those in England and Wales. Therefore any metering systems developed in compliance with Scottish codes will comply with the codes to apply GB-wide.
- 4.69. One respondent accepted that, where equivalent dispensations have been issued to plant in England and Wales, then the same should also be available to Scottish parties. However, it maintained its view (set out in an earlier response) that dispensations were not an ideal way forward and that the parties should be encouraged to see them as interim solutions only. It did not believe that the potential issue of a Scottish party being unable to apply for a dispensation until the GB BSC is in place, and therefore not having sufficient time to rectify the situation, was insurmountable. It went on to say that the GB BSC Panel would need to act reasonably. It noted that the consultation document said that ELEXON had been asked to identify those parties in Scotland who will need metering dispensations. It supported this approach, as it would make known the size of the problem to inform all trading parties in time for a subsequent consultation.

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<sup>32</sup> See [http://www.elexon.co.uk/betta/docs/Dispensation\\_Consultation.pdf](http://www.elexon.co.uk/betta/docs/Dispensation_Consultation.pdf)  
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- 4.70. Another respondent noted the proposed two-stage process whereby ELEXON will identify and consult on the requirement for any metering dispensations in Scotland, and Ofgem/DTI might give effect to those via BETTA's implementation arrangements. It strongly supported the use of specific implementation arrangements to establish metering dispensations (and other similar requirements) in order to provide a structured means of settling those issues as part of the BETTA project and in sufficient time to enable the affected parties to respond to the outcome.
- 4.71. Another respondent supported the proposal that SAS settlement metering standards should be included in the definition of the "Relevant Codes of Practice" in the GB BSC, and agreed that it was not necessary to prepare a new standard given that the existing Codes of Practice were technically equivalent. It agreed that it would be inappropriate for parties to wait until a GB BSC Panel is established before applying for metering dispensations because parties would have insufficient time to upgrade their metering equipment in the event that the GB BSC Panel refused a dispensation application. It supported the principle of earlier consideration of applications for dispensations but was concerned that Ofgem's proposed process for granting dispensations and other issues in relation to settlement metering had been deferred for subsequent consultations on transitional issues and implementation arrangements. It urged Ofgem/DTI to recognise the necessary lead times for such work by bringing forward consultation on these issues and completing the process for granting dispensations in sufficient time for parties to be able to either obtain necessary dispensations or install compliant metering prior to BETTA go-live, in order to ensure their participation from BETTA go-live.
- 4.72. The same respondent went on to say that, whilst the proposed dispensation application process focused on existing plant, it should be recognised that there was significant windfarm development underway in Scotland. It stated that such development was proceeding with reliance upon the current SAS settlement metering standards and dispensations granted by SESL, as the relevant authority. It noted that given that the existing SAS and England and Wales Codes of Practice are technically equivalent, it believed that such developments must be

"grandfathered" into BETTA, without the need for developers to await the establishment of a new GB BSC Panel in order to seek a BETTA dispensation and that to do otherwise would lead to much uncertainty within the industry and potential delays in the development of new windfarms, contrary to the Scottish Executive's published policy.

- 4.73. Ofgem/DTI notes the issues outlined in these comments and to address these issues ELEXON has been asked to undertake a consultation process on metering dispensations. This process has started, and as stated in 4.64 above, ELEXON has published a consultation document on metering dispensations. It should also be noted that, until legal powers are provided by the E(TT) provisions of the Act, no authority exists for either Ofgem/DTI or the BSC Panel to agree a dispensation in respect of the GB BSC requirements for metering. The process proposed of consulting upon dispensation requests and subsequently proposing relevant dispensations to be included in a transitional legal framework as "deemed" GB BSC Panel decisions, provides increasing certainty for generators and developers.
- 4.74. One respondent stated that first and foremost, the potential for BETTA to create change in Scotland was most unsettling for Scottish developers and to this extent, the news that metering provided in accordance with the SAS should be acceptable for the BSC was welcome, as it removed one element of uncertainty. It felt that uncertainty was difficult, or expensive, or both, to deal with when financing new generation schemes and to this end, it believed that it would be better to delay the introduction of BETTA in order to get it right, than to rush it in by a fixed date and then run through dozens of amendments. It went on to say that it was difficult to comment substantively on a paper where important decisions had yet to be made. In particular, the important aspect of the treatment of the 132kV systems in Scotland had been transferred into the consultation paper on small generators.
- 4.75. Ofgem/DTI are conscious of the concerns of small generators and have recently issued a consultation paper designed to consider all of the issues that impact upon small generators under BETTA<sup>33</sup>.

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<sup>33</sup> Smaller generator issues under BETTA – An Ofgem/DTI consultation document, 20 November 2003, The BSC under BETTA CP 3 Volume 1  
Ofgem/DTI

4.76. Ofgem/DTI welcome the general support for the approach proposed for settlement metering under BETTA and look forward to receiving the report from ELEXON subsequent to its consultation on metering dispensations. Ofgem/DTI also conclude that the England and Wales metering Codes of Practice should be adopted GB-wide and that the definition of relevant Code of Practice in the GB BSC should be amended to incorporate metering systems which comply with the metering codes of practice under the SAS prior to BETTA go-live.

### ***BM Unit representation***

4.77. In the second GB BSC consultation paper Ofgem/DTI concluded that the case has not been made for new rules in the GB BSC to accommodate cascade hydro plant, noting that the GB BSC provided the ability for parties to apply to the Panel requesting a specific BM Unit configuration.

4.78. Four respondents provided comments on the treatment of BM units.

4.79. One respondent agreed that the case had not been made for treating all cascade hydro plant as single BMUs. It noted the potentially conflicting requirements of the System Operator, who needed Physical Notifications for each point of connection to the transmission system, and the requirement that BMUs should be independently controllable. It went on to say that it was for this reason that it suggested in its previous response that an extension to the concept of linked BMUs might ultimately be required.

4.80. Two respondents supported the proposition that cascade hydro schemes should be able to register as a single BM Unit where the hydraulic connections between the stations meant that the generating units were not capable of being controlled separately. One stated that it believed that the key determining factor here was whether the units were capable of being controlled separately, as opposed to whether they had separate connection points. It felt that in this light it may be appropriate to widen the BM Unit definition for BETTA, to include units with multiple connection points which are not separately controllable. It went on to say that given that BM Unit registration requirements also drive

metering requirements, it noted that an early decision on this issue and progress on dispensations was required to ensure that Scottish units could have in place compliant metering or dispensations under the GB BSC prior to BETTA go-live.

- 4.81. The second respondent was disappointed to see that Ofgem/DTI did not feel that enough reasons had been put forward to treat cascade hydro as a specific BM Unit. It stated that operators of cascade hydro faced constraints that were not normally experienced by other generation operators due to the joint manner in which they operate plant for optimal results. However, it recognised that the GB BSC will provide opportunities for affected parties to apply to the BSC Panel for BM Unit recognition if this proposal was not ultimately included in the GB BSC.
- 4.82. Another respondent said that the process set out in the second GB BSC consultation paper did not go far enough to put settlement metering on a firm footing in every case in Scotland and that there would be a limited number of specific instances where the configuration of BM Units was not covered by the “standard” treatment to be set out in GB BSC Section K. It noted that without an alternative, GB BSC Parties wishing to determine the configuration of “non-standard” BM Units in Scotland would have to wait until after the GB BSC had gone active before embarking on the process of determining BM Unit configurations set out in BSC K 3.1.5 to 3.1.7. It went on to say that until the BM Unit configuration was known, the number and location of Metering Systems which will be required would not be known. It felt that the proposed process for deciding upon appropriate settlement metering dispensations in Scotland should be extended to include the more fundamental step of defining BM Unit configurations. It also felt that without certainty on BM Unit configurations, a number of other aspects of the technical and commercial preparations for BETTA could not be completed, therefore this step should be completed as early as possible.
- 4.83. Ofgem/DTI appreciate that it is necessary to provide a degree more confidence to parties who would need to seek a decision from the GB BSC Panel in advance of BETTA go-live, either in respect of non-standard BM Unit configurations or in respect of unusual Trading Unit requests. Ofgem/DTI have therefore asked ELEXON to seek information from Scottish parties and to undertake a further consultation in respect of any proposals for such non-

standard configurations. Again, and dependent upon the outcome of that consultation, Ofgem/DTI will propose the inclusion of “deemed” GB BSC Panel decisions in relation to BM Unit and Trading Unit configurations into the transitional legal framework.

- 4.84. One respondent also stated that it believed that the rules determining the status of BM Units as Production or Consumption should be reviewed for BETTA in the context of pumped storage units and that application of the current EW BSC rules would result in BM Units at both Scottish pumped storage stations being classified as Consumption, given that their Demand Capacity exceeded their Generation Capacity. It stated that the inherent nature of operation of these units, i.e. as variable generators or fixed demands, suggested that they should be classified as Production BM Units and that the option for generators to nominate the P/C status of pumped storage BM Units should be introduced into the Code.
- 4.85. Ofgem/DTI note that this issue exists under the BSC in England and Wales as pumped storage plant exists in England and Wales. Ofgem/DTI therefore do not believe that this is an issue that arises as a consequence of BETTA and therefore that such a proposal should not be taken forward as part of the BETTA reforms.

### ***SVA Profiling***

- 4.86. In the calculation of the aggregate half-hourly demand for consumers whose demand is not metered half-hourly under the BSC and the SAS, a system of profiles is used to calculate the demand in each half hour from aggregated (and normalised) meter advances. The second GB BSC consultation identified two problems with the profiles to be used under the GB BSC. The first problem is that at present the profiles used in Scotland are different from those used in England and Wales and the England and Wales settlement systems are not designed to cope with more than one set of profiles. The second problem is that the profiles allow for bank holidays by allocating different day-types to each settlement day and the settlement systems expect the same day-type to apply for any given settlement day. However, on four days of the year, bank holidays are different in Scotland from those in England and Wales.
- 4.87. In the second GB BSC consultation Ofgem/DTI said that they had requested an analysis from ELEXON on the impact of adjusting SVA settlement systems to

enable the current separate arrangements for deriving SVA profiles that exist in England and Wales and in Scotland to continue under a GB BSC. Ofgem/DTI have also asked ELEXON for information on the effect on the accuracy of the metered data volumes of using a single set of data to derive GB SVA profiles.

- 4.88. Five respondents provided comments on SVA profiling under a GB BSC.
- 4.89. One respondent felt that the use of additional profiles would impact on their systems and that there would be an associated cost of making those changes. It went on to say that notwithstanding this, it supported the continued use of two sets of data, subject to cost, as it believed that this would provide a greater level of accuracy than one data set normalised to either Stirling or Birmingham. It was concerned that the use of England and Wales data or Scottish data on a GB basis would lead to errors in the profiles, potentially increasing the GSP Group Correction Factors and felt that it was essential that this data was as accurate as possible. It suggested that a full analysis of errors arising and costs of implementation of any of these changes should be carried out. It encouraged Ofgem/DTI to work closely with the ELEXON BETTA Project on this issue.
- 4.90. Another respondent stated that the consultation document was informative in that it set out how the data used to calculate profile coefficients differed in four respects from that used in England and Wales. It felt that the comment from one Scottish company that it was 'imperative that the current Scottish arrangements are continued into the GB arrangements' should be respected, unless there was an obviously compelling case to the contrary. It looked forward to seeing a comprehensive analysis of the issues, and of their materiality, before it responded to the third GB BSC consultation paper.
- 4.91. One respondent agreed that it was appropriate to consider the issues arising from the current use of separate arrangements for SVA profiling in the two markets, and considered that the work proposed to be undertaken by ELEXON in this regard appeared sensible. It believed that as far as possible the existing Scottish arrangements should be retained within the BETTA arrangements, since to do otherwise could introduce significant inaccuracies into settlement and into demand forecasting. Specifically, it believed it would be appropriate to incorporate Scottish data used in the Initial Allocation and Reconciliation (IAR) system into the calculation of profiles to be used in the GB BSC, and its

preference would be for the retention of the existing Scottish regression coefficient data, rather than the adoption of a single set of compromise arrangements. Further, it believed that Scottish public holidays should be specifically reflected, as they may have a significant effect on demand profiles within Scotland as compared with standard days, and hence affect Scottish users' relative share of the GB demand.

- 4.92. Another respondent stated that if it were decided that following BETTA two separate systems of Supplier Volume Allocation will be required, then consideration should be given as to where the boundary might lie. In other words, could a better overall model be achieved by having a northern zone including parts of northern England and reducing the size of the southern zone.
- 4.93. One respondent noted that with respect to SVA profiling, the different distribution of Bank Holidays and Business Days in Scotland was bound to have an effect on the overall volume of trading in GB. For example, a Bank Holiday observed by both countries would exhibit different characteristics to one observed in England but not in Scotland, as a Scottish 'business day' profile was added to an England and Wales 'holiday' load curve. This needed to be carefully addressed to avoid inadvertent cross-subsidy.
- 4.94. ELEXON has informed Ofgem/DTI that the settlement systems could be changed at a cost of about £20,000 to allow for different day-types in Scotland and in England and Wales on any given settlement day. This cost includes only systems development and is on the basis that the development is incorporated into other BETTA systems changes. The cost also does not include any operational costs. However, operational costs are expected to be small because there is little or no change in the number of operational runs required.
- 4.95. ELEXON has also informed Ofgem/DTI that, for providing the existing two sets of profiles in England and Wales and in Scotland, settlement system changes will cost about £40,000 (on the same basis as described above) and that this cost would also provide for different day-types. However, in this case operational costs are expected to be substantial because the use of two sets of profile data would require substantive additional processing. No estimates of operational costs can be acquired from the BSC agent at this time since ELEXON is in the process of renegotiating operational contracts for this work.

4.96. In order to consider alternatives, ELEXON asked the Profile Administrator (PrA) to investigate the changes to profile calculated energy volumes that would result from the introduction of a single set of profiles (and of bank holidays) GB-wide. This analysis, which has been published on the ELEXON web-site<sup>34</sup>, is based upon the move to a single set of profiles based on analysis of a GB based customer sample and based on the use of the sunset variable regressed to a single point (Birmingham) and evaluated at that same point for each of the 14 GSP Groups<sup>35</sup>. The analysis shows that the adoption of such a profiling arrangement would have a small effect in all GSP Groups (i.e. small changes to calculated energy volumes would occur both in England and Wales and in Scotland). However, the analysis also showed that for some profile classes the effect of introducing England and Wales day-types GB-wide would result in substantial changes in calculated volumes for Scottish GSP Groups for the four days concerned<sup>36</sup>.

4.97. Ofgem/DTI invited a group of experts on profiling from Scotland and from England and Wales to a meeting arranged by ELEXON on 22 September 2003. At that meeting the PrA presented its analysis and the group debated the effect of the changes to calculated energy volumes on the task of forecasting demand.

4.98. Notes of the meeting of experts have been published on the ELEXON web-site<sup>37</sup>. These notes identify that the experts recommended an approach with the following attributes:

- ◆ a single set of regression coefficients GB-wide, regressed using GB-average temperatures and Birmingham sunset times; and evaluated using local temperatures and Birmingham sunset times, and
- ◆ the ability to specify different day-types in Scotland to those used in England and Wales.

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<sup>34</sup> [http://www.elexon.co.uk/betta/docs/work\\_packages/BETTA\\_Report\\_mv.pdf](http://www.elexon.co.uk/betta/docs/work_packages/BETTA_Report_mv.pdf)

<sup>35</sup> At present the sunset variable is regressed to Stirling for Scotland and evaluated at Inverness and Glasgow and is regressed to Birmingham for E&W and evaluated at a separate location for each GSP Group.

<sup>36</sup> Note that it is not necessarily true that these substantial changes in the calculated energy volumes will make them less accurate. In some cases the accuracy may improve.

<sup>37</sup> [http://www.elexon.co.uk/betta/docs/work\\_packages/BETTA\\_Profiling\\_Notes.pdf](http://www.elexon.co.uk/betta/docs/work_packages/BETTA_Profiling_Notes.pdf)

- 4.99. Ofgem/DTI also note that ELEXON, in its proposal for work package 3.2, stated that arising from a decision of the ELEXON BETTA Project Board, additional functionality described in 4.94 above (ie both the ability to specify different day-types and the ability to process two sets of regression coefficients) will be included in the SVA system and documentation. ELEXON added that this is intended to mitigate the timescale and cost related risks that further changes may be needed to the SVA systems after development has commenced. The Authority approved work package 3.2 on 30 September 2003.
- 4.100. On the basis of the above analysis and views of those most expert in this complex area, Ofgem/DTI propose that the GB BSC should allow for different day-types and thus bank-holidays, to be accommodated in Scotland from those in England and Wales. However, Ofgem/DTI take the view that although the development costs have already been committed, the expected operational costs of maintaining two separate sets of profiles for England and Wales and for Scotland cannot be justified and therefore propose that the single profiling arrangement described above as recommended by the experts should be adopted GB-wide.

### ***Small generators***

- 4.101. The second GB BSC consultation noted that the issues which impacted upon small generators were to be considered in a consultation paper dealing specifically with small generators under BETTA. Six respondents provided comments relating to small generators.
- 4.102. One respondent stated that it had concerns with a number of strategic issues including the uncertainty and perceived risk with regard to BETTA implementation leading to hesitancy in developing new generation projects, threatening achievement of renewables targets. Further, it felt that a lack of evidence so far of 'joined up thinking' between different but interdependent consultations also produced uncertainty and perceived risk for developers and could lead to additional work later. The respondent also stated that the question of the treatment of 132kV as transmission or distribution needed to be resolved urgently to avoid creating unfair discrimination against developments in Scotland (and possibly contravening the EU Directive on Renewables). It was

also concerned that there had been no progress on small (embedded) generators yet.

- 4.103. Another respondent was looking forward to the consultation on the treatment of small generators under BETTA. It felt that it was apparent that there were many issues to be resolved in the treatment of small generators under BETTA and much consideration of the options for small generators was needed to ensure the correct solution was found. It stated that in its view, there was a balance to be struck between the economic purity of the trading arrangements and the progress towards the Government's renewable targets. Although it believed that it was appropriate for some special arrangements to be found for small generators it was essential that market mechanisms should not be distorted in order to provide support for renewable energy. It went on to say that the arrangements that are put in place for the small generators must be unambiguous, transparent and consistently applied. It noted that Ofgem's current thinking was for 132kV networks in Scotland to be treated as transmission under BETTA. It supported this view, providing this did not cause undue discrimination for or against small generators connected in Scotland and that these generators should not be disadvantaged compared to similar generators of a similar size in England and Wales because of historic siting.
- 4.104. Another respondent noted that the June 2003 BSC consultation paper (amongst others) made relatively frequent references to issues which would be the subject of consultation via a paper on smaller generators. It felt that a number of the points which had been carried over for later consultation, rather than addressed in the context of the BSC consultation itself, were important ones which were potentially difficult to resolve. It wished to see at least two cycles of consultation and proposals / conclusions on the issues which had been earmarked for the smaller generators paper, to allow sufficient opportunity for their place in the overall arrangements to be properly debated.
- 4.105. Another respondent stated that its overriding concern was that due to the classification of the 132kV system in Scotland as transmission, as opposed to its counterpart in England and Wales which is distribution, that there would be unequal treatment of those generators connected to that system in Scotland as compared to their counterparts in England and Wales. They looked forward to

receiving the consultation paper dealing specifically with the impact of BETTA on small generators where these issues would be given due consideration.

- 4.106. One respondent agreed that it was appropriate to cover all such issues within a single consultation document in order to ease the burden on small players participating in the BETTA consultation process. It believed that for the creation of a level playing field under BETTA it was essential that the commercial and technical environment facing users connected to the 132kV network should be common across GB. However, it highlighted that the classification of the 132kV network as transmission in Scotland but distribution in England and Wales raised wider issues than the treatment of small generators connected to 132kV within each region. It went on to say that the treatment of the 132kV network was fundamental to other aspects of the BETTA design and the development of industry codes, as it potentially impacted on the rules for transmission losses, transmission charges, the definition of Trading Units, and the ability to trade under a GSP, hence it also potentially affected users connected at 275kV and above. It therefore urged Ofgem/DTI to progress its consultation on small generators and establish the treatment of the 132kV network as soon as possible, so as not to hold up the BETTA design process. This respondent stated that this uncertainty was already delaying the design process for participant systems.
- 4.107. The same respondent also said that it felt that pivotal to the overall BETTA design was the treatment of the Scottish 132kV network. While it noted that this was to be considered within the consultation on small generators, it highlighted that this issue had wider relevance as it also related to the treatment of the 132kV network within the rules applying to transmission system users in general, for example in relation to transmission losses, transmission charges and triad trading. It believed that the need for equality of treatment across GB should be considered in the context of users connected at 275kV and above, as well as those connected at 132kV and below. It was concerned that continued deferral of these important issues may compromise the robustness of the final BETTA design, and possibly also the achievability of the proposed implementation date through necessitating additional consultation rounds.

- 4.108. Another respondent noted that a number of major issues remained outstanding notably the treatment of small generators and looked forward to responding in due course.
- 4.109. Ofgem/DTI published the consultation on the treatment of small generators under BETTA on 20 November 2003. Ofgem/DTI took account of the matters raised by respondents to the second GB BSC consultation when drafting that consultation paper.

### ***Interconnectors***

- 4.110. In the second GB BSC consultation Ofgem/DTI concluded that no changes to the interconnector provisions in the BSC were required to enable them to apply GB-wide.
- 4.111. Only one respondent commented on this conclusion, agreeing that changes were not required to the current interconnector provisions in the BSC for application to the Moyle interconnector, provided that suitable amendments to the contractual framework surrounding the interconnector could be agreed.
- 4.112. Ofgem/DTI are conscious of the need to put the necessary contractual structure in place surrounding the Moyle interconnector in order that it can operate under the terms of the GB BSC and are taking steps to bring the necessary parties together for discussions. Ofgem/DTI note however that such contractual arrangements are matters for the parties concerned.

### ***Transmission losses***

- 4.113. In the second GB BSC consultation paper, Ofgem/DTI noted that the DTI was conducting a separate consultation on the application across GB of the then proposed BSC modification to introduce zonal transmission losses on an average basis (P82), and stated that it was not intended to consider this matter further in that consultation paper.
- 4.114. Given that the question of the applicability of zonal transmission losses on an average basis throughout GB has been consulted upon by the DTI, Ofgem/DTI do not intend to address the topic again here.

## ***Pool supplement***

- 4.115. In the second GB BSC consultation Ofgem/DTI concluded that any tidying up of the provisions of the Pool Supplement in the England and Wales BSC would better be managed under the current modification procedures and noted that the activities under the Pool Supplement may not be completed by BETTA go-live and on that basis, this supplement would not necessarily be redundant.
- 4.116. Only one respondent commented on this topic and stated that it felt that if the Pool Supplement was not to be removed from the GB BSC, then the GB BSC should state that this Supplement does not apply to Scottish parties to the GB BSC who were not parties to the EW BSC.
- 4.117. Ofgem/DTI understand this perspective but note that the Pool Supplement places obligations only on Pool Members and on BSCCo. Further it is noted that no such statement has been necessary for parties who have acceded to the BSC Framework Agreement since the BSC came into effect. Ofgem/DTI therefore conclude that no such statement is necessary.

## ***Other issues***

### ***BMRS Zones***

- 4.118. The Balancing Mechanism Reporting System (BMRS) provides data aggregated by geographical zones. The BSC specifies<sup>38</sup> that the BMRS zones are set from time to time by the Panel in consultation with the Transmission Company for the purposes of Section V. Section V specifies (in its Table 1) that the BMRS shall show day ahead demand forecasts, indicated generation and indicated demand forecasts for each half-hour of each day. In addition, that data shall be updated five times each day (for the remaining half-hours of that day) and indicated imbalance values shall also be shown. At present there are five reporting zones<sup>39</sup> covering England and Wales.

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<sup>38</sup> See Section X: definition of "BMRS Zone"

<sup>39</sup> See [http://www.bmreports.com/bwx\\_help.htm](http://www.bmreports.com/bwx_help.htm) for a description of the current five zones.

- 4.119. Under a GB BSC consideration needs to be given to the appropriate resolution of BMRS zonal data to reflect the inclusion of Scottish generation and demand in a GB BSC. There are three obvious possibilities:
- ◆ provide two extra zones for each of the transmission licensees' areas in Scotland
  - ◆ provide one extra zone for the whole of Scotland, or
  - ◆ combine Scotland with the existing northern zone (Zone A).
- 4.120. Other possibilities, for example redistributing the existing five areas over the whole of GB have not been considered as Ofgem/DTI do not believe that the introduction of BETTA in itself justifies such wholesale redesign of the BMRS system.
- 4.121. When the five BMRS zones were originally set up, the four boundaries between them were chosen broadly to reflect areas of possible transmission system constraints. In addition the size of the zones themselves were chosen to ensure that the generation within any zone was not predominantly in the hands of a single party such that the data presented in respect of the zone did not reveal commercial information about that generator. These criteria would tend to support the introduction of a sixth zone to cover the whole of Scotland.
- 4.122. Consideration needs to be given to striking a balance between the costs of increasing the number of zones in terms of systems development for the settlement system, for the provider of the data and for participants whose systems will need to be redeveloped to deal with an additional zone on the one hand, and the value of the additional zonal data and the maintenance of data for the current northern zone on the other hand.
- 4.123. Ofgem/DTI are unable to make this judgement without information from interested parties and would therefore welcome views from respondents on the two options of either (i) providing an additional (sixth) zone covering the whole of Scotland or (ii) combining Scotland with the existing northern zone.
- 4.124. Nine respondents to the second GB BSC consultation raised a variety of other issues which are discussed in the following paragraphs.

## ***Half-hour data for transmission owners***

- 4.125. The question of whether half-hourly metered data should be provided to transmission owners was not addressed in the second GB BSC consultation but has subsequently been raised under the aegis of the System Operator - Transmission Owner (SO-TO) Expert Group (STEG) work as well as in consultation responses.
- 4.126. One respondent stated that it felt that system demand data is a fundamental input to the transmission design process (which will be undertaken by transmission owners) and used to determine the capability of the power system to meet future requirements and to optimise development and capital expenditure; for example it is used for studies for project specific design work including system reinforcement and refurbishment, for studies to underpin the Seven Year Statement (which will continue to be carried out by the transmission owners), and for studies to show the compliance of the network with the Planning Standards. The respondent further stated that there are two main sources of data - half-hourly metering data captured via the current System Data Provision (SDP) processes supplemented by spot analogues captured via the SCADA system. It explained that it is the half-hourly metering which is relevant to this BSC response.
- 4.127. The respondent went on to say that much of the system design needs are based on the longer term view, over a full year, and the settlement data is ideal in that the half-hour consolidates all the data into a single stream, while providing adequate 'granularity' and constraining a single data stream to 17,520 values. The respondent stated that the electrical quantities of primary concern are real and reactive power. In Scotland, these are currently captured through the SDP processes, whilst in England and Wales these are captured through the BSC processes. In the respondent's view, for fault finding and rectification purposes it is essential that the GB BSC processes (in conjunction with the STC) continue to provide to the transmission owners half-hour settlement metering data on a day after basis for all grid supply points, grid-connected customers, including composite sites and generation site station supplies, generating units and interconnectors. To provide a complete picture of each of the three transmission owner areas, it was suggested that consideration should be given to leaving in

place the existing settlement metering between the three transmission owner areas and giving BSCCo the responsibility for collecting this metering data.

- 4.128. Another respondent understood that under BETTA the Scottish transmission licensees were unlikely to be parties to the BSC and hence any data flows from central systems to them may need to go via the GB system operator. If this was necessary, it suggested that if the Scottish transmission licensees needed data flows then the GB system operator should be provided with such information by central systems in a format such that it can be directly forwarded to the Scottish transmission licensees (i.e. it would not need to be extracted from a GB data set). This would avoid the need for the GBSO to develop and maintain a means of manipulating the data files when the central systems already have this capability.
- 4.129. Ofgem/DTI notes that half-hourly reactive data is not included in the data covered by the recently approved modification (P114) which provides for parties who are not Party to the BSC Framework Agreement to receive some settlement data (under certain conditions). Thus, the provision of such data to transmission owners would require a change to the GB BSC. Ofgem/DTI are also aware that the whole question of what data is required to support the activity of planning investment in the transmission system by transmission owners is still a matter of debate under the STEG. However, if it is concluded that such data is required is required by transmission owners,, Ofgem/DTI believe that the GB BSC and the STC should provide for this, subject to an assessment of the costs involved.
- 4.130. Ofgem/DTI are aware that some of this data would not otherwise be required for Settlement and, should it be concluded that it is required, the mechanism for its provision to transmission owners would require further consideration.

### ***Business Days***

- 4.131. In the second GB BSC consultation Ofgem/DTI proposed that the current definition of Business Days will be used in the GB BSC and that no special account will be taken of Scottish bank holidays in the definition of Business Days.

4.132. One respondent commented on this proposal saying that it was their view that Parliament had considered this matter (in its deliberations of the Electricity Act 1989, and in particular the definition of “working day” in Section 64 of the Act) and has determined that differences exist between Scotland, England and Wales in regard to when businesses operate. In view of this they believe that the proposed definition of “Business Day” in the GB BSC should be amended “to reflect Parliament’s clearly stated view on this matter”. The definition of a “Business Day” would therefore read:

means “a day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday in England, Wales or Scotland, within the meaning of the Banking and Financial Dealing Act 1971, on which banks are open in London and Edinburgh and Cardiff, for general interbank business in Sterling and, in relation to payment in euro, and such day when in addition the Trans European Automated Real-time Gross Settlement Express transfer System is operating.”

4.133. ELEXON has advised that in addition to the need to revise the Settlement, Payment and Credit Calendars (owing to their being fewer business days in the year under such revised definition and the possibility of Interim Information Run data not being available on more days than is currently the case), such a change to the definition of Business Days may impact a number of areas of the BSC including:

- ◆ Section M where parties may post Credit Cover on Business Days – any Party in Credit Default on a Scottish Bank Holiday would be prevented from posting additional cover, even if their bank was willing to do so;
- ◆ Section M also gives Parties a default cure period, lasting until the end of the first Business Day after the expiry of the Query Period, to remedy credit problems so as to avoid being placed in Level 1 Credit default; and
- ◆ Section P only permits contract volumes to be nullified on Business Days.

4.134. Ofgem/DTI do not believe it is appropriate, or necessary to revise the definition of Business Day to reflect Scottish Bank Holidays and that to retain the existing definition continues to be permissible.

## ***Regulatory reforms***

- 4.135. One respondent had serious concerns that in its view a number of significant regulatory reforms (BETTA included) are being taken forward in an ad-hoc, piecemeal way. It stated that this made it impossible for market participants to fully understand and assess the overall impact and effects of the proposed reforms. As a consequence this increased market uncertainty and regulatory risk. In its view the pursuit of other significant, unproven reforms at this time, such as zonal transmission losses and significant changes to transmission charging arrangements, should be halted. Instead the primary DTI/Ofgem focus should be on delivering BETTA and BETTA alone.
- 4.136. Ofgem/DTI are aware of this concern but, as explained in 4.6 above, Ofgem's general approach is that consultations on modification proposals to the EW BSC will not be undertaken on a GB basis until the Energy Bill receives its second reading in either House of Parliament and until such time, Ofgem is obliged to continue with developments which will benefit both current and future consumers within both England & Wales and Scotland respectively and separately.

## ***Appeal against regulatory decisions***

- 4.137. One respondent felt that all parties to the industry codes should have a right of appeal against any regulatory decision to an independent appeal body and pointed out that its response to the recent DTI consultation on the governance of gas and electricity industry codes set out the case for such an appeal mechanism.
- 4.138. Ofgem/DTI note that this issue was raised in responses to the first GB BSC consultation. In the second GB BSC consultation Ofgem/DTI noted that this is an issue that was raised in relation to Ofgem's role in both gas and electricity arrangements and had been raised in the recent Energy White Paper<sup>40</sup>. A proposed mechanism for an appeal of certain Authority decisions is contained

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<sup>40</sup> Section 9.16 of the Energy White Paper: Our energy future - creating a low carbon economy. DTI published February 2003.

in the Energy Bill. Ofgem/DTI remain of the view that consideration of the matter is not within the scope of the BETTA project.

### ***Project programme***

- 4.139. One respondent stated that parallel development of the various strands of the BETTA project had resulted in consultees having to comment on issues (eg BSC) in isolation rather than in knowledge of the final shape of other areas of the arrangements (eg STC). It felt that the fact that interactions will be kept under review by Ofgem/DTI was welcome but had concerns that limiting the duration or scope of consultation on such issues might result in unintended or undesirable outcomes in the details of BETTA. It wished to see a project programme which included explicit recognition of the need for careful consideration of “cross-cutting” issues and the time required to deal with them properly.
- 4.140. The same respondent went on to say that because of the nature of the BETTA project, and as a consequence of the parallel development approach, it anticipated that a number of complexities and potential difficulties would emerge once detailed consideration was given to the means and practicality of transition and implementation. It stated that the original indicative timetable for BETTA consultation identified a single cycle of consultation and conclusions on transition issues and none on smaller generators. As with the smaller generator issues, it would wish to see a structured process of consultation and development of the transition and implementation arrangements which allowed the earliest possible start on defining those details and built in sufficient time for resolution of the issues which are likely to emerge. It would welcome early publication of any form of programme which sets out the way the BETTA project is anticipated to develop, to facilitate planning of resources and to provide context to the consultation document.
- 4.141. Ofgem/DTI note that a first baseline plan for the BETTA programme has been agreed by the BETTA Progress Group (BPG) and is developing a communications plan with BPG participants in order to better inform all parties in the lead up to the implementation of BETTA. The published baseline plan shows the planned timescales for the development of the key central documents

as well as that for the transition framework, the STEG work and the development and testing of the systems necessary to deliver BETTA.

### ***Energy balancing services***

- 4.142. One respondent felt that the development of GB-wide arrangements provided an ideal opportunity to bring the governance of energy related balancing services purchased outside the balancing mechanism by the GB system operator within the scope of the GB BSC. It felt that without reform, the governance of these balancing service arrangements would reside within the GB system operator licence and that this approach was unacceptable as it lacked transparency and limited the ability of users to propose justifiable changes.
- 4.143. The development of BETTA has always been based around the extension of the England and Wales market arrangements to GB, except where the extension to GB raises new issues. Ofgem/DTI do not believe that the above matter raises any new GB issues and therefore is not within the scope of the BETTA reforms.

### ***Participation in BETTA***

- 4.144. One respondent noted its support of the objectives of BETTA and wished to participate fully in the process of developing BETTA to meet those objectives. To that end, it remained of the view that the delivery of the project would benefit from a greater inclusion of existing trading parties, through a body equivalent to the Development and Implementation Steering Group (DISG) that was put in place for the NETA project.
- 4.145. Ofgem/DTI do not see a need for a group similar to the DISG which was set up for the NETA Programme. The DISG had a function both of debating policy issues and steering progress. Under BETTA, policy is being developed where appropriate with the help of key expertise (e.g. STEG and the profiling expert group) prior to full consultation. The activities of all the participants in progressing BETTA towards implementation is being co-ordinated through the BPG.

## ***BSC Section C8***

- 4.146. One respondent noted that Section C8 of the EW BSC provides for ELEXON's powers to undertake any BETTA support work that has not already been authorised, to lapse automatically upon the modification of the Transmission Licence so as to exclude Standard Condition C3.3(e). It noted the proposal in the current Ofgem/DTI consultation on the 'Regulatory Framework for Transmission Licensees under BETTA' (June 2003) that this licence condition should indeed be removed from the version of the Transmission Licence to be designated for the purposes of BETTA. It agreed that these licence provisions are not required on an enduring basis, however, it also strongly endorsed the view that the timing of the deletion of this particular term will need to be carefully considered as part of the transition to the new arrangements. It stated that there could be significant difficulties if C3.3(e) (and hence BSC Section C8) fell away prior to BETTA go-live without any equivalent provision being included or preserved within the GB BSC and that it was important therefore that this matter should be addressed in any subsequent conclusions on the GB BSC, licence conditions and BETTA transitional arrangements. It went on to say that as further details of the BETTA arrangements were developed and clarified, it would be important to keep the prescribed GB BSCCo powers and functions set out in Section C of the GB BSC under review to ensure that they remain robust in the context of BETTA and that ELEXON's vires were appropriately extended as necessary to include any activities not yet anticipated by the current draft GB BSC (e.g. to permit an ELEXON role in relation to the run-off of the Settlement Agreement for Scotland (SAS)). It also noted that a similar review should also be undertaken of the GB BSC Panel's powers and functions as prescribed in Section B of the draft GB BSC.
- 4.147. Ofgem/DTI are grateful for these helpful comments which will inform their thinking on transitional and implementation issues. However, Ofgem/DTI also note that any modification of the SAS to support its run-off is dependent upon a modification being brought forward, proposed to the Authority and approved by the Authority.

## ***Interaction between consultations***

- 4.148. One respondent was disappointed to note that little progress had been made since the first GB BSC consultation, given that so many aspects remained dependent on progress in other areas covered by parallel or future consultations. It stated that as highlighted by the interdependence of these consultations, issues such as the split of transmission functions and the treatment of the 132kV network in Scotland were fundamental to all aspects of BETTA design, and it urged Ofgem/DTI to progress these issues as soon as possible so that their conclusions could be taken into account within the next round of consultations on the various industry codes. It went on to say that while the pursuit of a split transmission model in which the GB system operator is the sole contracting party with users may notionally simplify the user-facing codes from which the transmission owner role is effectively stripped out, this did not obviate the need for robust specification of the underlying responsibilities between the transmission licensees, and only transferred this issue to the SO-TO Code.
- 4.149. The respondent went on to say that it believed it was essential that the regulatory framework for BETTA left no gaps, ambiguities or overlaps in the rights, obligations and liabilities of the respective transmission licensees, and also addressed the relationships between the GB system operator, transmission owners and users. It felt that there was therefore strong interaction between the consultations on the user-facing codes and those on the STC and the transmission licences, and was concerned that the staggered consultation periods for each of these documents reduced the time available for parallel study. It also felt that this made for greater complexity and difficulties in comparing proposals in what were interdependent documents. It believed it was imperative that detailed consideration of interactions between documents was included within future consultation rounds when it would be possible to take account of a more complete picture of the overall BETTA design.
- 4.150. Ofgem/DTI are conscious of the need to ensure that the elements of the enduring BETTA legal framework, and indeed the transitional legal framework too, are consistent and contain no gaps or overlaps.

## ***Grid Code***

- 4.151. One respondent stated that “the BSC will form part of the new all-GB grid code, the introduction of which will represent a major change for generators, suppliers and directly connected customers in Scotland”. It felt that “this change process could be eased if, in the interim period, there were to be a requirement that changes to the Scottish Grid Code (for BSC, the Scheduling & Despatch and some of the Operating Codes are the most relevant, though this comment can be broadened to cover the Scottish Grid Code in its entirety) were broadly in line with the NGC code, except insofar as the requirements of the SAS makes this impossible”.
- 4.152. As explained in chapter 2 above in respect of the BSC, Ofgem/DTI will consult on the applicability for the GB Grid Code of any changes approved to either the Scottish or the England and Wales Grid Code, thus ensuring that the GB Grid Code remains consistent, to the extent necessary, with the current codes.

## ***Views invited***

- 4.153. Views are invited on the proposals put forward in this chapter:
- ◆ the proposal that, in relation to Profiles, the GB BSC should allow for different day-types to be accommodated in Scotland from those in England and Wales
  - ◆ the proposal that the single profiling arrangement as recommended by industry experts should be adopted GB-wide
  - ◆ the alternatives of either (a) six BMRS Zones with the sixth zone covering all of Scotland or (b) five BMRS Zones as now, but with the northern zone expanded to include Scotland, and
  - ◆ the proposal that, if it is concluded that access to half-hourly metered data by transmission owners is necessary, and subject to an assessment of the costs involved, the GB BSC and the STC should provide for this.

## 5. Modifications to the England and Wales BSC

- 5.1. This chapter describes the BSC modifications that have been approved by the Authority or implemented since those listed in the second GB BSC consultation. In respect of those that have been implemented, this chapter considers whether they should be included in the legal text of the GB BSC which is shown in volume 2 of this consultation. In respect of any modification which have been approved, but not yet implemented, in order to maintain a direct comparison with the current operational BSC, it is not proposed to include any of them in the legal text at this time. However, this chapter considers whether, once implemented, such modifications should be included in the GB BSC.
- 5.2. In the second GB BSC consultation, Ofgem/DTI proposed that the legal text of the GB BSC should be presented change marked against the operational version of the BSC. Three respondents commented on this proposal all three agreeing and one commenting that such change marking must be backed up with a list of the changes to the GB BSC since the baseline used in the previous consultation. This is the approach used in this consultation document with the changes to the GB BSC text between versions 1 and 2, highlighted in appendix 2.

### ***Approved modifications***

- 5.3. The second GB BSC consultation proposed that all the approved modifications shown in the table below should be included in the GB BSC as and when they were implemented in the BSC.

<b>Mod ref</b>	<b>Decision</b>	<b>Implement</b>	<b>Description</b>
P61	28-Aug-02	10-Dec-02	Ad Hoc adjustments to settlement involving material errors without resorting to Ad Hoc Settlement Runs
P101	02-Jan-03	24-Jan-03	Housekeeping Modification
P108	04-Feb-03	06-Feb-03	Modification to enable BSCCo to prepare for the implementation of British Electricity Trading and Transmission Arrangements (BETTA)
P63	20-Jan-03	18-Feb-03	Changes of contract management of MPAN's for Data Collector, Data Aggregator and Meter Operator
P104	11-Dec-02	25-Feb-03	Amendments to the solution to P78 'Revised definitions of System Buy Price and System Sell Price'

P71	22-Nov-02	25-Feb-03	Transfer of imbalances caused by balancing services to NGC
P78	9-Sep-02	25-Feb-03	Revised definitions of System Buy Price and System Sell Price
P112	17-Mar-03	07-Apr-03	Removing the obligation on new BSC Parties acceding to the BSC Framework Agreement to comply with Section A 2.2.5.
P89	01-May-03	23_May-03	Clarification of the timescales for submitting MEL/MIL data to the BMRA
P117	02-May-03	27-May-03	Rectification of past notification errors
P88	05-Feb-03	29-May-03	Introduction of obligations in relation to SVA Metering, Meter Operator Agents and Equipment Owners
P106	22-Apr-03	24-Jun-03	Amendment to the BSC to allow multiple supplier ids
P113	9-Apr-03	10-Jul-03	E-mail communications under the code
P62		01-Aug-03	Changes to facilitate competitive supply on the network of new licensed distributors
P81	17-Dec-02	28-Sep-03	Removal of the requirement for half hourly metering on third party generators at domestic premises
P107	30-Apr-03	04-Nov-03	Data retention requirements for post final trading disputes
P100	21-Mar-03	05-Nov-03	Extension of demand-side trading units in order to increase the competitiveness of the market for embedded benefits
P110	23-Apr-03	05-Nov-03	Nullification of volume notifications where no notification authorisations are in place
P99	26-Feb-03	20-Jan-04	Changes to accreditation and the PARMS serials and standards, resulting from the Performance Assurance Framework (PAF) Review (Phase 1)

- 5.4. Five respondents commented on this proposal. All of the respondents agreed with the proposal with two adding that the inclusion of further modifications in the GB BSC should not be automatic but that they should each be assessed in a similar manner.
- 5.5. One respondent made more substantial comments stating that whilst Ofgem have considered that the listed approved modifications have no implications for a GB BSC, other than P82, they are at least encouraged that Ofgem have chosen to consult on the inclusion of approved modifications.
- 5.6. The respondent added that Ofgem/DTI's "general rule" that modifications should be included in the text of the GB BSC as and when they are

implemented should not be applied. Rather, these modifications should be consulted upon in a GB context as part of the BETTA process until EW BSC modification proposals take consideration of BETTA. With regard to the presentation of the text, the respondent believes that from the equivalent of “baseline 5”, modifications that have excluded consideration of BETTA should be consulted upon as part of the BETTA process, and only if it is concluded that there are no implications for BETTA should the text be included in the next draft of the GB BSC, change marked against “baseline 5”.

- 5.7. Ofgem/DTI note the comment about “baseline 5”, which was a particular version of the EW BSC which was aligned with a particular release of settlement software. Ofgem/DTI believe that it is necessary to maintain alignment between the operational version of the EW BSC and the version of the GB BSC. The current operational version of the EW BSC is as specified in appendix 3 and the version of the GB BSC included in volume 2 of this document is change marked against that version of the EW BSC.
- 5.8. Ofgem/DTI are aware of concerns about the consideration of BSC modifications and have explained the position in chapter 4 above. On the question of consultation about the inclusion or otherwise of an approved modification in the GB BSC, Ofgem/DTI will continue with such consultation whether or not GB issues have been considered by the Authority.
- 5.9. Ofgem/DTI conclude that the above listed modifications should be incorporated into the GB BSC as and when they are implemented.
- 5.10. Modifications P61 to P88 in the first table had already been implemented at the time of the second GB BSC consultation and were included in the first version of the GB BSC legal text. The following modifications which were proposed for inclusion in the GB BSC in the second GB BSC consultation have now been implemented and are included in the legal text of the GB BSC in volume 2 of this document.

<b>Mod ref</b>	<b>Decision</b>	<b>Implement</b>	<b>Description</b>
P106	22-Apr-03	24-Jun-03	Amendment to the BSC to allow multiple supplier ids
P113	9-Apr-03	10-Jul-03	E-mail communications under the code
P62	12-Aug-02	01-Aug-03	Changes to facilitate competitive supply on the network of new licensed distributors

P81	17-Dec-02	28-Sep-03	Removal of the requirement for half hourly metering on third party generators at domestic premises
P107	30-Apr-03	04-Nov-03	Data retention requirements for post final trading disputes
P100	21-Mar-03	05-Nov-03	Extension of demand-side trading units in order to increase the competitiveness of the market for embedded benefits
P110	23-Apr-03	05-Nov-03	Nullification of volume notifications where no notification authorisations are in place

5.11. The following further modifications have been approved by the Authority and have been implemented in the EW BSC.

<b>Mod ref</b>	<b>Decision</b>	<b>Implement</b>	<b>Description</b>
P118	3-June-03	24-June-03	Increased efficiency in the reporting of credit default statements
P119	3-June-03	24-June-03	Increased flexibility in the reporting of upheld trading disputes relating to credit default
P126	18-July-03	8-Aug-03	Housekeeping modification
P122	10-Sept-03	19-Sept-03	Assessment of credit cover during a holiday period

5.12. Ofgem/DTI have undertaken an assessment of these modifications and have concluded that there are no issues raised by any of the modifications except possibly for P122 in respect of their implementation GB-wide. Ofgem/DTI therefore propose that P118, P119 and P126 should be incorporated into the GB BSC unchanged and the drafting of the GB BSC in volume 2 of this document includes them.

5.13. P122 "Assessment of Credit Cover during a Holiday Period" alters the calculation of BSC Parties' Energy Indebtedness during "Annual Holiday Periods", when demand is lower than normal. Annual Holiday Periods are defined in P122 in respect of the Easter and of the Christmas and New Year holiday. For Easter the Annual Holiday Period runs from the Thursday before Good Friday to the Tuesday following Easter Monday. For the Christmas and New Year holiday, the Annual Holiday Period depends upon the day of the week that Christmas Eve falls on. In broad terms if Christmas Eve falls on a Sunday, Monday or Tuesday, the first day of the Annual Holiday Period is the preceding Saturday and if it falls on any other day of the week, the first day of

the Annual Holiday Period is Christmas Eve. If New Years Day falls on a Saturday, Sunday or Monday, the last day of the Annual Holiday Period is the following Tuesday. If it falls on a Thursday or a Friday, the last day of the Annual Holiday Period is the following Sunday. If New Years Day falls on any other day of the week, the last day of the Annual Holiday Period is the day after New Years Day. For further detail of P122 and any other BSC modifications see the relevant modification report on the ELEXON web-site<sup>41</sup>.

5.14. Ofgem/DTI have considered whether there is any need to amend the definition of Annual Holiday Periods within the GB BSC. Given that the change to the EW BSC was intended only to reflect in broad terms the periods when demand is reduced, Ofgem/DTI propose that P122 should be incorporated into the GB BSC unaltered. However, Ofgem/DTI would welcome respondents' views. P122 has been incorporated unaltered into the legal text of the GB BSC in volume 2.

5.15. The table below lists all those modifications which have been approved by the Authority but have not yet been implemented.

<b>Mod ref</b>	<b>Decision</b>	<b>Implement</b>	<b>Description</b>
P116	8-Jul-03	27-Nov-03	Allow line loss factor data from the BSC web-site to be used in settlement
P130	29-Aug-03	20-Jan-04	Clarification of the treatment of non-half-hourly export consumption
P99	26-Feb-03	20-Jan-04	Changes to accreditation and the PARMS serials and standards, resulting from the Performance Assurance Framework (PAF) Review (Phase 1)
P114	13-Aug-03	24-Feb-04	Entitlement of licence exempt generators and other non-trading parties to remain BSC Parties
P123	8-Sept-03	27-Feb-04	Assessment of credit cover following a change in a Party's portfolio
P125	8-Aug-03	1-April-04	Apportionment of the Scottish Interconnector flows
P82	17-Jan-03	1-April-04	Introduction of zonal transmission losses on an average basis
P98	18-Aug-03	8-Nov-04	Dual notification of contract positions

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<sup>41</sup> [http://www.elexon.co.uk/ta/modifications/mods\\_docs.html](http://www.elexon.co.uk/ta/modifications/mods_docs.html)

- 5.16. None of these modifications has been included in the GB BSC draft in volume 2 of this document because they have not yet been implemented in the operational version of the EW BSC against which the GB BSC is base-lined.
- 5.17. At the time of the second GB BSC consultation, the DTI was consulting on the topic of the introduction of zonal transmission losses in the GB BSC. The DTI issued a press statement on 27 June 2003 in which they stated that the DTI was not minded to include average zonal transmission losses in the GB BSC that will be established under BETTA. In the circumstances Ofgem/DTI do not consider that further consultation is necessary on P82, at this time.
- 5.18. Ofgem/DTI have reviewed all the remaining approved modifications in the above table and the legal text associated with them to determine whether they might have implications for a GB BSC which are different to their implications for the EW BSC. With the exception of P125, Ofgem/DTI consider that these modifications have no implications for a GB BSC which could be considered to be different from their implications for the EW BSC and propose that they be included in the GB BSC in due course.
- 5.19. P125 is concerned with the calculation of transmission loss factors for Scottish interconnector BM Units. Since the Scottish interconnector will be absorbed into the GB transmission system under BETTA and there will therefore be no interconnector BM Units associated with it, Ofgem/DTI believe that P125 should not be incorporated into the GB BSC.

### ***Views invited***

- 5.20. Views are invited on the proposal to include P118, P119 and P126 in the GB BSC and on whether any changes are necessary to the treatment of holiday periods in P122 before it is implemented GB-wide.
- 5.21. Views are also invited on the inclusion of P116, P130, P99, P114, P123 and P98 in the GB BSC, in the relevant version of the legal text once implemented.
- 5.22. Views are invited on the proposal to exclude P125 from the GB BSC

## 6. Proposed draft text for the GB BSC

- 6.1. The second GB BSC consultation (June 2003) attached a draft of certain proposed changes to the BSC (this draft is hereinafter called “GB BSC version 1”). The revised proposed draft text for the GB BSC is provided in volume 2 of this consultation document (hereinafter called “the draft GB BSC”). The draft GB BSC is, for the ease of reference, change marked against the operational England and Wales BSC as implemented at 11 November 2003. The draft GB BSC contains all approved and implemented modifications as at 11 November 2003. The purpose of this Chapter 6 is to identify the changes contained within the draft GB BSC when compared with the operational England and Wales BSC as implemented at 11 November 2003.
- 6.2. Appendix 3 shows in tabular form the version of each Section of the operational BSC against which the draft GB BSC contained in volume 2 is change marked. For further ease of reference, Appendix 2 hereto sets out a brief description of the differences between the draft GB BSC and GB BSC version 1. There will be a further consultation concerning transitional matters.

### ***Generic changes***

- 6.3. The phrase ‘transmits’ has been replaced by ‘participates in the transmission of’, pending final wording of the E(TT) provisions of the Act.
- 6.4. Section X, Definitions and Interpretations, has been included in this version of the legal text. The proposed changes to this section will have to be conformed as appropriate across codes. The few definitions that are expected to change are:
- ◆ Transmission Licence – as this term currently refers to the licence with an authorised area of England and Wales, however the E(TT) provisions of the Act will remove the concept of authorised areas and therefore suitable wording will need to be developed that refers to NGC’s transmission licence.
  - ◆ Transmission System – needs to apply to GB
  - ◆ Distribution System – needs to apply to GB

- ◆ External System – needs to apply to GB.

## ***Specific changes***

- 6.5. In the remainder of this chapter the sections of the draft GB BSC are considered in turn as against the current operational BSC and the proposed changes explained.

### ***Section A –Parties and Participation***

- 6.6. The description of participation capacities has been amended to distinguish NGC's Transmission Licence from the licences of other Transmission Licensees.

### ***Section B – The Panel***

- 6.7. Great Britain has replaced England and Wales in section B2.6.1(a).

### ***Section C – BSCCo and its Subsidiaries***

- 6.8. No specific changes are proposed for this section.

### ***Section D – BSC Cost Recovery and Participation Charges***

- 6.9. Changes have been introduced in Section D and more particularly in Annex D-5 (in a new section 3 of that Annex) so as to provide for the recovery of BETTA Support Costs on a GB basis and to provide for an adjustment in respect of existing parties who are currently funding the BETTA Support Costs incurred by ELEXON.

### ***Section E – BSC Agents***

- 6.10. Section E2.5 Scottish Trading Arrangements has been deleted in its entirety.

### ***Section F – Modification Procedures***

- 6.11. Section F2.12 balancing and settlement arrangements in Scotland has been deleted in its entirety.

### ***Section G – Contingencies***

6.12. No specific changes are proposed for this section.

### ***Section H – General***

6.13. No specific changes are proposed for this section.

### ***Section J – Party Agents***

6.14. No specific changes are proposed for this section.

### ***Section K – Classification and Registration of Metering Systems and BM Units***

6.15. No specific changes are proposed for this section.

### ***Section L – Metering***

6.16. L3.2.3 has changed to recognise metering systems registered in accordance with the SAS.

### ***Section M – Credit Cover and Credit Default***

6.17. No specific changes are proposed for this section.

### ***Section N – Clearing, Invoicing and Payment***

6.18. No specific changes are proposed for this section.

### ***Section O – Communications under the Code***

6.19. No specific changes are proposed for this section.

### ***Section P – Energy Contract Volumes and Metered Volume Reallocations***

6.20. No specific changes are proposed for this section.

### ***Section Q – Balancing Mechanism Activities***

6.21. No specific changes are proposed for this section.

### ***Section R – Collection and Aggregation of Meter Data from CVA Metering Systems***

6.22. No specific changes are proposed for this section.

### ***Section S – Supplier Volume Allocation***

6.23. No specific changes are proposed for this section S.

6.24. No specific changes are proposed for Annex S-1.

6.25. In sections 5.1.4 and 6.5.3 of Annex S-2, changes have been made to enable different day-types to be specified for each GSP Group. This flexibility has been introduced to reflect the most effective way of adjusting the settlement systems to achieve the objective of allowing for different day-types and thus bank-holidays to be specified in Scotland from those in England and Wales. The flexibility in the code drafting has been limited to that required for BETTA in revisions to the relevant BSC Procedures. It is envisaged that specific constraints for day types to vary as between England & Wales and Scotland will be dealt with in Code Subsidiary Documents (e.g. BSCP 509).

6.26. In section 6.5.2 of Annex S-2, the derivation of the sunset variable is changed so that it is the same for all GSP Groups, this is to reflect the approach to a single set of profiles GB-wide described in chapter 4. The relevant BSC Procedure will specify that the sunset time to be used is that at Birmingham.

### ***Section T – Settlement and Trading Charges***

6.27. No specific changes are proposed for this section.

### ***Section U – Provisions Relating to Settlement***

6.28. No specific changes are proposed for this section.

### ***Section V – Reporting***

6.29. No specific changes are proposed for this section.

### ***Section W – Trading Queries and Trading Disputes***

6.30. No specific changes are proposed for this section.

### ***Section X – Definition and Interpretation***

6.31. As stated in 6.4 above, the appropriate changes to this section will have to be conformed as appropriate across codes. The few definitions that are expected to change are - Transmission Licence, Transmission System, Distribution System and External System.

6.32. Also the definitions of Sunset Time and Sunset Variable have been amended in line with the changes to Annex S-2.

### ***Pool Supplement***

6.33. No specific changes are proposed for this section.

### ***Views invited***

6.34. Views are invited on any of the matters raised in this chapter and in particular on the detailed drafting proposed for the GB BSC shown in volume 2 of this consultation.

# Appendix 1 : List of respondents

1.1 The following responses to the consultation paper were received:

British Energy  
British Wind Energy Association  
Centrica  
EDF Energy  
ELEXON  
Grangemouth CHP Ltd  
Highlands and Islands Enterprise  
Innogy plc  
National Grid Transco  
Powergen  
Scottish Power  
Scottish and Southern Energy  
Wisenergy

## Appendix 2 : Statement of the differences between GB BSC version 1 and the draft GB BSC

### *Approved Modifications*

- 2.1 Version 1 of the GB BSC included all Approved Modifications which had been implemented into the BSC on or prior to 31 May 2003 (the last of these being P88).
- 2.2 Version 2 of the GB BSC includes the following Approved Modifications – all of which have been implemented into the BSC prior to 11 November 2003:

<b>Approved Modification No</b>	<b>Title</b>	<b>Sections affected</b>
P62	Competitive supply on networks of new Licensed Distributors	H, J, K, L, R, S, Annex S-2, X, Annex X-1, Annex X-2
P81	Removal of requirement for Half Hourly meters on generation at Domestic Premises	L, Annex X-1, Annex X-2
P106	Amendment to the BSC to allow Multiple Supplier IDs	D, J, K, S, Annex X-1
P107	Data retention requirements for Post-Final Trading Disputes	F, S, U, W, Annex X-1
P100	Extension of demand-side Trading Units in order to increase the competitiveness of the market for embedded benefits	K, Annex X-1
P110	Nullification of Volume Allocations where no Notification Authorisations are in place	P, V, Annex X-1
P113	Email communications under the Code	H
P118	Increased efficiency in reporting of Credit Default statements	M
P119	Increased flexibility in the reporting of upheld Trading Disputes	M
P122	Assessment of Credit Cover during holiday periods	M, Annex X-1
P126	Housekeeping	K, L, M, N, S, Annex S-2, T, V, Annex X-1

## ***Other Specific Amendments***

### ***Section A: Parties and Participation and Section B: The Panel***

- 2.3 Changes have been made to remove the requirement for parties to notify that they were parties under the SAS. It is not yet clear that such information will be needed under a GB BSC. Whether or not such information is necessary might, in part, be a function of the way in which SAS run-off is administered. Ofgem/DTI understands that Scottish distribution licensees are currently considering ways of administering SAS run-off.

### ***Section C: BSCCo and its Subsidiaries***

- 2.4 Text has been reverted back to its original form in respect of C 7.1.1 as, after further consideration, the proposed change is considered to be unnecessary.

### ***Section D: BSC Cost recovery and Participation Charges***

- 2.5 Changes have been introduced in Section D and more particularly in Annex D-5 (in a new section 3 of that Annex) so as to provide for the recovery of BETTA Support Costs on a GB Basis and to provide for an adjustment in respect of existing parties who are currently funding the BETTA Support Costs incurred by ELEXON.

### ***Section L: Metering***

- 2.6 It has been noted that GB BSC version 1 included a reference to SAS metering dispensations in Section L 3.4.7 which had not been intended. This change has been deleted.
- 2.7 Also after further consideration the proposal to refer to the STC in L 3.1.2 is viewed to as unnecessary and has therefore been removed.

### ***Section S: Supplier Volume Allocation***

- 2.8 The Annexes to Section S were not included in GB BSC version 1.

- 2.9 In sections 5.1.4 and 6.5.3 of Annex S-2, changes have now been made to enable different day-types to be specified for GSP Groups in Scotland. This flexibility has been introduced to reflect the most effective way of adjusting the settlement systems to achieve the objective of allowing for different day-type and thus bank-holidays to be specified in Scotland from those in England and Wales. The flexibility in the code drafting has been limited to that required for BETTA. It is envisaged that specific constraints for day types to vary as between England & Wales and Scotland will be dealt with in Code Subsidiary Documents (e.g. BSCP 509).
- 2.10 In section 6.5.2 of Annex S-2, the derivation of the sunset variable is changed so that it is the same for all GSP Groups. This is to reflect the approach to a single set of profiles GB-wide described in chapter 4. The relevant BSC Procedure will specify that the sunset time to be used is that at Birmingham.

### ***Section X: Definition and Interpretation***

- 2.11 The Annexes to Section X were not included in GB BSC version 1.
- 2.12 The appropriate changes to this section will have to be conformed as appropriate across codes. The few definitions that are expected to change are: Transmission Licence, Transmission System, Distribution System and External System.

### ***Generic amendments***

- 2.13 References to 'System Operator' (including cumulative definitions) have been replaced with 'Transmission Company'. Ofgem/DTI are of the view that, if NGC is appointed as the GB system operator and undertakes activities under its licence relating to both GB system operation and transmission ownership in England & Wales, then it is important that references in the GB BSC capture NGC in relation to all of its activities. Referring to the 'System Operator' as that term was intended to be defined would not have achieved this. Ofgem/DTI have, therefore, reverted back to the use of the term 'Transmission Company' with the intention that this term will be defined in such a way that it means NGC. An alternative approach would have been to simply replace the phrase 'Transmission Company' with 'NGC'. If respondents think that such an

alternative approach would be preferable (for example, it is possible that a reference to 'Transmission Company' might be considered unhelpful as there will be three companies undertaking transmission activities in GB) then Ofgem/DTI would welcome views.

2.14 All remaining references to 'England and Wales' have been replaced with 'Great Britain'

2.15 All references to 'Scottish Trading Arrangements' and 'Balancing and Settlement Arrangements in Scotland' have been removed.

## Appendix 3 : Statement of BSC Version

3.1 The version of the BSC used to generate the draft legal text for the GB BSC shown in volume 2 of this consultation has been compiled from the versions of the sections listed in the table below. The version numbers can be related to the baseline information displayed on the ELEXON website ([www.elexon.co.uk](http://www.elexon.co.uk)) and are also used to identify every page of the BSC.

<b>Section</b>	<b>Version</b>
Title page	V1.1
Index	V1.0
A	V2.0
B	V7.0
C	V5.0
D	V6.0
E	V2.0
F	V6.0
G	V2.0
H	V6.0
I	Section I not used
J	V6.0
K	V13.0
L	V5.0
M	V10.0
N	V5.0
O	V2.0
P	V10.0
Q	V11.0
R	V3.0
S	V6.0
S-1	V3.0
S-2	V6.0
T	V11.0
U	V6.0
V	V13.0
W	V5.0
X	V4.0
X-1	V19.0
X-2	V14.0
Pool Supplement	V1.1