



David Haldearn  
BETTA Project  
Office of Gas and Electricity Markets (Ofgem)  
9 Millbank  
London  
SW1P 3GE

21<sup>st</sup> January 2003

Dear David,

Thank you for the opportunity offered to Powergen to consider the issues contained within the third consultation on the Balancing and Settlement Code under BETTA. We are broadly supportive of the content of this document, but would like to comment upon some general points.

**BSCCo**

We note the suggestion by one respondent (to the second consultation) that the role of BSCCo should not be 'evergreen' and that the arrangements should allow for a competitive tender process every ten years. We believe that the wealth of knowledge contained within ELEXON combined with the high level of awareness throughout the UK as to how ELEXON functions, places them in a strong position to fulfil the role of GB BSCCo going forward. However, the potential for the improvements/efficiencies associated with a competitive tendering process are self-evident. We therefore wish to affirm our belief that this suggestion may merit consideration at an appropriate point in the future.

Powergen UK plc  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG  
T +44 (0) 24 76424369

## **Governance**

We believe that the introduction of BETTA represents an opportunity to consider how the GB BSC Panel could be improved. Ofgem/Dti have clearly stated that they have no intention to change either the role or the constitution of the GB BSC Panel. However, the argument for a process of re-election of elected Panel members in accordance with the wider scope of the GB BSC has been recognised. The logical objective for a GB re-election would be to ensure that the new Panel is able to represent the full diversity of industry views across GB. It is the fundamental need for a balanced representation which we believe makes the issues of constitution and re-election intrinsically linked.

Recently the industry has witnessed a decline in the participation of BSC Parties in modification group considerations. This is a worrying trend, and may be symptomatic of a belief that the contribution of a particular Party will have little or no effect on the recommendation of the Panel and the subsequent decision by the Authority. This suggests that the Panel are not always seen to represent the diversity of industry views. Evidence of this has been witnessed historically, where the BSC Panel have overturned the decisions of modification groups (comprised of industry experts). Such outcomes have also occurred in spite of additional support for the modification group's recommendations provided in the form of consultation responses. The role of industry experts is crucial in providing the Authority with the full facts prior to decisions which have an effect on the entire industry. In order to overcome the apathy created by a sense of disenfranchisement it is vital that the GB BSC Panel is seen to be more representative. Parties must feel that their input will assist both the Panel and the Authority in reaching their recommendation and decision respectively, only then will the current trend be reversed.

We would like to see the development of some changes to both simplify and improve the transparency of the election process. In our view a 'first past the post' voting system should be considered. We would also be keen to see the enhanced level of transparency which could be achieved if the number of votes received for each candidate were to be published. Ultimately we consider that a constituency model would ensure that the new Panel reflects a balanced cross-section of views.

We note that Ofgem/Dti are likely to consider these matters in a consultation on transitional and implementation issues. On the basis of the concerns highlighted above we would recommend that this consultation considers how the benefits of greater representation could be realised. The responses would not only assist in gauging the perceived failings of the current England and Wales modification procedure, but may also unearth some suitable solutions which could be developed under the GB BSC. The Ofgem Industry Code's team are well placed to give invaluable insights into this matter.

Powergen remain fully supportive of the BETTA Project and hope that you find these comments to be of assistance. Should you have any queries about this document we would be pleased to discuss our response.

Yours sincerely

Neil Smith  
Regulatory Analyst  
Trading Arrangements  
Powergen UK plc