

**Provisions for the transition to the GB BSC
under BETTA;**

**including licence conditions for accession
and compliance and NGC's BSC licence
condition,**

changes to the BSC Framework Agreement,

and transitional drafting for the GB BSC

Ofgem/DTI consultation

June 2004

Volume 1

Summary

This document is the consultation on the legal provisions necessary to transition to the Balancing and Settlement Code (BSC) to apply across GB on the implementation of the British Electricity Trading and Transmission Arrangements (BETTA), which are planned to be introduced in April 2005¹. Ofgem/DTI have published² near final legal text for the enduring BSC to apply across GB (referred to in this document as the GB BSC).

In this document:

- ◆ Ofgem/DTI describe the approach to the transition to the GB BSC
- ◆ Ofgem/DTI consider the requirements necessary to enable participants to prepare to comply with the licence and other obligations which they will face at BETTA go-live that relate to the GB BSC
- ◆ Ofgem/DTI consider those elements of the BSC which will need to be adjusted during the transition³ period, and
- ◆ legal text for the transition to the GB BSC is published.

This document comprises two volumes. The first volume describes the approach to the transition to the GB BSC, considers the requirements for that transition and proposes how it should be effected. The second volume contains legal text for the transition to the GB BSC.

¹ Subject to Royal Assent to the Energy Bill in July 2004.

² "The Balancing and Settlement Code (BSC) under BETTA, Ofgem/DTI Conclusions and publication of near final legal text for the GB BSC", April 2004, Ofgem 92/04

³ The transition period is the period between the day on which the BSC is given effect GB-wide and the day on which BETTA goes live.

Table of contents

1. Rationale	1
2. Timetable.....	3
3. Approach to transition to BETTA	5
Powers under the Energy Act.....	6
4. Transition of the BSC itself	8
The BSC licence condition	8
Obligations to comply with the BSC	10
The BSC Framework Agreement	11
BSCCo Memorandum and Articles of Association	11
The BSC Panel.....	12
The BSCCo Board.....	13
5. Transitional provisions.....	14
Geographical application of the BSC	15
GB BSC provisions not needed until go-live.....	16
Contract Notifications.....	17
Transitional Code Subsidiary Documents.....	17
BSC cost recovery and participation charges	18
Credit Cover.....	18
Accreditation, certification and entry processes	21
Enduring provisions.....	22
Uncompleted requirements for transition.....	26
6. Deemed BSC Panel decisions.....	29
Metering dispensations.....	29
BM Unit configurations	33
7. Proposed draft text for the GB BSC	35
Transitional changes.....	35
Enduring changes	39

Appendix 1 NGC's BSC licence condition.....	44
Appendix 2 Generation licence condition.....	45
Appendix 3 Distribution licence condition	49
Appendix 4 Supply licence condition.....	53
Appendix 5 BSC Framework Agreement	5657

1. Rationale

- 1.1. The rationale for the British Electricity Trading and Transmission Arrangements (BETTA) reforms is set out in a consultation paper of December 2001⁴ ('the December 2001 consultation paper') and a report of May 2002⁵ ('the May 2002 report'). These reforms are planned to be introduced in April 2005⁶.
- 1.2. Since May 2002, Ofgem/DTI have published a number of consultation and conclusions documents on BETTA and its component parts. Copies of these papers and non-confidential responses to them can be found on the Ofgem website⁷.
- 1.3. On 30 January 2003 the DTI published a draft of the Electricity (Trading and Transmission) Bill (the E(TT) Bill) together with a Regulatory Impact Assessment (RIA), which explains the purpose and impact as well as the expected costs and benefits of the proposed primary legislation to enable the BETTA reforms. The E(TT) provisions of that draft Bill have now been incorporated into the Energy Bill which is now in Committee in the Commons.
- 1.4. At the end of April and early in May 2004, Ofgem/DTI published near final text for enduring transmission licences⁸; for enduring generation, distribution and supply licences⁹ and for the enduring provisions of the SO-TO Code¹⁰

⁴ 'The Development of British Electricity Trading and Transmission Arrangements (BETTA): A consultation paper', Ofgem, December 2001. Ofgem #74/01.

⁵ 'The Development of British Electricity Trading and Transmission Arrangements (BETTA): Report on consultation and next steps' Ofgem/DTI, May 2002. Ofgem #38/02.

⁶ Subject to Royal Assent to the Energy Bill in July 2004.

⁷ www.ofgem.gov.uk (see "BETTA publications").

⁸ "Publication of 'near final' electricity transmission licences under BETTA", 15 April 2004, Ofgem 82/04

⁹ "Publication of 'near final' changes to electricity generation, distribution and supply licence conditions under BETTA", 30 April 2004, Ofgem 93/04

¹⁰ "The SO-TO Code under BETTA: Ofgem/DTI summary of responses and conclusions on the June 2003 document and subsequent mini consultations, and further consultation on the draft legal text; proposals for CUSC changes in relation to limitation of liability; and matters relating to the timescales for processing new connection applications", April 2004, Ofgem 90/04

(STC), the GB Connection and Use of System Code¹¹ (CUSC), the GB Grid Code¹² and the GB Balancing and Settlement Code (BSC)¹³.

- 1.5. Ofgem/DTI have recently published a document¹⁴ on the approach to the transition to BETTA. That document described the approach being adopted to the development of transitional legal drafting for the elements of the legal framework for the transition to BETTA. The purpose of this document is to explain the approach being adopted to the transition of the BSC to the GB BSC and propose the legal text necessary to achieve that transition and to further enable participants to undertake the activities under the BSC to prepare for the implementation of BETTA.

¹¹ "The Connection and Use of System Code under BETTA, Ofgem/DTI conclusions and publication of near final legal text for the GB CUSC", April 2004, Ofgem 91/04

¹² "The Grid Code under BETTA, Ofgem/DTI conclusions and second consultation on the text of a GB Grid Code and conclusions on change management between the STC and each of the GB CUSC, the GB BSC and the GB Grid Code", April 2004, Ofgem 99/04a

¹³ "The Balancing and Settlement Code (BSC) under BETTA, Ofgem/DTI conclusions and publication of near final legal text for the GB BSC", April 2004, Ofgem 92/04

¹⁴ "Transition of BETTA, Ofgem/DTI Statement of approach", June 2004

2. Timetable

- 2.1. As described in the May 2002 report, the BETTA project plan is based upon an implementation date (in this document called the BETTA go-live date) of April 2005¹⁵.
- 2.2. The proposed timetable and process for establishing the necessary provisions for the transition to the GB BSC is as follows:
- ◆ volume 1 of this document explains Ofgem/DTI's approach to the transition to the GB BSC and volume 2 of this document incorporates the proposed legal text to effect that transition
 - ◆ respondents are requested to provide their views on these proposals by Monday 12 July 2004
 - ◆ since the version of the BSC which was used as the basis for the near final GB BSC published on 30 April 2004, the Authority has approved a number of modifications to the BSC. Ofgem/DTI intend to issue a mini-consultation on the question of the incorporation of such modifications into the GB BSC
 - ◆ it is anticipated that full legal text for enduring changes to the BSC will be published by the end of July 2004 in the form of change markings against the then operational version of the BSC. At the same time Ofgem/DTI will publish pre-designation text for all other elements of the BETTA legal framework (all electricity licences, STC, GB CUSC and GB Grid Code) in order that interested parties can see how everything fits together, and
 - ◆ it is expected that the final legal text to be designated by the Secretary of State (including both enduring and transitional changes), will be published by the end of August in the form of the changes to be made to the version of the BSC which is in effect at that time. At the same time

¹⁵ This date is subject to the Energy Bill receiving Royal Assent in July 2004.

final legal text for the rest of the BETTA legal framework will also be published.

2.3. Parties are free to provide their views on anything in this document. Any responses should be provided by Monday 12 July 2004 and any necessary changes as a result of such responses will be reflected in the next version of the GB BSC legal text. 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.

2.4. Any responses should be sent by Monday 12 July 2004 to:

David Halldearn
BETTA Project
Office of Gas and Electricity Markets (Ofgem)
9 Millbank
London
SW1P 3GE
Fax: 020 7901 7479

2.5. Please e-mail any responses to BETTA.consultationresponse@ofgem.gov.uk marked "Response to GB BSC transition". Any consultation responses will be forwarded to the DTI.

2.6. If you wish to discuss any aspect of this document, please contact Simon Street, e-mail simon.street@ofgem.gov.uk telephone 020 7901 7057 or Owain Service email owain.service@dti.gsi.gov.uk at the DTI on 020 7215 2779.

3. Approach to transition to BETTA

- 3.1. Ofgem/DTI's approach to the transition of BETTA has been explained in the recently published document¹⁶ (referred to in this paper as the approach to transition document. That document explained the structure of the overall legal framework for transition to BETTA and stated that some elements of that legal framework would be incorporated into the GB codes, while others would be provided for in transitional licence conditions.
- 3.2. This document considers those elements of the legal framework necessary to effect the transition of the BSC from the point in time when it is given GB scope to the time when it comes fully into effect GB-wide. The former time (it will be at the beginning of a particular day) is referred to as BETTA "go-active" (and is so referred to in the BSC transitional drafting in volume 2 of this document) and the latter (which will be at the beginning of a later day) is known as BETTA "go-live"¹⁷. The period between these two dates is referred to as the "transition period".
- 3.3. In previous Ofgem/DTI BETTA documents it has become normal practice to refer to the GB codes as the "GB BSC", the "GB CUSC" and the "GB Grid Code". In this paper that convention is maintained although, as has been mentioned in previous consultations on the BSC under BETTA, it is intended to put the GB BSC in place as a modification of the then existing BSC. This means that the document will not change its form, it will simply be given an extended scope and application across GB rather than just England and Wales. Modifications will be made to it, some enduring and some for transition. The majority of the enduring changes were set out in the near final legal text for the GB BSC published on 30 April 2004¹⁸.
- 3.4. The BSC has three main elements:

¹⁶ "Transition of BETTA, Ofgem/DTI Statement of approach", June 2004

¹⁷ Note that the definition used in the GB BSC is "BETTA Effective Date"

¹⁸ Volume 2 of "The Balancing and Settlement Code (BSC) under BETTA, Ofgem/DTI Conclusions and publication of near final legal text for the GB BSC", April 2004, Ofgem 92/04.

- ◆ the Framework Agreement, to which all BSC parties accede and which gives contractual force to the BSC itself
 - ◆ the Code itself consisting of Sections A to X and the Pool Supplement, and
 - ◆ the code subsidiary documents, including all the BSC Procedures (BSCPs).
- 3.5. The BSC Framework Agreement, which was signed by all the original parties to the BSC, has within it no process for being amended except with the agreement of each party to the Framework Agreement. This is not the case with the BSC itself which contains (in Section F) the procedures for modifying the Code.

Powers under the Energy Act

- 3.6. Chapter 1 of Part 4 of the Energy Bill sets out the Electricity Trading and Transmission provisions, which are referred to in this paper as the E(TT) provisions. The E(TT) provisions make amendments to the Electricity Act and provide powers to the Secretary of State. There are two powers which are important to the transition to the GB BSC. The powers concerned and the way it is intended that they should be used to effect the transition of the BSC are described below.

Power to modify licence conditions

- 3.7. Clause 131 (“Power to modify licence conditions”) of the Energy Bill gives the Secretary of State the power to make changes to licence conditions. It is intended that this power should be used in a number of ways to give effect to the transition to the GB BSC:
- ◆ a transitional BSC licence condition (SLC C3) will be given effect in NGC’s new¹⁹ transmission licence to give limited GB scope to the BSC

¹⁹ Note that this will not be a new licence; merely restated, with a GB scope, in the light of the change in the Electricity Act prohibition of transmission to one of prohibiting the participation in transmission, as explained in the Ofgem/DTI document on the transition of BETTA.

- ◆ further provisions will be included in the same licence condition to give effect to a set of designated changes to the BSC to make both enduring and transitional changes in the BSC text to form the GB BSC, and
- ◆ changes will be made to all generation, distribution and supply BSC licence conditions to require that licensees accede to and to comply with the BSC in relation to their activities in Great Britain (previously this licence condition related only to their activities in England & Wales). The BSC will remain in place, although its scope and application will be changed, thus parties who have already acceded to the BSC will not need to do so again.

3.8. It should be noted that licensees will be required to accede to and to comply with the BSC in relation to the activities that they undertake in Great Britain from the point in time when their revised BSC licence conditions come into effect. This is planned to be the same time that the BSC gains GB scope. At that point in time the main general provisions of the BSC will apply across GB and thus to all licensees in GB, but transitional provisions in the GB BSC will limit the application of the trading elements of the BSC to activities in England and Wales.

Licensing scheme

- 3.9. Clause 135 (“Conversion of existing transmission licences”) of the Energy Bill gives the Secretary of State the power to make a Licensing Scheme (which is set out in Schedule 17 of the Bill). Such a Scheme will not only restate the existing transmission licences in the light of the change to the Electricity Act prohibition on transmission (to become a prohibition on participation in transmission) but will also enable the Secretary of State to make amendments to agreements to the extent necessary or expedient in consequence of anything in the Licensing Scheme.
- 3.10. It is intended to use a provision in the Licensing Scheme to make the necessary changes to the BSC Framework Agreement. These changes are described in chapter 4.

4. Transition of the BSC itself

- 4.1. This chapter considers the elements of, and the legal processes required to effect, the transition of the BSC itself. Ofgem/DTI intend that the BSC should be given GB scope as soon as powers are available to effect this. Such extension of scope will put the governance of the BSC on a GB basis; that is, it will enable the GB BSC Panel to give consideration not only to matters that affect England and Wales currently but also to the effects in a GB context after BETTA go-live. It will also allow for the necessary processes and obligations for effecting the registration of metering systems and BM Units in Scotland, which are to be effective from BETTA go-live. However, in order that the BSC should not take full effect GB-wide until BETTA go-live, transitional provisions will be included in the BSC to limit much of its application to England and Wales.
- 4.2. As soon as legal powers are available to effect it, Ofgem/DTI plan that the new prohibition on transmission in the Electricity Act, the prohibition on participation in transmission, should be introduced and that the Secretary of State makes a licensing scheme which restates the three existing transmission licences as being granted in accordance with that new prohibition; introduces an area of GB into the terms of the licences and puts in place a new set of standard licence conditions (SLCs) (many of which will be turned off). However, it is intended that the enduring BSC licence condition (SLC C3) will be switched on, but will be modified by a transitional BSC licence condition until BETTA go-live.

The BSC licence condition

- 4.3. The existing SLC C3 in NGC's licence which gives effect to the BSC will be replaced by a new enduring SLC (also C3). During the transitional period, it will be necessary to have in place transitional modifications to the BSC licence condition to give effect to the changes to the BSC (both transitional and enduring) designated by the Secretary of State. In addition, this licence condition will have to recognise the unusual state of the BSC during the transitional period. During that period, the BSC will be in full effect and operational for England and Wales. However some of the BSC (governance

and modification provisions in particular) will be in effect GB-wide and all of the BSC will come into effect GB-wide at a point in time which will not yet have been formally determined (BETTA go-live). This position will affect the factors that will have to be taken into account when consideration is given to proposed modifications to the BSC. Some changes to the BSC applicable objectives are proposed to recognise this, for example to take account of the fact that prior to BETTA go-live the transmission system that the BSC is concerned with is that in England and Wales (the licensee's transmission system) whereas after BETTA go-live it is the GB transmission system.

- 4.4. The existing BSC applicable objective 3 (e) and paragraph 3A are retained in the transitional BSC licence condition. This is in support of Section C8 of the BSC which allows for BETTA Support Work by ELEXON (subject to Authority approval) prior to BETTA go-live.
- 4.5. In addition, it is necessary for Ofgem/DTI to have the ability through the Authority, between BETTA go-active and go-live, to make changes to the BSC. Some of the necessary changes relate to areas of transition where the detailed requirements are not yet known. In particular, BSC transitional provisions will be required to support the provision of SVA data generated under the SAS; BSCCo's testing of meter reading aggregations; and the cut-over processes. In addition, it will be necessary for the Authority to be able to make changes to the GB BSC under any of the following circumstances:
 - ◆ to take account of matters that emerge from testing and trialling
 - ◆ to correct any errors or omissions in the GB BSC in relation to BETTA
 - ◆ to make technical refinement to clarify or enhance the BSC to facilitate the implementation of BETTA
 - ◆ to make changes to the GB BSC which are consequent upon changes that need to be made to the STC, the GB CUSC or the GB Grid Code
 - ◆ to ensure that BETTA can commence, but only where the commencement would otherwise be prevented or materially hindered, and

- ◆ to make minor and consequential changes as a result of any of the above changes.
- 4.6. Similar provisions were enabled for the implementation of the first BSC under the NETA programme. Provisions to enable this have been included in the proposed transitional BSC licence condition to be included in NGC's transmission licence.
- 4.7. The proposed transitional BSC licence condition is shown in appendix 1. It is shown change marked against the enduring SLC C3.

Obligations to comply with the BSC

- 4.8. In order that parties in Scotland should be subject to the necessary obligations to prepare for the time when the BSC comes fully into effect GB-wide in a manner in alignment with the requirements of the GB BSC, it is necessary that they should become parties to the GB BSC as soon as it comes into effect. It is therefore intended that all generation, distribution and supply licensees should be subject to a licence condition requiring them to be a party to the BSC Framework Agreement and to comply with the BSC. The recent consultation on changes to generation, distribution and supply licences²⁰ proposed such enduring licence conditions. It is proposed that these licence conditions should be given effect from the same day that NGC's transitional BSC licence condition comes into effect (BETTA go-active), currently planned for 1st September 2004.
- 4.9. The generation licence condition (9) is shown in appendix 2; the distribution licence condition (10) is shown in appendix 3 and the supply licence condition (10) is shown in appendix 4.
- 4.10. In order to comply with these licence conditions, any licensee who is not already a BSC party will have to accede to the BSC. Such accession is not an immediate process. However, since there is a relatively small number of licensees who are not already BSC parties, Ofgem/DTI believe it is appropriate

²⁰ " Publication of 'near final' changes to the electricity generation, distribution and supply licence conditions under BETTA", 30 April 2004, Ofgem 93/04

to make prior arrangements so that accession documents can be signed ahead of time to come into effect when the licence conditions become effective. Ofgem/DTI have asked ELEXON to make the necessary arrangements with the relevant licensees to achieve this.

The BSC Framework Agreement

4.11. As mentioned in chapter 3, it is intended to use the power for the Secretary of State to make a Licensing Scheme under clause 135 (“Conversion of existing transmission licences”) of the Energy Bill, which enables such a scheme to make changes to agreements also²¹, to make the necessary changes to the BSC Framework Agreement. There are three areas where changes need to be made:

- ◆ changes to the references to NGC’s transmission licence, which will no longer refer to an authorised area of England & Wales
- ◆ changes to the legal jurisdiction in the Agreement to allow for the use of Scottish courts and well as those of England and Wales, and
- ◆ changes to the address for the service of notices to allow for addresses in Scotland as well as in England and Wales.

4.12. Appendix 5 contains a copy of the BSC Framework Agreement, change marked to show the changes that it is intended that the Secretary of State should make using the power under the relevant provision of the Licensing Scheme provided for by clause 135 (“Conversion of existing transmission licences”) of the Energy Bill.

BSCCo²² Memorandum and Articles of Association

4.13. The Memorandum & Articles of Association of ELEXON Limited (BSCCo) will need to be amended for BETTA to replace the reference to England and Wales

²¹ See Schedule 17 of the Energy Bill

²² BSCCo is the term used throughout the BSC. ELEXON Limited fulfils the role of BSCCo under the BSC.

with Great Britain and to ensure consistency with revised definitions in the GB BSC.

- 4.14. The process, under the BSC, for amending BSCCo's Memorandum and Articles of Association first requires that the modifications process under Section F be followed. This is an express BSC requirement due to the fact that the Memorandum and Articles of Association are stated to form part of the BSC. Once approved under the BSC, the amendment would still then need to be formally approved by a special resolution by NGC as the shareholder in accordance with normal corporate processes and the requirements of company law.
- 4.15. This normal Section F process will not apply to the changes to the Memorandum and Articles of Association referred to in 4.13 above and appropriate legal drafting is included in volume 2 of this document.

The BSC Panel

- 4.16. In their conclusions on the establishment of GB panels²³, Ofgem/DTI concluded that GB panels should be put in place from the first panel meeting when the code concerned has GB scope.
- 4.17. ELEXON has commenced an election process to identify the industry panel members for the GB BSC. As stated in Ofgem/DTI's conclusions on the establishment of GB panels, once that process is complete, and ELEXON has provided a report on the process to Ofgem/DTI, the Authority will issue a notice to NGC stating the names of the newly elected industry members for the GB BSC Panel. Legal drafting to accommodate the election process is included in volume 2 of this document.

²³ "Establishing GB panels for the CUSC, the Grid Code and the BSC under BETTA, Ofgem/DTI conclusions", May 2004, 95/04

Decisions for the BSC Panel

- 4.18. Once the GB BSC Panel is in place, it will be requested by ELEXON to reach decisions on a number of topics. This will include decisions on any new applications in relation to Scottish BM Units and Trading Units configurations and approval of Credit Assessment Load Factors, line loss factors etc. In addition, it will be asked to approve new Code Subsidiary Documents (CSDs) which are being developed by ELEXON and possibly changes to existing CSDs (see section on “transitional code subsidiary documents” below) for the purposes of transition. ELEXON is currently giving consideration to the question of whether, and if so which, CSDs may need amendment for transition. In reaching decisions on all these matters in a timely fashion, the GB BSC Panel may need to be able to take account of actions, including consultations, undertaken by ELEXON as part of approved BETTA work packages, prior to the GB BSC Panel coming into effect. Legal drafting is included in volume 2 of this document to enable the GB BSC Panel to take account of such actions in their decision making.

The BSCCo Board

- 4.19. The term of office of the two ELEXON Board members who are members of the BSC Panel will expire when the term of office of those Panel members expires (at go-active). As a result it will be necessary for two of the elected members of the GB BSC Panel to be elected by the Panel (in accordance with Section C4.2) to serve as Directors of BSCCo. Accordingly, once the GB BSC Panel is in place, it will be necessary for it to consider who of the elected members of the Panel should serve as Directors.

5. Transitional provisions

- 5.1. This chapter describes the requirements for transitional provisions that have been identified for the GB BSC and explains the legal drafting used to put such requirements in place. Chapter 7 describes the detailed drafting that has been put in place.
- 5.2. The requirements identified here and the consequent legal drafting result from detailed analysis undertaken by ELEXON. Much of this analysis is complete. However in a number of areas, it has not yet been possible to identify the detail of the requirements necessary to effect the implementation of the GB BSC and the systems for settlement that support the code. This is particularly the case for activities that have to take place in the run up to BETTA go-live. A number of such areas (“uncompleted requirements”) are identified in this chapter. In respect of such areas, Ofgem/DTI intend that they should be treated in the following manner.
- 5.3. Section I of the GB BSC describes all such areas of uncompleted requirements and places an obligation on BSCCo to develop detailed requirements for such areas and to consult interested parties upon the requirements and the associated legal drafting for the GB BSC to deliver such requirements. Such legal drafting will, subject to the approval of the Authority, be added to an annex to Section I of the GB BSC and parties will be obliged to comply with that annex. The transitional BSC licence condition in NGC’s licence (see Appendix 1) gives the Authority the power to make changes to the BSC under such circumstances. Once BSCCo has produced and consulted upon legal drafting to the satisfaction of the Authority, the Authority will issue a notice to NGC requiring Section I of the GB BSC to be so amended.
- 5.4. In the course of the analysis leading to the identification of these transitional requirements and legal drafting to effect them, a small number of deficiencies (some of which will only have an effect for a transitional period) in the near final draft of the GB BSC have been identified. The more significant of these issues are explained in the section on “enduring changes” below. These changes are described in chapter 7 and legal drafting to incorporate the

enduring changes and correct deficiencies is included in volume 2 of this document.

Geographical application of the BSC

- 5.5. The scope of the application of the GB BSC is determined by the scope of the transmission licence containing the condition which gives it effect and by the definition of Total System in the licence condition. The scope of the transmission licence will be GB after application of the Secretary of State's Licensing Scheme. The definition of Total System in the licence will be defined as the GB transmission system and the distribution systems of all authorised electricity operators. The definition of Total System is important because the BSC licence condition defines the balancing and settlement arrangements as:
- (a) arrangements pursuant to which BSC parties may make, and the licensee may accept, offers or bids to increase or decrease the quantities of electricity to be delivered to or taken off the **total system** at any time . . .
 - (b) arrangements:
 - (i) for the determination and allocation to BSC parties of the quantities of electricity delivered to and taken off the **total system** . . .
- 5.6. In addition, the operation of the BSC itself rests upon the definition of Total System (which is defined in the BSC separately from the definition in the licence). For example, Section K of the BSC defines Imports and Exports to mean flows of energy onto and off the Total System. Thus the definition of Total System is the determinant of the scope of operation of the determination of metered volumes which underlie trading and settlement arrangements in the BSC.
- 5.7. Until BETTA go-live, the elements of the GB BSC relating to trading and settlement shall apply only in England and Wales. The simplest way to achieve this is to amend the definition of Total System in the BSC so that, until BETTA go-live it only includes England and Wales and, from BETTA go-live

includes Scotland also. This approach has been adopted in the transitional legal drafting in volume 2 of this document.

GB BSC provisions not needed until go-live

- 5.8. It is expected that the changes to the BSC to be designated by the Secretary of State will be brought into effect by a notice from the Secretary of State to NGC. That notice will also identify when such changes are to be implemented. Such an approach is exactly equivalent to the current system for putting in place changes to the BSC where changes determined by the Authority are incorporated into the legal BSC immediately but are not implemented in the operational BSC until their implementation date.
- 5.9. The majority of the changes to the enduring BSC which were identified in the near final legal text for the GB BSC²⁴ need to be implemented immediately (at BETTA go-active) when the BSC is given GB scope, since they refer to the widening of the scope of the BSC. Others refer to facilities (such as the recovery of BETTA Support Costs) which do not have any effect until BETTA go-live and can therefore be implemented at any time before BETTA go-live. Such changes should be implemented at BETTA go-active.
- 5.10. The provisions in Section F for change co-ordination between the BSC and the System Operator – Transmission Owner Code (STC) should be implemented at BETTA go-active because they will have no effect until the STC and the STC committee is in effect. It is expected that such arrangements will be implemented in advance of BETTA go-live.
- 5.11. However, the changes in Annex S-2 and in Section X in relation to the definition of the Sunset variable should not be implemented until BETTA go-live. The facilities to allow for different day types in Scotland could be implemented before BETTA go-live since they will have no effect in Scotland (being outside the definition of Total System), however Ofgem/DTI believe that for clarity, it would be better for all changes relating to the revised profiling arrangements to be implemented together at BETTA go-live.

²⁴ See Volume 2 of "The Balancing and Settlement Code (BSC) under BETTA, Ofgem/DTI Conclusions and publication of near-final legal text of the GB BSC", April 2004, Ofgem 92/04
Transition to GB BSC

- 5.12. Such implementation provisions do not require legal drafting in the GB BSC because they will be effected in the designated changes and in the notice to NGC.

Contract Notifications

- 5.13. At BETTA go-live the trading of energy enabled by the BSC will move its basis from England and Wales to GB. Thus, since volumes of energy traded allow for transmission losses, those trading energy: generators, suppliers and traders will need to reconsider the volumes of energy to be traded between them. Between BETTA go-active and BETTA go-live BSC Trading Parties' agents will continue to submit contract notifications on the basis of England and Wales based contracts. From BETTA go-live, all such notifications will need to be on the basis of GB contracts. In order to be effective from the first settlement period after BETTA go-live, contract notifications will have to be submitted in respect of GB based contracts at least one hour before the start of that settlement period.
- 5.14. Similarly, in order that England and Wales based enduring (evergreen) contract notifications should not continue in effect after BETTA go-live, Trading Parties' agents will have to terminate or overwrite with new energy volumes, such notifications at least one hour before BETTA go-live.
- 5.15. ELEXON is considering arrangements for this cut-over period and will be consulting on its proposals in due course.

Transitional Code Subsidiary Documents

- 5.16. ELEXON is working with Scottish parties on the processes for the collection of metering data, the registration of metering systems, aggregation rules, BM Units and Trading Units and the testing of such data. As a result of the timescales involved, the existing BSC procedures (BSCPs) will not be adequate to enable all the necessary registrations to be completed in a timely manner. ELEXON is therefore developing transitional procedures (BETTA Data Take On procedures), which are being used in the voluntary phase of data take-on prior to the GB BSC coming into effect. ELEXON is also planning to consult on the procedures for the purpose of their use from BETTA go-active (ie when parties

will be required to use them, instead of electing to use them on a voluntary basis as is the case at the moment). ELEXON will submit the procedures to the GB BSC Panel for approval once the Panel is in effect. The BSC gives the BSC Panel the ability to amend BSC Code Subsidiary Documents (of which BDTPs are one element) and to agree new ones. Transitional legal drafting is included in volume 2 of this document to enable the GB BSC Panel, when reaching decisions on any proposed Code Subsidiary Documents, to take account of any consultation undertaken by ELEXON prior to go-active.

BSC cost recovery and participation charges

- 5.17. Section D of the BSC defines the charges that BSC parties are required to pay. The majority of such charges are based on metered energy and will therefore not apply to Scottish parties, who have no metered energy (within the scope of the definition of Total System) until BETTA go-live. However, there are some charges which might apply; for example those for the provision of a data communications line (Dataline Monthly Charge) and the software support charge for the operation of such a link (TIBCO Software Support Charge)²⁵ as well as the Base Monthly Charge²⁶ (of £250 per month). In addition parties acceding to the BSC normally pay an accession charge. Under the implementation of NETA such charges were not levied on parties before NETA go-live, and it is proposed that the same arrangements should apply for Scottish licensees, who are not already BSC parties, up to BETTA go-live. This is proposed because the licensees are being obliged to become parties to the BSC earlier than would otherwise be necessary to enable the timely implementation of BETTA. Transitional legal drafting to give effect to this has been included in volume 2 of this document.

Credit Cover

- 5.18. Under the BSC, payments to and from Trading Parties in respect of Trading Charges arising on any particular Settlement Day are made, on average,

²⁵ See BSC Annex D-3 3.1 (d) and (e)

²⁶ See BSC Annex D-3 3.1 (a)

twenty-nine calendar days later. Thus, at any given time, Trading Parties may have debts (or be due payments) in respect of Trading Charges incurred, on average, over the previous twenty-nine days. The purpose of Credit Cover is to ensure that, should a Trading Party default, sufficient collateral is available to pay these debts.

- 5.19. The BSC does not stipulate the amount of Credit Cover that Trading Parties must provide. Instead Trading Parties decide on the level of Credit Cover that they wish to provide, and credit checking, which is intended to ensure that a Trading Party cannot accumulate a debt over the twenty-nine day period that exceeds the amount of Credit Cover provided, is put in place.
- 5.20. BSC credit checking is performed in MWh terms, rather than in financial terms. The estimate of the total trading charges, in MWh equivalent, owing by each Trading Party made for the purpose of credit checking is termed Energy Indebtedness. Energy Indebtedness for a given Settlement Period is the sum over the previous twenty-nine days (including the Settlement Day that includes the given Settlement Period) of:
- ◆ Actual Energy Indebtedness (AEI) for those Settlement Days for which the Interim Information Settlement Run (known as the “II” Run) has been performed; and
 - ◆ Credit Assessment Energy Indebtedness (CEI) for all other Settlement Periods.

Actual Energy Indebtedness

- 5.21. AEI is each BSC Party’s calculated trading charge from the II Run divided by the Credit Assessment Price (CAP) to give a MWh equivalent. The CAP is a parameter, set by the BSC Panel.
- 5.22. However, by the time that the II Run is performed, the Supplier Volume Allocation Agent has not computed BM Unit Metered Volumes for Supplier BM Units. Consequently, for Supplier BM Units, but not for other BM Units, metered volumes have to be estimated in order to calculate the Trading Charges. The Supplier BM Unit metered volumes are estimated by allocating a proportion of the relevant day’s Grid Supply Point (GSP) Group Take. That

portion is set to be the same as the proportion of GSP Group Take that the BM Unit had in the most recent Initial Settlement (SF) Run that has been performed for a day with the same weekday and day type attributes.

- 5.23. Typically, when an II Run is performed, the SF Run data that is used will be for the SF Run for the settlement day three weeks previous to the settlement day for which the II Run is being performed. In cases where either of the settlement days concerned (the II Run or the SF Run) is a Bank Holiday, the period between the two settlement days will be longer than three weeks.
- 5.24. Immediately following the registration of a new Supplier BM Units under the BSC, no SF Run will be available for the pro-rating of GSP Group Take for that Supplier BM Unit. The Supplier BM Unit's proportion of the GSP Group Take for new II Runs is assumed to be zero. Thus Trading Charges, and hence AEI, for new Supplier BM Units are under-estimated for an initial period. Given that Energy Indebtedness can rely on SF data for Settlement Days typically seven weeks beforehand, Energy Indebtedness will be underestimated during much of this period after registration. Specifically, the underestimation will begin after around seven days when the Energy Indebtedness first starts to rely on data from II Runs. The underestimation then grows as the number of Settlement Days relying on II Runs (for which there are no suitable SF Runs available) increases until about 29 days after registration. The degree of underestimation then decreases from around 29 days after registration, as new II Runs can be based on prior SF Runs. After around seven weeks SF Runs are likely to be available on which to base the Supplier BM Unit's BM Unit Metered Volume, and Energy Indebtedness will from that time be calculated on the enduring basis.
- 5.25. Ofgem/DTI note that credit cover under the BSC is determined on a Trading Party basis and that there are likely to be only a few suppliers with BM Units in Scotland who do not also have BM Units in England and Wales. Thus, though the energy indebtedness will be underestimated for some BM Units, those BM Units may represent only a small part of suppliers' portfolios. The overall effect of these under estimations on credit risk for BSC Trading Parties is therefore likely to be relatively small and short lived. Further, any risk during that period only applies in respect of a Trading Party who trades close to its own credit limit. Ofgem/DTI therefore do not propose to make any

transitional changes to the arrangements for the calculation of Actual Energy Indebtedness under the GB BSC.

Credit Assessment Energy Indebtedness

- 5.26. Credit Assessment Energy Indebtedness (CEI) is an estimate of a Trading Party's imbalance volume in a given Settlement Period. It is calculated at one hour ahead of the start of the settlement period, and is used to estimate the Trading Party's indebtedness for credit checking purposes for the Settlement Periods for which II Run data is as yet unavailable.
- 5.27. This estimate is based on a number of standing data items and parameters, including Credit Assessment Load Factors (CALF) values for each BM Unit. Under normal operations, CALF values are calculated using BM Unit data for the equivalent BSC Season in the previous year. At BETTA go-live, there will not be data available for new BM Units for the equivalent BSC Season in the previous year.
- 5.28. Changes to the CALF Guidance Document, containing the methodologies for defining CALF values, will need to be made, by the GB BSC Panel, to provide an interim approach in relation to Scottish BM Units. The CALF Guidance Document is normally considered by the Imbalance Settlement Group (ISG) who recommends changes to the BSC Panel. This interim approach for the calculation of CALF values will be required until the Summer 2006 BSC Season, that is until historic BETTA data is available for each BSC Season.
- 5.29. Ofgem/DTI do not propose to make any transitional changes to the GB BSC in relation to credit cover, but to leave it to the newly elected GB BSC Panel (and its subcommittees) to derive appropriate estimates for CALF for Scottish BM Units. This is similar to the arrangements made under NETA for the initial estimation of CALF values and their approval by the BSC Panel.

Accreditation, certification and entry processes

- 5.30. The term "entry process" refers to the process for the entry (under the BSC) of a supplier together with its relevant party agents; being the Data Collector (DC), Meter Operator Agent (MOA) and Data Aggregator (DA) – collectively known as the "supplier hub" - into the trading arrangements. Each supplier hub is

associated with a specific Licensed Distributor System Operator (LDSO). Furthermore, the BSC sets out the requirement for these Party Agents to be accredited.

- 5.31. The accreditation of a party agent provides a level of assurance to the other BSC parties that the agent in question has appropriate systems and processes in place, operating in a suitable control environment, that will allow that agent to fulfil the obligations set out under the BSC. In order to become accredited, the systems and processes operated by each Agent must be certified.
- 5.32. During the transition period, party agents operating in Scotland will continue to provide services to their suppliers in accordance with the Settlement Agreement for Scotland (SAS) and will have to prepare to comply with certain requirements in relation to their registration, functions, roles and performance levels as set out in Section J of the BSC and the relevant Code Subsidiary Documents.
- 5.33. It is not necessary that such parties will in all cases have to undergo the testing, certification and other procedures required of parties who are new agents under the BSC. This is because that there are similarities between the entry process testing and certification testing that is required under the SAS and that which is required under the BSC. ELEXON proposes to develop and to consult upon a BSC Code Subsidiary Document (CSD) to specify the principles that should underlie the acceptance of the equivalence of arrangements under the SAS and under the BSC. This CSD will be put to the GB BSC Panel for approval soon after BETTA go-active and, once approved will define the principles which will apply to the accreditation, testing and certification processes which will apply to parties and their agents in Scotland during the transition period.

Enduring provisions

Use of Settlement Agreement for Scotland (SAS) data

- 5.34. The processes for determining half-hourly metered energy volumes for suppliers of non-half-hourly metered premises are the same under the SAS as under the BSC. The collection of such data and its submission for processing under the SAS will continue up to and beyond BETTA go-live, in respect of all settlement days before BETTA go-live. For all settlement days from BETTA go-live, data based upon the same original meter readings will be submitted for settlement under the BSC.
- 5.35. From BETTA go-live, suppliers' Data Aggregators in Scotland will submit for settlement under the BSC, data based upon meter readings taken under the requirements of the SAS. The BSC specifies the use that should be made of the base data (eg original meter readings) which is not submitted into settlement but which is used to derive data submitted into settlement. In order to give legal existence to such data under the BSC, it is necessary for the BSC to refer to such data as the basis for data that is submitted into settlement and to treat it as BSC data. Legal text to give effect to such recognition is included in the drafting in volume 2 of this document.

Disputing of SVA data

- 5.36. The fact that there is data which is used both by the SAS and by the BSC gives rise to the question of how any party who wishes to dispute such data should proceed. There are clearly a number of options here. For example, the data might be disputable under both codes simultaneously or under only one of the codes. Both of these options have problems. If data were to be disputable under both the SAS and the BSC, there would be the possibility that the dispute processes would reach different conclusions and that therefore the value to be assigned to a single data item which was used under both codes would be different for the two codes. Such a facility would require significant changes in the systems used to collect and process such data.
- 5.37. If the data were to be disputable under only one of the codes, in order to avoid the need for systems development work identified above, then that code would be given some form of precedence over the other which appears undesirable while both are in operation.

5.38. Ofgem/DTI therefore believe that the simplest solution is for all Scottish data created prior to BETTA go-live to be disputable only under the SAS and for data created on or after the BETTA go-live day (which will only be recognised in the BSC) to be disputable under the provisions of the BSC. It should be noted that, both under the SAS and under the BSC, the disputing of individual items of non-half-hour data is a very unusual occurrence. Further, the period of time during which this could be a problem even in theory is limited to the time taken for actual meter readings to have been recorded in Scotland after BETTA go-live. This approach requires no changes to the legal drafting for the BSC or for the SAS.

Scottish SMRA²⁷ data

5.39. Settlement under the BSC in England and Wales rests in part upon the registration of metering systems in the SMRA's systems (one for each GSP Group). Such systems are operated by all Distribution Network System Operators in accordance with the Master Registration Agreement (MRA) both in England and Wales and in Scotland. It is necessary to make some adjustments for the GB BSC to treat the data that already exists in the Scottish systems to be BSC data. Such legal drafting is included in volume 2 of this document.

New GSP Groups

5.40. With the introduction of BETTA, trading under the GB BSC will have to recognise the existence of two new GSP Groups. GSP Groups are defined in Section X-1 of the BSC and the necessary changes have already been made to that definition in the published near final legal text for the GB BSC. However, it is also necessary to assign the responsibility for the registration of aggregation rules for each GSP Group to the relevant Distribution System Operator. Further legal drafting to achieve this for the two Scottish GSP Groups has been prepared for Section R.

²⁷ Supplier Meter Registration Agent
Transition to GB BSC
Ofgem/DTI

Black Start Reallocation Proportion

- 5.41. When the Transmission Company informs users pursuant to OC9.4 of the Grid Code that either a partial or a total shutdown exists and that the Transmission Company intends to implement a black start, the black start provisions of Section G of the BSC apply. This section describes the basis for the parties to claim “black start compensation amounts” such amounts being funded by BSC parties in accordance with the calculated “black start reallocation proportion” for each party. The calculation of the black start reallocation proportion is based on settlement values (Credited Energy Volumes) for the seven days before the beginning of the black start period.
- 5.42. For the first seven days after BETTA go-live such values will not exist for Scottish BM Units. In relation to NETA go-live, the BSC gave the BSC Panel the ability to determine the values to be used in the calculation for any day prior to NETA go-live. Under BETTA the circumstances will be somewhat different because values will be available for all England and Wales BM Units but not for those in Scotland. It is therefore proposed that the GB BSC Panel should be given the ability to determine the relevant values for Scottish BM Units for any days prior to the BETTA go-live day, where this is required for the calculation of the compensation amount. Legal drafting to effect this is included in volume 2 of this document.

Contingency provisions

- 5.43. Under some contingency provisions of the BSC, historic price limits are applied in the balancing mechanism. Section Q 5.5 of the BSC specifies how such limits shall be calculated. Such a calculation can be based on a thirty day period prior to the start of the contingency provisions. The BSC recognised that such circumstances could have come into effect within thirty days of NETA go-live and, under such circumstances placed an obligation on the BSC Panel to determine such price limits subject to the approval of the Secretary of State. For the BETTA go-live the circumstances are somewhat different because the problem of shortage of history would only apply to Scottish BM Units. However, it is proposed that, for Scottish BM Units, exactly the same provisions should apply as would have applied to all BM Units had such circumstances occurred within thirty days of NETA go-live.

5.44. Legal drafting to effect this proposal is included in volume 2 of this document.

Uncompleted requirements for transition

5.45. In paragraph 4.5 above, Ofgem/DTI identified that a number of requirements for the transition to the GB BSC were yet to be fully defined and laid out the process for dealing with such circumstances. The remainder of this section identifies the areas that are known to be incomplete. For each of these areas, legal drafting has been included in Section I of the GB BSC in volume 2 of this document, to oblige BSCCo (ELEXON) to undertake the necessary work to complete the requirements and the necessary legal drafting for the GB BSC. In addition, Ofgem/DTI believe that it is proper for such work to continue to be considered to be BETTA Support Work under the BSC and thus the costs of such work would be recovered from GB BSC Parties after BETTA go-live. However, since the approval of the scope of such work will be effected through the designation of changes for the transition to the GB BSC, it will not be necessary for ELEXON to submit proposed work specifications to the Authority for approval under Section C8 of the BSC. It is for the ELEXON Board to consider the processes it wishes to put in place for the approval of the costs and resources for such work.

Use of SAS data

- 5.46. There are a number of possible circumstances which are being analysed by ELEXON where it may be necessary for data derived under the SAS to be provided to the BSC settlement systems in the transition period. One of these circumstances relates to default SVA data for Scottish BM Units.
- 5.47. If the SVAA fails to receive supplier data in time for a settlement run, default data is used, based upon data for the same day of the week in a previous week (allowing for bank holidays etc.). For the first few weeks after BETTA go-live there will be no historic data available for suppliers in Scottish GSP Groups. In England and Wales, this circumstance arises when a new supplier starts operating in any GSP Group and there is no historic data. Under these circumstances the default is to set the data to zero. The error that results is likely to be small, because it is a new supplier. The error appears in the GSP Group correction factor and is corrected in the next reconciliation. However,

Ofgem/DTI do not believe that this is an appropriate solution for a whole new GSP group when the error could be significant. Ofgem/DTI therefore intend to oblige suppliers to provide a few weeks of data prior to BETTA go-live, in respect of each of the Scottish GSP Groups, to be used for this purpose. The detail of this obligation has not yet been fully defined.

- 5.48. In addition ELEXON has identified that the BSC provides (through a BSCP) that a new supplier is to be provided with two years worth of historic daily profile coefficient if the supplier so requests (because they may be needed in the calculation of current profile values). From BETTA go-live those historic profile coefficients will need to include those in Scotland as well as those in England and Wales. The Supplier Volume Allocation Agent (SVAA) (who has the obligation to provide the data) has access to historic coefficients for England and Wales but not for Scotland.
- 5.49. Further examples of the need for SAS based data may be revealed by the continuing analysis by ELEXON of the detailed requirements for the transition to the GB BSC.

Balancing Mechanism Reporting System

- 5.50. ELEXON has been in discussion with the NGC about the requirements for the transition between the BMRS for England and Wales and the provision of BMRS data for GB. Ofgem/DTI believe that participants will need access to some BMRS data prior to BETTA go-live and intend that ELEXON and NGC should work out an approach to achieve this. The requirements for the provision of the BMRS data prior to BETTA go-live will be included in the requirements for "Cut-Over" which are to be developed as described below.

Assistance with BSCCo testing

- 5.51. It is likely that ELEXON will require data and other assistance to allow it to undertake the detailed testing of the data collected from metering systems in the two Scottish GSP Groups. In order that GB BSC parties can be assured of the accuracy of settlement data from BETTA go-live it will be necessary to test the data, the aggregation rules and the calculated GSP and GSP Group aggregations of values and compare them with similar SAS data. The detail of

this requirement and the transitional obligations needed to be placed on BSC Parties to effect the requirement is yet to be worked out. However, it is likely that in order to enable such testing to be completed in a timely matter, GB BSC parties with metering systems in Scotland will have to provide data and assistance to ELEXON.

Enabling cut-over

- 5.52. In the same way that it is not yet possible to define the detailed requirements for testing, it is not yet possible to define the requirements for the cut-over from operation of the BSC only in England and Wales to GB-wide operation at BETTA go-live, in the days and hours before and after BETTA go-live. In conjunction with other participants, including NGT, ELEXON is developing the requirements in this area but such work is not yet complete.

6. Deemed BSC Panel decisions

- 6.1. In the second GB BSC consultation paper²⁸ Ofgem/DTI stated that they had asked ELEXON to identify those parties in Scotland who would need metering dispensations and to consult parties in GB 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.
- 6.2. In the third GB BSC consultation²⁹ Ofgem/DTI stated that they had asked ELEXON to seek information from Scottish parties and to undertake a further consultation in respect of any proposals for non-standard BM Unit and Trading Unit configurations. Adding that, 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.
- 6.3. In speaking of “deemed” GB BSC Panel decisions, Ofgem/DTI were making it clear that no decision by the GB BSC Panel would be required in respect of any proposal by Ofgem/DTI which is put into effect through legal drafting which is designated by the Secretary of State. Instead, legal drafting will be proposed for Section I of the GB BSC which will list the proposed decisions and which will oblige BSCCo to add the new decisions to the relevant register of such decisions which is either held by BSCCo or by the relevant BSC Agent.

Metering dispensations

²⁸ “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

²⁹ “The Balancing and Settlement Code under BETTA, Ofgem/DTI conclusions and second consultation on the legal text of a GB BSC”, November 2003, Ofgem 153/03

- 6.4. ELEXON provided a report on its consultation on the applications for metering dispensation to Ofgem/DTI and published it on their website on 20 May 2004³⁰.
- 6.5. Applications were received by ELEXON from British Energy Generation (UK) Limited in respect of Hunterston and Torness power stations; from CRE Energy Limited in respect of Hagshaw Hill Windfarm A & B; from Scottish and Southern Energy plc in respect of Peterhead and Foyers power stations and eleven hydro electric stations; and from ScottishPower Generation Limited in respect of Longannet, Cockenzie and Cruachan power stations.
- 6.6. Ofgem/DTI note that ELEXON concluded that the application submitted by CRE Energy Limited was in accordance with metering codes of practice and therefore did not need a dispensation.
- 6.7. Ofgem/DTI note the comments made by ELEXON in its report, in particular that the proposed metering dispensations would have no adverse impact on the quality of data submitted to settlement and that similar dispensations have been provided in England and Wales. Ofgem/DTI therefore propose the provision of dispensations as set out below. The legal drafting in volume 2 reflects this proposal.

Scottish Metering Dispensations

Applicant	Site	Summary of Dispensation Application
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³⁰ www.elexon.co.uk/betta/docs/work_packages/Metering_Dispensations.pdf

British Energy Generation	Torness and Hunterston Power Stations	Metering not at Defined Metering Point. Dispensation for active metering to remain on low voltage side of the Generator Transformers and active and reactive metering to remain on low voltage side of the Station Transformers.
British Energy Generation	Torness and Hunterston Power Stations	Import and Export metering not installed on all circuits. Dispensation not to meter active Import on main generator circuits and active Export on Station, Unit and Excitation Transformers.
Scottish and Southern Energy plc.	Peterhead Power Station	Lack of duplicate current transformers and voltage transformers on Unit 1. Time limited dispensation (until the end of the Unit 1 overhaul in the summer of 2005) to continue with the use of a single set of voltage and current transformers.
Scottish and Southern Energy plc.	Peterhead Power Station	Metering not at Defined Metering Point. Dispensation for metering to remain on low voltage side of Generator Transformers of Units 1 & 2, CCGTs 11, 12 & 13 and OCGTs 3 & 4 as well as the low voltage side of Station Transformers 1, 2, 3 & 4.
Scottish and Southern Energy plc.	Foyers Pumped Storage	Metering not at Defined Metering Point. Dispensation for metering to remain on low voltage side of Generator Transformers.

Scottish and Southern Energy plc.	Hydro Electric Power Stations	<p>Metering not at Defined Metering Point at the following hydro electric power stations. Dispensation for metering to remain on low voltage side of Generator Transformers and where applicable, the Station Transformers.</p> <p>Clunie G1, G2 & G3</p> <p>Culligran G1 & G2</p> <p>Deanie G1 & G2</p> <p>Errochty G1, G2 & G3</p> <p>Fasnakyle G1 & G3</p> <p>Glenmoriston G1 & G2</p> <p>Livishie G1</p> <p>Lochay G1 & G2</p> <p>Luichart G1 & G2</p> <p>Quoich G1</p> <p>Sloy G2 & G3</p>
Scottish and Southern Energy plc.	Mobile Generators	Dispensation to continue to use mobile generators without metering systems installed.
Scottish Power Generation Ltd.	Longannet and Cockenzie Power Stations	Metering not at Defined Metering Point. Dispensation for metering to remain on low voltage side of Generator and Station Transformers.

Scottish Power Generation Ltd.	Longannet and Cockenzie Power Stations	Import and Export for some circuits not recorded on Outstations. Dispensation not to record on the Outstations the active import on main generator circuits and active / reactive export on Unit Transformers .
Scottish Power Generation Ltd.	Cruachan Pumped Storage	Metering not at Defined Metering Point. Dispensation for metering to remain on low voltage side of the Super Grid Transformers.
Scottish Power Generation Ltd	Kendoon, Tongland and Glenlee Power Stations	Separate test terminal blocks not provided for Main and Check Meters. Dispensation to continue the use of a single test terminal block for Main and Check Meters.

BM Unit configurations

- 6.8. Ofgem/DTI have received the report from ELEXON on the consultation that they undertook on applications for non-standard BM Unit configurations and for Trading Unit arrangements which was published on the ELEXON website on 25 May 2004³¹.
- 6.9. Applications for non-standard BM Unit configurations were received by ELEXON from Scottish and Southern Energy plc in respect of six cascade hydro station groups, each to be treated as a single BM Unit and from Grangemouth CHP Limited in respect of three BM Units. In addition applications for the registration of Class 5 Trading Units were received from Grangemouth CHP Limited in respect of two of the three BM Units applied for and from British Energy Generation (UK) Limited in respect of the five BM Units at Hunterston power station.

³¹ www.elexon.co.uk/betta/docs/project_deliverables/BMU_Consultation.pdf

- 6.10. Ofgem/DTI are grateful for the information provided by ELEXON in the “comments” section of their report and propose the following:
- ◆ the three non-standard BM Units proposed by Grangemouth CHP Limited should be so registered
 - ◆ the two BM Units specified by Grangemouth CHP Limited should be registered as a single Trading Unit (Class 5), and
 - ◆ the five BM Units at Hunterston power station should be registered as a single Trading Unit as proposed by British Energy Generation (UK) Limited.
- 6.11. In respect of the application by Scottish and Southern Energy plc for 6 groups of cascade hydro stations to be registered as individual BM Units, Ofgem/DTI note that such a configuration would have the potential to require changes to the drafting of the GB CUSC and of the GB Grid Code. Ofgem/DTI therefore intend to seek legal drafting in respect of the necessary changes to the GB CUSC and Grid Code from NGC and then to publish a mini-consultation on all the elements of the issue together.

7. Proposed draft text for the GB BSC

- 7.1. Volume 2 of this document contains draft legal text to effect the transition to the GB BSC under BETTA. These provisions are incorporated into the proposed GB BSC and, in volume 2 are shown change marked against the near final text for the GB BSC recently published with Ofgem/DTI's conclusions on the BSC under BETTA³². In order to limit the quantity of data to be downloaded by interested parties, Ofgem/DTI are only publishing those sections of the GB BSC where changes are proposed. These are: the index, Sections A, C, D, G, I, K, L, Q<R and S and Annexes S-2, X-1 and X-2.
- 7.2. The overall approach adopted in the drafting of transition provisions has been to introduce a new section (Section I – Transitional Arrangements for Implementation of BETTA) which contains all the transitional provisions. Section I is intended to be such that, some time after BETTA go-live, it could be removed from the GB BSC with the minimum of effect on other provisions of the code. Thus the changes to Sections A, C, D, G, K, L, R and Q and Annexes S-2 X-1 and X-2 are largely enduring changes. In the paragraphs below the transitional changes in Section I are explained first.

Transitional changes

Section I – BETTA Implementation

- 7.3. This is a completely new section as described above. The function of the section is to control how the GB BSC operates during the transition period. Section I therefore in many places has the effect of altering BSC provisions in other parts of the code but generally only during the transition period. All the definitions of parameters used only in Section I are in Section I. All other definitions (some of which are new or needed to be altered for BETTA) remain in Section X. The new provisions introduced are broadly as follows:

Disapplication of Section F

³² Volume 2 of "The Balancing and Settlement Code (BSC) under BETTA, Ofgem/DTI Conclusions and publication of near final legal text of the GB BSC", April 2004, Ofgem 92/04

- 7.4. This clause is intended to ensure that Section I and Section Q5.5.1(d), which relate specifically to the transition to the GB BSC, cannot be modified by the normal process of BSC Parties proposing a modification during the transition period. After the transition period, this restriction ends.

Creation and modification of transitional code subsidiary documents

- 7.5. As mentioned in chapter 5 the GB BSC Panel needs to be able to take account of actions taken by BSCCo (ELEXON), including consultations undertaken by BSCCo, prior to the coming into effect of the GB BSC, in reaching decisions after the GB BSC is in effect.
- 7.6. The section also places obligations on parties, Panel Members, BSCCo and the Panel Secretary to take all reasonable steps to ensure that any transitional code subsidiary document or any modification to a code subsidiary document is considered, evaluated and implemented as soon as is reasonably practical having regard to the timing of the implementation of BETTA.
- 7.7. The section also provides that, if parties have been following the provisions of a proposed transitional code subsidiary document prior to its formal introduction by the BSC Panel, they will be entitled to continue such voluntary compliance until the BSC Panel approves a transitional code subsidiary document on the same topic. They will not be obliged to start to comply with an entirely different document.

Compliance with transitional code subsidiary document

- 7.8. This section allows for the fact that some parties will be undertaking registration activities in relation to metering systems and BM Units in Scotland on a voluntary basis before the GB BSC is in effect (ie BETTA go-active) and deems those actions to be compliant with the provisions of the GB BSC that relate to such actions.

The Panel

- 7.9. This section puts in place the panel members notified to BSCCo by the Authority and causes the term of office of the previous holders of the industry elected panel positions to expire.

- 7.10. The section also specifies the applicable objectives that shall apply to the Panel's consideration of matters and refers directly to the objectives in NGC's transmission licence (Condition C3).

Calculation of Black Start Reallocation Proportion

- 7.11. This section introduces a replacement calculation for the Black Start Reallocation Proportion. This replacement applies only for the first seven days after the BETTA Effective Date (ie BETTA go-live) and allows the Panel to determine the values to be used in the calculation for BM Units located in Scotland for any settlement day prior to the BETTA Effective Date. This is necessary to enable the Black Start Reallocation Proportions to be calculated for all BM Units.

Registration of Metering Systems

- 7.12. This section ensures that instead of the current procedures BSCP 20 and 15 applying in relation to the registration of metering systems the new transitional BETTA Data Take On Procedures (BDTPs) 20 and 15 shall apply in relation to Scottish Volume Aggregation Units.
- 7.13. The section also puts in place the proposed configurations of BM Units and Trading Units and the metering dispensations set out in Annex I-2 Tables A, B and C.
- 7.14. Further the section provides that CVA metering systems in Scotland, which have been sealed by a SAS meter operator shall be deemed to have complied with the GB BSC sealing requirements (in BSCP 06).

Replacement of references to BSCP 20 and 75

- 7.15. This section ensures that instead of the current procedures BSCP 20 and 75 applying in relation to the registration of aggregation rules and CVA metering systems the new transitional BDTPs 20 and 75 shall apply in relation to Scottish Volume Aggregation Units.

Compliance with BDTPs 70 and 25

- 7.16. This section requires new parties and party agents in Scotland to comply with these new code subsidiary documents (once they come into effect through approval by the GB BSC Panel) and obliges BSCCo to develop an Entry Processes, Accreditation and Certification code subsidiary document for the approval of the GB BSC Panel, all of which is intended to all for the equivalence of entry, certification and accreditation processes between those in Scotland and those in England and Wales.

Metering access and testing

- 7.17. This section is intended to oblige parties responsible for metering systems in Scotland to enable BSCCo to undertake the necessary testing of meter readings and communications links in accordance with a Testing code subsidiary document (once approved by the GB BSC Panel).

Metering systems not considered to be new metering systems

- 7.18. This section of Section I provides for the disapplication of Section S-2 4.3.11 (which provides for the calculation of Estimated Annual Consumption values for new SVA metering systems) in respect of metering system where meter advances have already been calculated under the SAS.

Exemption from specified BSC charges

- 7.19. This section is intended to remove from parties to the SAS, who become BSC Parties at go-active, the need to pay an application fee and to remove the need to pay certain specified charges as described in chapter 5 between go-active and BETTA go-live.

Further development of the requirements for transition

- 7.20. This section sets out the processes by which BSCCO shall develop the further requirements for transition as outlined in Annex I-1, consult upon them and put a report to the Authority proposing the necessary changes to the BSC to enable transition to take place. The section also specifies how BSC Parties shall be informed of any such changes to the GB BSC and how they shall be implemented.

- 7.21. The section also specifies that the costs of the work by BSCCo in undertaking such development shall be considered to be BETTA Support Costs, which are recovered by from Parties over five years from BETTA go-live.

Annex I-1

- 7.22. Lists the further development work required to complete the transition requirements for the GB BSC.

Annex I-2

- 7.23. Contains three tables listing the proposed BM Unit configuration, Trading Unit and metering dispensation decisions.

Annex I-3

- 7.24. Contains definitions of the terms used in Section I alone.

Enduring changes

- 7.25. In a number of places, references have been included of the form “subject to . . .” where a provision of Section I alters the operation of the relevant paragraph during the transition period. In the explanation below such references are not explained further.

Section A - Parties and Participation

- 7.26. In paragraph 2.6, the BSC requires that a party takes some steps towards active trading under the BSC within six months of acceding to the BSC. A new paragraph 2.6.1A has been added making clear that, for those parties that accede before the “BETTA Effective Date” (i.e. BETTA go-live) as a result of the extension of the BSC to Scotland, the six month period starts from the BETTA Effective Date.

Section C – BSCCo and its Subsidiaries

- 7.27. Paragraph 2.1.2 is amended (by paragraphs 2.1.4 and 2.1.5) to specify the changes to be introduced into the BSCCo Memorandum and Articles of Association.
- 7.28. In section C8 changes have been introduced with the objective of allowing BSCCo the flexibility to enter into contracts with BSC Agents to undertake work, not just in preparation for BETTA but also to provide the necessary services to BSCCo and GB BSC Parties under the GB BSC. Prior to the GB BSC coming into effect, BSCCo was unable to contract for services under the GB BSC, merely to contract for agents to prepare to provide such services.

Section D – BSC Cost Recovery and Participation Charges

- 7.29. Minor corrections to the enduring drafting have been introduced in 3.1.1, 3.1.2 and 3.1.4. In addition, changes in 3.1.1 has been amended to recognise that not only work included in a work specification approved by the Authority can give rise to BETTA Support Costs. This is required since the work specified in Annex I-1 will also give rise to BETTA Support Costs.

Section G – Contingency

- 7.30. Only “subject to . . .” provisions.

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

- 7.31. Paragraph 1.8.1, recognises and puts into place the two Scottish GSP Groups, with effect from the BETTA Effective Date.
- 7.32. Paragraphs 3.1.4 and 3.1.7 have been modified to put in place the proposed BM Unit configurations listed in Annex I-2 Table A. This is designed to put into effect the decisions proposed through the Ofgem/DTI consultation process and the designation of changes to the BSC by the Secretary of State as described in chapter 5 above.

Section L – Metering

- 7.33. Only “subject to . . .” provisions

Section Q – Balancing Mechanism Activities

- 7.34. Paragraph 5.5.1 (d) has been inserted to deal with the circumstance where the Contingency Provisions of Section Q are brought into effect within 30 days of the BETTA go-live date such that the limits on bid and offer prices set for each BM Unit, cannot be determined for Scottish BM Units. The legal drafting proposes that the BSC Panel should determine the limits under those circumstances. This provision reflects the provision provided in respect of any such circumstances occurring within 30 days of the NETA go-live date.

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

- 7.35. Paragraph 3.2.6., which specifies the responsibility for the preparation of metering aggregation rules, has been amended to allow for the inclusion of the two new Scottish GSP Groups.

Section S – Supplier Volume Allocation

- 7.36. Paragraphs 1.2.3, 1.2.4 and 1.2.5 have been introduced with the objective of ensuring that the GB BSC recognises as valid BSC data, data which was generated before BETTA go-live under the SAS and migrated across into the GB BSC environment at BETTA go-live.
- 7.37. Paragraph 2.2.2 describes a supplier’s responsibility in respect of a newly registered metering system. Paragraph 2.2.2A has been added to make sure that metering systems registered under the SAS should not be subject to such requirements simply because of their introduction to the GB BSC at BETTA go-live. Similarly, paragraph 2.3.3A modifies the actions (in 2.3.3) that would otherwise be required by a meter operator in respect of any metering system introduced into the GB BSC (from the SAS) at BETTA go-live. Further, paragraph 2.4.3A avoids the necessity for actions by suppliers in relation to their data aggregators, which would otherwise have been required purely as a

result of the GB BSC first recognising metering systems registered under the SAS.

Annex S-2

7.38. A number of changes are shown (in 5.1.4,). All of these changes collectively put back the current England and Wales position in respect of the GB BSC changes to non half-hourly metering profiles under BETTA. These changes are shown because it is not intended that the GB BSC changes to profiles should come into effect until BETTA go-live. However, it is expect that this delay to implementation of such changes will be achieved by the Secretary of State designating and implementation date of BETTA go-live for those changes to the England and Wales BSC, while all other changes will be implemented at BETTA go-active.

Section X – Definition and Interpretation

Annex X-1

7.39. New definitions have been introduced for:

- ◆ BDTP (BETTA Date Take-on Procedure)
- ◆ BETTA
- ◆ BETTA Effective Date
- ◆ BSP Group
- ◆ Bulk Supply Point
- ◆ SAS Code of Practice
- ◆ SAS Meter Operator
- ◆ Scottish Distribution Licensee
- ◆ Settlement Agreement for Scotland or SAS

7.40. The definition of Code Subsidiary Document has been amended to allow for CSDs to be modified according to the processes in Section I.

7.41. The definitions of Distribution System, External System and Transmission System have been amended so that they are limited to England and Wales until the BETTA Effective Date.

Annex X-2

7.42. The definitions of Regression Coefficient, Sunset Time and Sunset Variable have been altered to reinstate the definitions which exist in the England and Wales BSC. As mentioned in 7.41 above, the changes to the definitions shown in the GB BSC should not be implemented until BETTA go-live. As with the changes in Annex S-2, described above, this will be achieved by setting the implementation date for these changes to the England and Wales BSC as BETTA go-live.

Appendix 1 NGC's BSC licence condition

Note that this licence condition is change marked against the enduring Standard Licence Condition C3

SEE SEPARATE DOCUMENT

Appendix 2 Generation licence condition

Condition 9. Balancing and Settlement Code and NETA Implementation

1. Insofar as the licensee shall construct or operate a generating station in Great Britain, the licensee shall be a party to the BSC Framework Agreement and shall comply with the BSC.
2. The licensee shall comply with the programme implementation scheme established in accordance with paragraph 3, as modified from time to time in accordance with paragraph 5.
3. The programme implementation scheme is a scheme designated by the Secretary of State setting out the steps, including without limitation steps as to the matters referred to in paragraph 4, to be taken (or procured) by the licensee (and/or by authorised electricity operators) which are, in the Secretary of State's opinion, appropriate in order to give full and timely effect to:
 - (a) any modifications made to this licence and to the licences of authorised electricity operators by the Secretary of State pursuant to the power vested in him under section 15A of the Act;
 - (b) any conditions imposed by any exemption from the requirement to hold any such licence; and
 - (c) the matters envisaged by such modifications and conditions.
4. The programme implementation scheme may include provisions, *inter alia*,
 - (a) to secure or facilitate the amendment of any of the core industry documents;
 - (b) to secure that any systems, persons or other resources employed in the implementation of the Pooling and Settlement Agreement may be employed in the implementation of the BSC;

- (c) for the giving of the indemnities against liabilities to which parties to the Pooling and Settlement Agreement may be exposed;
- (d) for securing the co-ordinated and effective commencement of implementation of and operations under the BSC, including the testing, trialling and start-up of the systems, processes and procedures employed in such implementation and employed by authorised electricity operators and others in connection with such operations;
- (e) for co-ordinating the administration and implementation of the BSC and the administration of the Pooling and Settlement Agreement;
- (f) for the licensee to refer to the Authority for determination, whether of its own motion or as provided in the programme implementation scheme, disputes, as to matters covered by the scheme, between persons who are required (by conditions of their licences or exemptions) or who have agreed to comply with the scheme or any part of it; and
- (g) for the Authority, in the circumstances set out in the scheme, to require that consideration be given to the making of a proposal to modify the BSC and, if so, to require the making of such proposal in the manner set out in the scheme, such power to be exercisable at any time within the period of 12 months after the effective time.

5. The Secretary of State:

- (a) may at any time direct, in accordance with the provisions of the programme implementation scheme, that the programme implementation scheme be modified in the manner set out in such direction, in order to give (or continue to give) full and timely effect to the matters described in paragraph 3.
- (b) shall serve a copy of any such direction on the licensee, and thereupon the licensee shall comply with the scheme as modified by the direction.

6. If there is any conflict between the requirements contained in the programme implementation scheme pursuant to paragraph 4(a) and/or imposed on the licensee by paragraphs 2 and 5 of this condition, and those imposed on the licensee by any other condition, the provisions of paragraphs 4(a), 2 and/or 5 (as appropriate) shall prevail.
7. Without prejudice to paragraph 2, the licensee shall use all reasonable endeavours to do such things as may be requisite and necessary in order to give full and timely effect to the modifications made to this licence as determined by the Secretary of State pursuant to the power vested in him under section 15A of the Act (and to give full and timely effect to the matters envisaged by such modifications).
8. In this condition:

"BSC" means the Balancing and Settlement Code required to be in place, pursuant to the transmission licence granted to the system operator, as from time to time modified.

"BSC Framework Agreement" means the agreement of that title, in the form approved by the Secretary of State, by which the BSC is made contractually binding between the parties to that agreement, as from time to time amended with the consent of the Secretary of State.

"core industry documents" mean those documents which:

- (a) in the Secretary of State's opinion are central industry documents associated with the activities of the licensee and authorised electricity operators,

the subject matter of which
relates to or is connected with
the BSC or the Balancing and
Settlement arrangements, and

- (b) have been so designated by the
Secretary of State.

“effective time”

means the start of the first period for
trading under the BSC as determined by
the Secretary of State.

Appendix 3 Distribution licence condition

Condition 10. Balancing and Settlement Code and NETA

Implementation

1. Insofar as the licensee shall distribute or offer to distribute electricity within Great Britain, the licensee shall be a party to the BSC Framework Agreement and shall comply with the BSC.
2. The licensee shall comply with the programme implementation scheme established in accordance with paragraph 3 as modified from time to time in accordance with paragraph 5.
3. The programme implementation scheme is a scheme designated by the Secretary of State setting out the steps, including without limitation steps as to the matters referred to in paragraph 4, to be taken (or procured) by the licensee (and/or by authorised electricity operators) which are, in the Secretary of State's opinion, appropriate in order to give full and timely effect to:
 - (a) any modifications made to this licence and to the licences of authorised electricity operators by the Secretary of State pursuant to the power vested in him under section 15A of the Act;
 - (b) any conditions imposed by any exemption from the requirement to hold any such licence; and
 - (c) the matters envisaged by such modifications and conditions.
4. The programme implementation scheme may include provisions, *inter alia*,
 - (a) to secure or facilitate the amendment of any of the core industry documents;
 - (b) to secure that any systems, persons or other resources employed in the implementation of the Pooling and Settlement Agreement may be employed in the implementation of the BSC;

- (c) for the giving of the indemnities against liabilities to which parties to the Pooling and Settlement Agreement may be exposed;
 - (d) for securing the co-ordinated and effective commencement of implementation of and operations under the BSC, including the testing, trialling and start-up of the systems, processes and procedures employed in such implementation and employed by authorised electricity operators and others in connection with such operations;
 - (e) for co-ordinating the administration and implementation of the BSC and the administration of the Pooling and Settlement Agreement;
 - (f) for the licensee to refer to the Authority for determination, whether of its own motion or as provided in the programme implementation scheme, disputes, as to matters covered by the scheme, between persons who are required (by conditions of their licences or exemptions) or who have agreed to comply with the scheme or any part of it; and
 - (g) for the Authority, in the circumstances set out in the scheme, to require that consideration be given to the making of a proposal to modify the BSC and, if so, to require the making of such proposal in the manner set out in the scheme, such power to be exercisable at any time within the period of 12 months after the start of the first period for trading under the BSC as determined by the Secretary of State.
5. (a) The Secretary of State may at any time direct, in accordance with the provisions of the programme implementation scheme, that the programme implementation scheme be modified in the manner set out in such direction, in order to give (or continue to give) full and timely effect to the matters described in paragraph 3.
- (b) The Secretary of State shall serve a copy of any such direction on the licensee, and thereupon the licensee shall comply with the scheme as modified by the direction.

6. If there is any conflict between the requirements contained in the programme implementation scheme pursuant to paragraph 4(a) and/or imposed on the licensee by paragraphs 2 and 5 of this condition, and those imposed on the licensee by any other condition, the provisions of paragraph(s) 4(a), 2 and/or 5 (as appropriate) shall prevail.

7. Without prejudice to paragraph 2, the licensee shall use all reasonable endeavours to do such things as may be requisite and necessary in order to give full and timely effect to the modifications made to this licence as determined by the Secretary of State pursuant to the power vested in him under section 15A of the Act (and to give full and timely effect to the matters envisaged by such modifications).

8. In this condition:

"BSC" means the balancing and settlement code required to be in place, pursuant to the transmission licence granted to the system operator, as from time to time modified.

"BSC Framework Agreement" means the agreement of that title, in the form approved by the Secretary of State, by which the BSC is made contractually binding between the parties to that agreement, as from time to time amended, with the consent of the Secretary of State.

"core industry documents" mean those documents which:

- (a) in the Secretary of State's opinion are central industry documents associated with the activities of the licensee and authorised electricity operators,

the subject matter of which
relates to or is connected with
the BSC or the balancing and
settlement arrangements, and

(b) have been so designated by the
Secretary of State.

Appendix 4 Supply licence condition

Condition 10. Balancing and Settlement Code and NETA Implementation

- 4.1 Insofar as the licensee shall supply or offer to supply electricity to any premises in Great Britain, the licensee shall be a party to the BSC Framework Agreement and shall comply with the BSC.
- 4.2 The licensee shall comply with the programme implementation scheme established in accordance with paragraph 3 as modified from time to time in accordance with paragraph 5.
- 4.3 The programme implementation scheme is a scheme designated by the Secretary of State setting out the steps, including without limitation steps as to the matters referred to in paragraph 4, to be taken (or procured) by the licensee (and/or by authorised electricity operators) which are, in the Secretary of State's opinion, appropriate in order to give full and timely effect to:
- (a) the modifications made to this licence and to the licences of authorised electricity operators by the Secretary of State pursuant to the power vested in him under section 15A of the Act;
 - (b) any conditions imposed by any exemption from the requirement to hold any such licence; and
 - (c) the matters envisaged by such modifications and conditions.
- 4.4 The programme implementation scheme may include provisions, *inter alia*:
- (a) to secure or facilitate the amendment of any of the core industry documents;
 - (b) to secure that any systems, persons or other resources employed in the implementation of the Pooling and Settlement Agreement may be employed in the implementation of the BSC;

- (c) for the giving of the indemnities against liabilities to which parties to the Pooling and Settlement Agreement may be exposed;
- (d) for securing the co-ordinated and effective commencement of implementation of and operations under the BSC, including the testing, trialling and start-up of the systems, processes and procedures employed in such implementation and employed by authorised electricity operators and others in connection with such operations;
- (e) for co-ordinating the administration and implementation of the BSC and the administration of the Pooling and Settlement Agreement;
- (f) for the licensee to refer to the Authority for determination, whether of its own motion or as provided in the programme implementation scheme, disputes, as to matters covered by the scheme, between persons who are required (by conditions of their licences or exemptions) or who have agreed to comply with the scheme or any part of it; and
- (g) for the Authority, in the circumstances set out in the scheme, to require that consideration be given to the making of a proposal to modify the BSC and, if so, to require the making of such proposal in the manner set out in the scheme, such power to be exercisable at any time within the period of 12 months after the effective time.

4.5 (a) The Secretary of State may at any time direct, in accordance with the provisions of the programme implementation scheme, that the programme implementation scheme be modified in the manner set out in the direction, in order to give (or continue to give) full and timely effect to the matters described in paragraph 3.

(b) The Secretary of State shall serve a copy of any such direction on the licensee, and thereupon the licensee shall comply with the scheme as modified by the direction.

4.6 If there is any conflict between the requirements contained in the programme implementation scheme pursuant to paragraph 4(a) and/or imposed on the

licensee by paragraphs 2 and 5 of this condition, and those imposed on the licensee by any other condition, the provisions of paragraphs 4(a), 2 and/or 5 (as appropriate) shall prevail.

4.7 Without prejudice to paragraph 2, the licensee shall use all reasonable endeavours to do such things as may be requisite and necessary in order to give full and timely effect to the modifications made to this licence as determined by the Secretary of State pursuant to the power vested in him under section 15A of the Act (and to give full and timely effect to the matters envisaged by such modifications).

4.8 In this condition:

- "BSC" means the balancing and settlement code required to be in place, pursuant to the transmission licence granted to the system operator, as from time to time modified.
- "BSC Framework Agreement" means the agreement of that title, in the form approved by the Secretary of State, by which the BSC is made contractually binding between the parties to that agreement, as from time to time amended, with the consent of the Secretary of State.
- "core industry documents" mean those documents which
- (a) in the Secretary of State's opinion are central industry documents associated with the activities of the licensee and authorised electricity operators, the subject matter of which relates to or is connected with the BSC or the balancing and settlement arrangements, and
 - (b) have been so designated by the Secretary of State.
- "effective time" means the start of the first period for trading under the BSC as determined by the Secretary of State.

Appendix 5 BSC Framework Agreement

BSC FRAMEWORK AGREEMENT

This Agreement is made on and with effect from 14 August 2000 between **THE PERSONS** whose names and principal offices are set out in the Schedule hereto.

WHEREAS:

- (A) Pursuant to the Transmission Licence, NGC is required, with effect from 14 August 2000, to have in force at all times a document setting out the terms of the balancing and settlement arrangements (as defined in the Transmission Licence) and to adopt as the document in force with effect from 14 August 2000 the document designated by the Secretary of State for that purpose.
- (B) Pursuant to a condition of every licence granted pursuant to section 6 of the Electricity Act 1989 as amended (the "**Act**"), the holder of each such licence is required to be a party to the BSC Framework Agreement (being an agreement, in the form approved by the Secretary of State, by which the BSC is made binding between the parties to that agreement) and to comply with the BSC.
- (C) The form of this Agreement has been approved by the Secretary of State on 8 August 2000 as the BSC Framework Agreement.
- (D) The Parties are entering into this Agreement for the purpose of giving effect to and binding themselves by the BSC.

NOW IT IS HEREBY AGREED as follows:

1. **Interpretation**

1.1 In this Agreement (including the Recitals hereto):

"**Authorised Person**" means a person authorised by all of the Parties pursuant to the BSC to sign on behalf of each such Party any Accession Agreement whereby a person is admitted as a New Party.

"**BSC**" means the document designated by the Secretary of State and adopted by NGC as the BSC pursuant to the Transmission Licence as from time to time modified pursuant to the Transmission Licence.

"Effective Date" means:

- (i) with respect to each of the Original Parties, the date of this Agreement;
and
- (ii) with respect to any Party Applicant who is admitted as a New Party and (as respects such Party Applicant) the other Parties, the date of the relevant Accession Agreement.

"New Party" means a person, other than an Original Party, who is admitted as a party to this Agreement.

"NGC" means the National Grid Company plc (registered number 2366977).

"Original Parties" means the persons whose names are set out in the Schedule hereto.

"Party" means, subject as provided in paragraph 3, the Original Parties and each New Party.

"Secretary of State" has the meaning given to that term in the Act.

"Transmission Licence" means the licence granted [to NGC](#) pursuant to section 6(1)(b) of the Act ~~in respect of England and Wales~~, as modified from time to time.

- 1.2 In this Agreement, the terms "**Accession Agreement**", "**Discontinuing Party**", "**Discontinuance Date**" and "**Party Applicant**" shall have the meanings ascribed to such terms respectively in the BSC.

2. **New Parties**

- 2.1 A Party Applicant may be admitted as a New Party subject to and in accordance with the provisions of the BSC by execution and delivery of an Accession Agreement signed by such Party Applicant and an Authorised Person.

- 2.2 Upon execution and delivery of an Accession Agreement in accordance with paragraph 2.1, the Party Applicant shall become a Party.

3. **Discontinuing Parties**

A Party which becomes a Discontinuing Party shall with effect from the Discontinuance Date cease to be a Party, but without prejudice to any provision of the BSC as to the continuance in force of any of its provisions as respects, or any rights, obligations and liabilities of, any such Party or (as respects such Party) any other Party.

4. **BSC**

4.1 The BSC is hereby given effect between and made binding upon each Party with effect from the Effective Date.

4.2 With effect from the Effective Date, each Party undertakes to each other Party to comply with and to perform its obligations in accordance with and subject to the BSC.

5. **Severance**

If any provision of this Agreement is or becomes invalid, unenforceable or illegal or is declared to be invalid, unenforceable or illegal by any court of competent jurisdiction or by any other Competent Authority (as defined in the BSC), such invalidity, unenforceability or illegality shall not prejudice or affect the remaining provisions of this Agreement, which shall continue in full force and effect notwithstanding the same.

6. **Counterparts**

This Agreement may be executed in any number of counterparts.

7. **Address for service**

Any Party which is not a company incorporated under the Companies Act 1985 (as amended) shall provide to the Authorised Person an address in ~~England and Wales~~ Great Britain for service of process on its behalf in any proceedings provided that if any such Party fails at any time to provide such address, such Party shall be deemed to have appointed BSCCo as its agent to accept service of process on its behalf until and unless such Party provides BSCCo with an alternative address in ~~England and Wales~~ Great Britain for these purposes.

8. **Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of England and Wales and the Parties hereby submit to the exclusive jurisdiction of the courts of England and Wales [and the courts of Scotland](#).

AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first above written.

Appendix 1 NGC's BSC licence condition

Note that this licence condition is change marked against the enduring Standard Licence Condition C3

Condition C3. Balancing and Settlement Code (BSC)

1. The licensee shall at all times have in force a BSC, being a document
 - (a) setting out the terms of the balancing and settlement arrangements described in paragraph 2;
 - (b) designed so that the balancing and settlement arrangements facilitate achievement of the objectives set out in paragraph 3; and
 - (c) including the modification procedures required by paragraph 4 and the matters required by paragraph ~~96~~,

and the licensee shall be taken to comply with this paragraph by adopting as the BSC in force with effect from the date this condition comes into effect the document designated by the Secretary of State for the purpose of this condition and by modifying such document from time to time in accordance with the provisions of paragraphs 4, ~~and 5~~ and 6.

2. The balancing and settlement arrangements are
 - (a) arrangements pursuant to which BSC parties may make, and the licensee may accept, offers or bids to increase or decrease the quantities of electricity to be delivered to or taken off the total system¹ at any time or during any period so as to assist the licensee, during the [transition

¹ The definition of "total system" which is contained in C1 of the BETTA transmission licence will be amended for the purposes of this provision for the duration of the transition period. It is anticipated that it will be amended to maintain the definition of "total system" which applies today (which is essentially limited to transmission and distribution systems in England and Wales).

period]², -in operating and balancing the licensee's transmission system and, thereafter, in co-ordinating and directing the flow of electricity onto and over the GB transmission system and balancing the GB transmission system; and for the settlement of financial obligations (between BSC parties, or between BSC parties and the licensee) arising from the acceptance of such offers or bids; and

(b) arrangements:

(i) for the determination and allocation to BSC parties of the quantities of electricity delivered to and taken off the total system³, and

(ii) which set, and provide for the determination and financial settlement of, obligations between BSC parties, or (during the [transition period], in relation to the operation of the licensee's transmission system and, thereafter, in relation to the system operator's role in co-ordinating and directing the flow of electricity onto and over the GB transmission system) between BSC parties and the licensee, arising by reference to the quantities referred to in sub-paragraph (i), including the imbalances (after taking account of the arrangements referred to in sub-paragraph (a)) between such quantities and the quantities of electricity contracted for sale and purchase between BSC parties.

3. The objectives referred to in paragraph 1(b) are:

(a) the efficient discharge by the licensee of the obligations imposed upon it by this licence and, during the [transition period]⁴, shall include the

² To be defined. It is anticipated that this period will commence on the date that BETTA "goes active" (currently anticipated to be 1 September 2004, subject to the Energy Bill receiving Royal Assent in July 2004) and end on or around the BETTA go-live date (which it is currently anticipated will occur on 1 April 2005).

³ See footnote 1 above.

efficient discharge by the licensee of those obligations which it is known (or reasonably anticipated) during the [transition period] are to be imposed on the licensee by this licence after the expiry of the [transition period];

- (b) the efficient, economic and co-ordinated operation of the licensee's transmission system and the efficient, economic and co-ordinated operation of the GB transmission system;
- (c) promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity;
- (d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements described in paragraph 2;
- (e) without prejudice to the foregoing objectives and subject to paragraph 3A, the undertaking of work by BSCCo (as defined in the BSC) which is:
 - (i) necessary for the timely and effective implementation of the proposed British Electricity Trading and Transmission Arrangements (BETTA) and
 - (ii) relevant to the proposed GB wide balancing and settlement code;

and does not prevent BSCCo performing its other functions under the BSC in accordance with its objectives.

3A For the purpose of, and without prejudice to, paragraph 5(a), in order to better achieve the objective referred to in 3(e), any modification to the BSC providing for the undertaking of work by the BSCCo pursuant to paragraph 3(e) must include express provision that:

⁴ To be defined.

(i) such work is proposed by BSCCo and approved by the Authority prior to its commencement; and

(ii) the costs of such work as may be carried out by BSCCo shall be identified and recorded separately by BSCCo.

4. The BSC shall include procedures for its own modification (including procedures for the modification of the modification procedures themselves), which procedures shall provide (without prejudice to the procedures for modification of the BSC provided for at paragraphs 5 and 6 below and any procedures for modification of the BSC set out in the programme implementation scheme provided for in special condition J (NETA implementation) of the licensee's licence or in the BSC by reference to the programme implementation scheme):

(a) for proposals for modification of the BSC to be made by the licensee, BSC parties and such other persons or bodies as the BSC may provide;

(b) where such a proposal is made,

(i) for bringing the proposal to the attention of BSC parties and such other persons as may have an appropriate interest in it;

(ii) for proper consideration of any representations on the proposal;

(iii) for properly evaluating whether the proposed modification would better facilitate achieving the applicable BSC objective(s), provided that so far as any such evaluation requires information which is not generally available concerning the licensee, ~~or the~~ licensee's transmission system or the GB transmission system, as appropriate, such evaluation shall be made on the basis of the licensee's proper assessment (which the licensee shall make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraphs 3(a) and (b);

- (iv) for development of any alternative modification which may, as compared with the proposed modification, better facilitate achieving the applicable BSC objective(s);
 - (v) for the preparation of a report
 - setting out the proposed modification and any alternative,
 - evaluating the proposed modification and any alternative,
 - assessing the extent to which the proposed modification or any alternative would better facilitate achieving the applicable BSC objective(s),
 - assessing the impact of the modification on the core industry documents and the changes expected to be required to such documents as a consequence of such modification,
 - setting out a timetable for implementation of the modification and any alternative, including the date with effect from which such modification (if made) is to take effect; and
 - (vi) for the submission of the report to the Authority as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the modification) for the proper execution and completion of the steps in sub-paragraphs (i) to (v);
- (c) for the timetable (referred to in sub-paragraph (b)(v)) for implementation of any modification to be such as will enable the modification to take effect as soon as practicable after the Authority has directed such modification to be made, account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended or shortened with the consent of or as directed by the Authority

after those persons likely to be affected by the revision of the timetable have been consulted;

- (d) for empowering the licensee to secure, if so directed by the Authority in circumstances specified in the BSC,
 - (i) that the modification procedures are complied with in respect of any particular modification in accordance with the terms of the direction;
 - (ii) that, where a modification has been made but not implemented in accordance with its terms, all reasonable steps are taken to implement it in accordance with the terms of the direction and
 - (iii) that the licensee can recover its reasonable costs and expenses properly incurred in complying with the direction.

- 5. (a) If a report has been submitted to the Authority pursuant to the procedures described in paragraph 4(b)(vi), and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the BSC and any other modifications set out in such report, better facilitate achieving the applicable BSC objective(s), the Authority may direct the licensee to make that modification⁵.

(b) The licensee shall, upon receipt by the licensee of a direction from the Secretary of State to do so, modify the BSC so as to incorporate any changes to the BSC designated by the Secretary of State on or before the [insert appropriate date⁵].

- ~~(cb)~~ The licensee shall have power (by executing an appropriate instrument) to modify the BSC in accordance with any

⁵ It is anticipated that the date that will be referred to here will be close to the “go-active” date, which is currently anticipated to be 1 September 2004.

direction of the [Secretary of State pursuant to sub-paragraph \(b\) above and any direction of the Authority pursuant to sub-paragraph \(a\) above or paragraph 6 below](#) or paragraph 7 of special condition J (NETA implementation) of the licensee's licence and shall modify it in accordance with every such direction; but it shall not have power to modify the BSC in any other circumstance.

(de) Only the licensee shall have power to modify the BSC.

6. [The Authority may during the \[transition period\]⁶, where it considers it to be necessary or expedient for the purposes of implementing \[BETTA\]⁷ \(and following such consultation with such persons, and in such manner, as the Authority deems appropriate\) direct the licensee to modify the provisions of the BSC in the following circumstances:](#)

(a) [where the Secretary of State has consented to such direction being made; or](#)

(b) [to take account of any matters which emerge as a result of the testing and trialling of computer systems and processes required to support the arrangements set out in the BSC and/or to ensure consistency between such systems and processes and the systems and processes provided for in the CUSC, Grid Code and/or STC; or](#)

(b) [to correct any errors or omissions in the BSC, including the correction of any conflict between different provisions of the BSC; or](#)

(c) [to make technical refinements to the drafting of the BSC which serve to clarify or enhance the BSC and/or the arrangements contemplated](#)

⁶ [To be defined.](#)

⁷ [To be defined broadly as the arrangements relating to the trading and transmission of electricity in Great Britain which are provided for in Chapter 1 of Part 4 of the Energy Bill.](#)

by the BSC and do not significantly and adversely affect the interests of BSC parties; or

(d) to make the changes required or appropriate for the purposes of reflecting in the BSC the development of the matters identified for these purposes in Section I of the BSC as at *[insert relevant date]*; or

(e) to make such changes as are necessary or expedient to ensure that [BETTA]⁸ can commence and take place on and from the [go-live date]⁹; or

(f) to make changes to the provisions of the BSC which are consequent upon changes being made to the CUSC, the Grid Code or the STC pursuant to the equivalent provision to this of standard condition B12 (STC), C10 (CUSC)and/or C14 (Grid Code); or

(g) to make any other minor incidental, consequential or supplementary changes resulting from any of the changes referred to in paragraphs (a) to (f).

7. Where the licensee is directed by the Secretary of State or the Authority to make a modification to the BSC in accordance with paragraph 5(b) or paragraph 6 of this condition, the licensee shall serve a notice, signed by the licensee, of such modification on BSCCo and BSCCo shall forthwith:

(a) copy such notice to each BSC party and each [BSC agent]¹⁰; and

(b) place a copy of such notice on the [BSC website].¹¹

⁸ To be defined. See footnote 5 above.

⁹ To be defined.

¹⁰ To be defined.

¹¹ To be defined.

8. A modification made in accordance with a direction from the Secretary of State or the Authority in accordance with paragraph 5(b) or paragraph 6 of this condition shall take effect from the time and date (if any) specified in such direction and in the absence of any such time or date shall take effect on and from 0000 hours on the day next following the date of service on BSCCo in accordance with paragraph 7 above.

9. The BSC shall provide for:

- (a) a copy of the BSC to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy;
- (b) the licensee to refer to the Authority for determination, whether of its own motion or as provided in the BSC, such matters arising under the BSC as may be specified in the BSC;
- (c) information about the operation of the BSC and the balancing and settlement arrangements
 - (i) to be provided to the Authority and/or
 - (ii) to be published,

and for the licensee to be empowered to secure compliance with these requirements if so directed by the Authority.

107. The BSC may include:

- (a) arrangements to facilitate the transition to and implementation of [BETTA]¹² or to secure compliance with the [transition provisions]¹³ or matters envisaged thereby;¹⁴

¹² To be defined. See footnote 5 above.

¹³ To be defined. This term will be defined differently in different contexts. For these purposes, it is anticipated that this term will be defined to cover those provisions of the BSC which relate to the transition to and implementation of BETTA.

(b) arrangements to facilitate or secure compliance with the programme implementation scheme designated pursuant to special condition J (NETA implementation) of the licensee's licence or matters envisaged thereunder, and

(cb) arrangements for final settlement and reconciliation of liabilities arising under or in connection with the Pooling and Settlement Agreement in respect of settlement periods prior to the effective time.

118. The provisions of paragraphs 6, 7 and 11 shall not limit the matters which may be provided for in the BSC.

129. The Authority may direct the licensee to procure the provision to the Authority of, or the publication of, such information about the operation of the BSC and/or the balancing and settlement arrangements as is referred to in paragraph 6(c) and specified in the direction.

130. The licensee shall comply with:

- (a) the BSC; and
- (b) any direction to the licensee made pursuant to this condition.

141. (a) The licensee shall be a party to the BSC Framework Agreement.

(b) The BSC and/or the BSC Framework Agreement shall contain provisions:

- (i) for admitting as an additional party to the BSC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the BSC) on which accession to the BSC Framework Agreement is offered;
- (ii) for the licensee to refer to the Authority for determination, whether of its own motion or as provided in the BSC any

¹⁴ [Consideration is being given to whether it is necessary to expressly provide here that such arrangements may include matters relating to SAS run-off.](#)

dispute which shall arise as to whether a person seeking to be admitted as a party to the BSC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking admission has fulfilled all relevant accession conditions, for admitting such person as a party to the BSC Framework Agreement;

(iii) for persons to be admitted as additional parties to the BSC Framework Agreement by either

- a representative (who need not be a BSC party) appointed thereunder to act on behalf of all parties to it, or
- if there is no such representative or if the representative fails to act, the licensee acting on behalf of all parties to it.

(c) If, following a determination of the Authority as referred to in sub-paragraph (b)(ii), the representative referred to in sub-paragraph (b)(iii) fails to act on behalf of all parties to admit such person, the licensee shall act on behalf of all parties to admit such person if directed to do so by the Authority.

152. The licensee shall take all reasonable measures to secure and implement (consistently with the procedures applicable under or in relation to the core industry documents to which it is party (or in relation to which it holds rights in respect of amendment)), and shall not take any steps to prevent or unduly delay, changes to those documents, such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any modification which has been made to the BSC.

163. For the avoidance of doubt, paragraph 12 is without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in paragraph 12 which the Authority may have.

174. In this condition in the expression "sale and purchase of electricity", sale excludes sale by way of assumption of an imbalance under the BSC and sale by way of supply to premises, and purchase shall be construed accordingly; and

"applicable BSC objective(s)" means

- (a) in relation to a proposed modification of the modification procedures, the requirements of paragraph 4 (to the extent they do not conflict with the objectives set out in paragraph 3); and
- (b) in relation to any other proposed modification, the objectives set out in paragraph 3.