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|------------------------|--|----------------------|-----------------|
| Modification proposal: | <b>Balancing and Settlement Code (BSC) P239: 'Correcting manifest errors and modifying an interface in the P217 legal text' (P239)</b> |                      |                 |
| Decision:              | The Authority <sup>1</sup> directs that this proposal be made <sup>2</sup>   |                      |                 |
| Target audience:       | National Grid Electricity Transmission Plc (NGET), Parties to the BSC and other interested parties                                     |                      |                 |
| Date of publication:   | 21 September 2009  | Implementation Date: | 5 November 2009 |

## Background to the modification proposal

BSC modification P217 Alternative, which makes changes to the imbalance pricing tagging rules in the BSC, was approved by the Authority in October 2008<sup>3</sup> and will be implemented on 5 November 2009. A subsequent review of the P217 Alternative legal text by Elexon<sup>4</sup> identified a number of manifest errors which were corrected by approved BSC modification P234 in May 2009<sup>5</sup>. Further technical reviews of the legal text by Elexon have identified more manifest errors and a description of an interface between the Transmission Company (NGET) systems and BSC systems which requires clarification.

## The modification proposal

P239 was raised by the BSC Panel<sup>6</sup> on the recommendation of Elexon to correct the further errors identified as a result of its reviews, namely:

- Stating the correct imbalance pricing default rule when the Net Imbalance Volume (NIV) is positive and the transmission system is short;
- Using correct terminology, adding missing defined terms and removing redundant definitions and correcting typographical and cross-referencing errors; and
- Modifying the legal text to correctly reflect which Balancing Services Adjustment Data (BSAD) will be sent in disaggregated form by NGET's systems to the BSC systems. NGET's systems have been developed to send Balancing Services Adjustment Cost data instead of Balancing Services Adjustment Price data which will be calculated by the BSC systems. Changing NGET's systems to align them with the legal text would add to the implementation costs of P217 Alternative.

The BSC Panel considered that these further changes to the legal text would reduce the risk of confusion in the application of the BSC rules and promote efficiency in the administration and implementation of the trading arrangements.

## BSC Panel recommendation

The BSC Panel unanimously recommended, at its meeting on 13 August 2009, that P239 should be implemented.

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> P217 decision letter:

[http://www.elexon.co.uk/documents/modifications/217/P211\\_P217\\_Authority\\_Decision\\_.pdf](http://www.elexon.co.uk/documents/modifications/217/P211_P217_Authority_Decision_.pdf).

<sup>4</sup> The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

<sup>5</sup> P234 decision letter:

[http://www.elexon.co.uk/documents/Change\\_and\\_Implementation/modifications/233/P233\\_and\\_P234\\_Authority.pdf](http://www.elexon.co.uk/documents/Change_and_Implementation/modifications/233/P233_and_P234_Authority.pdf)

<sup>6</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

## **The Authority's decision**

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 13 August 2009. The Authority has considered and taken into account the responses to Elexon's consultation which are attached to the FMR<sup>7</sup>. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the BSC<sup>8</sup>; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties<sup>9</sup>.

## **Reasons for the Authority's decision**

We note that there are two parts to the proposal: the correction of manifest errors (obvious errors in legal text) and the clarification of the description of which BSAD data will be passed by NGET's systems to the BSC systems. P239 is not therefore a straightforward housekeeping modification.

The BSC Panel may, on Elexon's recommendation, raise modifications to correct manifest errors or make changes to the BSC where the cost of implementing an approved modification may be significantly higher than was anticipated when that modification was approved. P239 applies to both these cases. In particular, there is evidence from NGET that there would be significant additional costs of bringing its systems into line with the P217 Alternative legal text to clarify which BSAD data is to be sent by NGET's systems to the BSC systems. There would also be a potential risk of delaying the implementation of P217 Alternative.

We agree that the cost of making changes to NGET's systems to bring them into line with the legal text rather than the other way round, and the potential delay to implementation that may result, will not allow P217 Alternative to be implemented in an efficient manner. In this case, it is preferable for the text to reflect the way that systems have been developed by NGET to provide the relevant aggregated BSAD data to the BSC systems. We agree that if NGET sends cost data rather than price data, this will not impact on the final calculation of the Energy Imbalance Price envisaged in the P217 Alternative solution.

*Objective (d) – promoting efficiency in the implementation and administration of the balancing and settlement arrangements*

We agree with the BSC Panel and respondents to the report consultation that the proposal ought to be made to correct manifest errors and clarify the description of the BSAD data which is to be sent from NGET's systems to the BSC systems. Approval of this proposal will prevent the risk of misinterpretation of code provisions and ensure that the relevant BSC provisions are transparent to all affected parties. It will also assist the implementation of the P217 Alternative in a cost efficient manner. In particular, we note that a simple update of the BSC for the errors which have been identified can be undertaken quickly and at minimal cost.

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<sup>7</sup> BSC modification proposals, modification reports and representations can be viewed on the Elexon website at [www.elexon.com](http://www.elexon.com)

<sup>8</sup> As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=4151](http://epr.ofgem.gov.uk/document_fetch.php?documentid=4151)

<sup>9</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

We are also satisfied that P239 is consistent with the Authority's principal objective and wider statutory duties.

### **Decision notice**

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority hereby directs that modification proposal BSC P239: 'Correcting manifest errors and modifying an interface in the P217 legal text' be made on 5 November 2009.

**Mark Feather**

**Director, Industry Codes and Licensing**

Signed on behalf of the Authority and authorised for that purpose