

Modification proposal:	Balancing and Settlement Code (BSC) P244: Provision of BritNed flow data to the BMRS (P244)		
Decision:	The Authority ¹ directs that the Alternative Proposal be made ²		
Target audience:	National Grid Electricity Transmission Plc (NGET), Parties to the BSC and other interested parties		
Date of publication:	20 January 2010	Implementation Date:	04 November 2010

Background to the modification proposal

Following implementation of BSC modification P220³, National Grid Electricity Transmission (NGET) provides a range of market data for publication on the Balancing Mechanism Reporting Service (BMRS). The generation data includes near real-time and half-hourly data. It is broken down by fuel type into eleven categories including data regarding the electricity flows along existing French and Irish interconnectors⁴.

A new Interconnector, 'BritNed', between the Netherlands and England, is scheduled to become operational in late 2010. However, there is currently no provision in the BSC for reporting of BritNed flows. In line with data already published for the French and Irish Interconnectors, BMRS data relating to the BritNed interconnector would, once operational, constitute a separate fuel type under the category of generation.

The modification proposal

NGET raised Modification Proposal P244 on 28 August 2009. In addition to the Proposed Modification, the Modification Group developed an Alternative Modification.

Proposed Modification

Proposed Modification P244 requires NGET to establish BritNed as an additional fuel type category on the BMRS so that its individual contribution to generation can be included in the relevant reports. The BMRS reports that include a breakdown by fuel type would be modified to include an additional category for the BritNed flows. These are:

- Instantaneous Generation by Fuel Type;
- Half-hourly Generation by Fuel Type;
- BM Unit Fuel Type; and
- Average Half-Hourly Interconnector Flows.

Alternative Modification

The Alternative Modification seeks the same technical solution as the Proposed Modification, but would allow additional data to be incorporated into the BMRS for every future Interconnector without the need to raise a new BSC modification each time. Instead, the BSC Panel would approve these additions after industry consultation⁵. This

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

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

³ The Authority's decision letter for P220 'Provision of new data items for improving market information' appears at: http://www.elexon.co.uk/documents/change_and_implementation/modifications/220/p220_d.pdf

⁴ Both imports and exports are published on the BMRS.

⁵ The Panel noted that at least four more Interconnectors are proposed to come into operation in the coming years.

approach would ensure that any future changes to the BMRS having a potential impact on users would be considered and, in the proposer's view, be a more efficient process⁶.

Related Modifications

Another BSC Modification, P243, also seeks to publish data on the BMRS and would also require amendments to the BMRS and NGET systems. These two Modifications were assessed jointly by the same Modification Group. The Group agreed that, although P243 and P244 are not contingent on one another, if approved they should be implemented together due to implementation cost savings. Ofgem's decision to approve Modification P243 has also been published today⁷.

BSC Panel⁸ recommendation

The BSC Panel considered the draft Final Modification Report at its meeting on 10 December 2009. The Panel unanimously agreed that both the Proposed Modification and the Alternative Modification better facilitate Applicable BSC Objectives (b) and (c). They further unanimously agreed that the Alternative Modification would better facilitate the achievement of Applicable BSC Objective (d). The Panel therefore unanimously recommended that the Alternative Modification should be made. Details of the Panel's views appear in the Final Modification Report (FMR).

The Authority's decision

The Authority has considered the issues raised by the Modification Proposal and the FMR dated 11 December 2009. The Authority has considered and taken into account the responses to Elexon's⁹ consultation which are attached to the FMR¹⁰. The Authority has concluded that:

1. implementation of the Alternative Modification will better facilitate the achievement of the relevant objectives of the BSC¹¹; and
2. directing that the Alternative Modification be made is consistent with the Authority's principal objective and statutory duties¹².

Reasons for the Authority's decision

We agree with the views of the Panel that both the Proposed Modification and the Alternative Modification would better facilitate Applicable BSC Objectives (b) and (c). We agree with the Panel that the Alternative Modification would also better facilitate Applicable BSC Objective (d).

⁶ More information on the proposed process for adding new Interconnector data is available in section 4 of the FMR available at: <http://www.elexon.co.uk/changeimplementation/ModificationProcess/ModificationDocumentation/modProposalView.aspx?propID=269>

⁷ P243 decision letter and other relevant documents can be found at: <http://www.elexon.co.uk/changeimplementation/ModificationProcess/ModificationDocumentation/modProposalView.aspx?propID=268>

⁸ The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

⁹ The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

¹⁰ BSC modification proposals, modification reports and representations can be viewed on the Elexon website at: <http://www.elexon.co.uk>

¹¹ As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=4151

¹² 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.

Objective (b) – the efficient, economic and co-ordinated operation of the GB Transmission System

In line with the views expressed by the Panel and industry respondents, we consider that, by ensuring that the BMRS continues to provide information on the state of the market once BritNed (and other anticipated Interconnectors in the case of the Alternative Modification) become operational, P244 will enable market participants to better understand the operation of the market. Having full visibility of the effect of the new Interconnectors will improve the opportunity for more effective self-balancing and management of electricity market costs, risk and opportunities.

Improvements to an individual market participant's ability to self-balance should help to reduce the overall level of market imbalance and therefore decrease the amount of balancing activity required on the part of NGET as residual balancer. We consider that this is likely to improve the efficient, economic and co-ordinated operation of the GB Transmission System, in line with Applicable Objective (b), and should allow the market as a whole to operate more efficiently.

Objective (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

We consider that P244 would better facilitate Applicable Objective (c) by improving the transparency and availability of information, which should enable market participants to make more informed operating decisions and therefore compete more effectively in the market. Furthermore, P244 ensures that all market participants and not just those directly involved with BritNed (and forthcoming Interconnectors in the case of the Alternative Modification) have appropriate access to this operational data. Increased availability of market data on a level playing field for existing and potential market participants would promote competition and enable existing market participants with fewer resources and new entrants to compete effectively. We further consider that greater understanding of the market and underlying drivers would potentially improve trading activity and liquidity.

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

We agree with the Panel and industry respondents that the Alternative Modification provides additional efficiency benefits by saving the industry the administrative costs of having to raise and process BSC modifications each time data is required for a new interconnector. Subject to appropriate BSC Panel oversight and industry consultation, we believe that the Alternative Modification would better facilitate Applicable Objective (d).

Further Issues

Ofgem welcomes the proactive effort made by NGET in raising this modification in response to market developments and market requirements for further (and improved) information.

We recognise the concerns expressed by some respondents in relation to the costs of modifications to the BSC that involve changes to NGET's systems. It is worth noting that P244 has had unanimous industry support and responses highlighted that the relatively high level of implementation costs is outweighed by the benefit of having data on the BritNed Interconnector made available to the market. Respondents noted that the changes affect NGET's critical real-time BM system. Any alterations need to be designed, built and tested very carefully to ensure that functionality and performance of the core

system is not adversely affected. Respondents also noted that the current BM system is inflexible and will be replaced by a more efficient system in 2011/2012. NGET expect that changes to the new system will be much easier and cheaper to progress. With this in mind and, as set out above, we consider that on balance the benefits to industry and customers are likely to outweigh the costs.

As noted above, Modifications P243 and P244 are related with respect to implementation costs. As both Modifications would involve changes to NGET's IT systems, we agree that it would be more cost-efficient to implement both Modifications at the same time. It is estimated that there would be an overall 19% cost saving in progressing and implementing both modifications together.

The Panel's recommended implementation approach was for the Alternative Modification to be implemented on:

- 4 November 2010 if an Authority decision is received on or before 28 January 2010, or
- 24 February 2011 if an Authority decision is received after 28 January 2010 but on or before 30 March 2010.

In order to ensure the most cost efficient implementation approach, we are issuing approval decision letters for both P243 and P244 at the same time to achieve joint implementation in November 2010.

Decision notice

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority, hereby directs that the Alternative Modification proposal BSC P244: "Provision of BritNed flow data to the BMRS" be made.

Ian Marlee

Partner, Trading Arrangements

Signed on behalf of the Authority and authorised for that purpose.