

Modification proposal:	Use of System Charging Methodology Modification Proposal GB ECM-18: Locational BSUoS		
Decision:	The Authority¹ directs that proposal GB ECM-18 not be made²		
Target audience:	Transmission licensees, generators, suppliers, consumer groups, Connection and Use of System Code parties and any other party who has an interest in the transmission arrangements		
Date of publication:	01 March 2010	Implementation Date:	N/A

Summary

This document sets out the Authority's decision to veto GB ECM-18 Locational BSUoS and the reasons for that decision. National Grid Electricity Transmission plc (NGET) proposed GB ECM-18, a modification to the Balancing Services Use of System (BSUoS) Charging Methodology, as a response to the increase in actual and forecast constraint costs associated with managing transmission capacity shortages. The proposal seeks to provide a more cost-reflective charging signal, targeting constraint costs at the generators whose actions give rise to the costs.

In reaching its decision, the Authority has assessed GB ECM-18 against the relevant objectives specified in NGET's electricity transmission licence and against the Authority's duties. This letter describes the Authority's views in relation to this assessment. The Authority also carefully considered the responses to the consultations carried out by NGET and by Ofgem. These responses are considered at a high level below by reference to key themes.

Notwithstanding our decision to veto this proposal, we consider there are strong arguments in favour of the more cost-reflective allocation of the costs of constraints. NGET has an obligation under the Electricity Act 1989 "to develop and maintain an efficient, co-ordinated and economical system of electricity transmission"³. As System Operator, NGET also has an obligation "to co-ordinate and direct the flow of electricity onto and over the GB transmission system in an efficient, economic and co-ordinated manner"⁴. In addition, under Standard Condition C5 of the transmission licence, NGET has the duty to keep the Use of System Charging Methodology under review at all times.

We expect NGET to keep the issue of rising constraint costs under review in light of any developments, including decisions by Government to implement enduring access reform. We note that, subject to these developments, there may be a need for NGET to further consider forms of locational constraints charging (including options which involve the provision of closer to real time charging signals) taking full account of relevant international experience. We will consider any future modification in the light of the relevant objectives and, where appropriate, the Authority's principal objective and wider statutory duties.

Background to the modification proposal

We have longstanding concerns about the increasing level of constraints costs. Since the implementation of British Electricity Trading and Transmission Arrangements (BETTA), the costs of constraints have increased from £70m in 2007/08 to £262m in 2008/09. NGET is

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 pursuant to section 49A of the Electricity Act 1989.

³ Section 9(2) of the Electricity Act 1989

⁴ Standard Licence Condition C16 paragraph 1

forecasting £142m⁵ of constraints, for the year 2009/10. Going forward, analysis carried out by Brattle, NGET and Frontier Economics, has indicated scope for much higher future constraint costs – potentially as high as £1.2bn in the year 2020.

On 17 February 2009 Ofgem published an open letter⁶ to NGET, highlighting the recent rapid increase in both actual and forecast constraint costs. In that letter we asked NGET to conduct an urgent review to consider (and if appropriate consult on) whether urgent changes to the existing commercial and charging arrangements for access to the transmission system were necessary to more effectively manage the costs of constraints, and to ensure that any constraint costs are recovered on an equitable basis from customers, suppliers and generators. On 22 May 2009 NGET submitted a modification proposal to the Authority for assessment. On 17 June 2009, we asked NGET to withdraw this proposal to conduct further analysis to enable us to fully assess the potential impacts of the proposal. On 26 November 2009, NGET resubmitted the proposal with additional analysis to the Authority.

In May 2009, we published an open letter⁷ setting out our interim approach to National Electricity Transmission System Security and Quality of Supply Standard (NETS SQSS) derogations to facilitate earlier connection of generation. We set out that our approach will facilitate the connection of generation identified by the transmission licensees as being capable of advancement and where the scope to advance connection dates is limited by the need to grant a derogation from the NETS SQSS. Our decision is likely to result in the existing derogation against the Cheviot boundary being extended, and additional derogations against other boundaries.

The Department of Energy and Climate Change (DECC) has confirmed that it will use its powers to implement access reform, and after consulting made a public statement on 14 January 2010 that it intends to implement a Connect and Manage socialised access model. Under this model, generators wanting to use the transmission system would be offered a firm connection date, even when the necessary transmission capacity is not provided on time, and the costs of managing constraints would be socialised across all generators and all demand customers.

GB ECM-18

NGET's modification proposal GB ECM-18 seeks to make the transmission use of system charges reflect more explicitly the long-run and short-run costs associated with derogated transmission boundaries, "derogated boundaries"⁸.

NGET proposes to introduce two component parts to BSUoS charges:

- **A targeted constraint tariff** reflecting the costs of constraints arising as a result of the non-compliant nature of transmission boundaries. This would be charged to all exporting Balancing Mechanism Units (BMUs) liable for existing BSUoS charges, located behind such boundaries; and
- **A residual tariff** incorporating the remaining costs. This would be charged to all BMUs.

In addition, NGET proposes that, for generators located behind a derogated boundary, there would be a downward adjustment to the wider locational tariff element within the Transmission Network Use of System (TNUoS) charge. This is to reflect the fact that, relative to the amount of generation provided with access to the system, a lower level of transmission capability is provided across a derogated boundary. The residual element of the TNUoS charge would recover the shortfall from all generators. Further detail can be found in the

⁵ Latest estimate from NGET

⁶ <http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Documents1/20090217Managing%20constraints.pdf>

⁷ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=153&refer=Networks/Trans/ElecTransPolicy/tar>

⁸ A derogated boundary is one for which the Authority has granted a derogation from the obligation to comply with the NETS Security and Quality of Supply Standard (SQSS). In this case the derogation facilitates the connection of generation behind the boundary in advance of reinforcement

NGET description of the modification proposal on their website:
<http://www.nationalgrid.com/uk/Electricity/Charges/modifications/uscmc>

NGET's recommendation

In its conclusions report to the Authority, NGET stated that based on its assessment, including consideration of the responses to its consultation on GB ECM-18, it believes that GB ECM-18 will better meet the relevant objectives specified in its transmission licence objectives. As such, NGET submitted GB ECM-18 to the Authority for consideration.

NGET considered that amendments to the BSUoS charging methodology are necessary due to: (a) the increasing costs of resolving transmission constraints within the part of the network which is not reinforced to the required standard, and (b) the decision by Ofgem to extend the principle of over-selling capacity for an interim period. NGET sees the proposed methodology for GB ECM-18 as an incremental solution on the path to a more enduring access solution.

Impact assessment and consultation

In accordance with Section 5A of the Utilities Act 2000, Ofgem undertook an impact assessment on GB ECM-18, which was published on 3 December 2010.

Industry participants were invited to provide feedback on the impact assessment by 21 January 2010, allowing seven weeks to respond to take account of the Christmas holiday period.

Respondents' views

We received 16 responses to our impact assessment. Full copies of the responses are available on Ofgem's website⁹. The majority of respondents (12) did not support the proposal. Two respondents agreed with the Locational BSUoS element of the proposal but not the associated TNUoS adjustment. Many respondents were concerned that parties would be unable to respond to the GB ECM-18 locational signals due to the complexity of the proposal and because the *ex-post* nature of the proposed charge would make it difficult to forecast and respond to the price signals. In addition many believed it would increase uncertainty and risk and thus hamper investment, particularly in renewables. Some respondents (including NGET) questioned the merits of implementing the proposal in light of DECC's work on enduring transmission access, although there was some support for implementation of GB ECM-18 as an interim measure.

The Authority's decision

The Authority has considered the issues raised by GB ECM-18, taking into account the views expressed by industry participants during the consultation process. The Authority has concluded, based on the information before it, that on balance implementation of GB ECM-18 Locational BSUoS **would not better facilitate** the achievement of the relevant objectives specified in NGET's licence and the Authority's principal objective and statutory duties.

The Authority has therefore decided to veto modification proposal GB ECM-18.

Reasons for the Authority's decision

In this section we set out the key issues that informed the Authority's decision and detail the Authority's assessment of the modification proposals against both the relevant objectives specified in Standard Licence Condition C5 5 of the electricity transmission licence and the Authority's principal objective and its statutory duties.

These sections contain reference to respondents' views where appropriate:

⁹<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=105&refer=Networks/Trans/ElecTransPolicy/Charging>

SLC C5 5(a) – Facilitates effective competition in the generation and supply of electricity and facilitates competition in the sale, distribution and purchase of electricity

We consider that on balance GB ECM-18 does not better facilitate SLC C5 5 (a).

We support the principle of cost-reflective charging. In general, competition is more likely to be effective if costs which parties impose are reflected in the charges they pay and thus are appropriately factored into their decisions. With regards to this particular modification proposal, we note that the analysis done both by NGET and by Redpoint for DECC suggested that, if the GB ECM-18 locational charges were to be factored into generator decisions, there would be a benefit in terms of a reduction in constraint costs. In principle therefore, it would appear that the cost-reflective charging proposed by GB ECM-18 would result in significant benefits and would promote more effective competition.

However, we also considered the mechanics of the proposal in question, to take into account whether the anticipated benefits would be realised by the proposal. The factors affecting the promotion of competition that we considered in particular are discussed below:

- Likelihood of behavioural change – this is affected by generators’ ability to forecast the timing and level of GB ECM-18 charges and are willing and able to react to them;
- The existence of any undue discrimination;
- Any regulatory or commercial uncertainty and other barriers to entry; and
- Any additional undue complexity.

Ability to forecast

GB ECM-18 entails publication of the GB ECM-18 locational charges two days after each settlement period to which the charges relate. We have considered the merit or otherwise of this *ex-post* charge and whether there is a pattern that generators can observe which would allow them to reach efficient output decisions. If generators are unable to forecast the additional costs then they will not be able to factor this into their output decisions and the outcome may not be more efficient.

NGET has set out the information that it will provide and the extent to which this will be effective in facilitating the decisions taken by generators. NGET has also stated that the probability that a constraint will be active will be dependent on a number of factors:

- The level of demand forecast on either side of the boundary – NGET can provide a forecast;
- The capability of the boundary – NGET can provide a forecast;
- The output of generation each side of the boundary - the accuracy of NGET’s forecasts will be significantly impacted by the accuracy with which it can predict generator behaviour.

Many respondents did not believe that parties could reach efficient decisions in light of the information provided *ex-ante* when the cost-reflective charges were only made available *ex-post*. Reasons given were concerns about the quality of information from NGET and the fact that the constraint is dependent on the operation of many generators. Some respondents highlight that even NGET finds it difficult to forecast constraint costs. In addition, parties claimed that notwithstanding the inadequacy of the information, the process of forecasting GB ECM-18 charges is highly complex and would be difficult to set up (especially within the implementation timescales, see below). Smaller parties might be further disadvantaged in this respect.

We note that as a general principle, although it will be difficult for generators to exactly predict the behaviour of other generators, parties are accustomed to operating in an environment with some uncertainties in both outturn and in the behaviour of other generators. Parties could use the observation of the outturn charges and relevant behaviour of other generators to assist their prediction of charges in forthcoming periods and to decide their output levels. However, we recognise that, in the case of charges resulting from GB ECM-18, the charges will only be known after a delay of two days and that this substantially increases the complexity of the forecasting task, which undermines the delivery of the anticipated benefits of the proposal in terms of providing cost signals to influence more efficient behaviour. We note that while other markets have successfully incorporated locational signal of constraints costs on a locational basis, they do so either ex-ante or near real time ex-post.

Our concerns in this area lead us to question whether GB ECM-18 could lead to better efficiency in operation and hence to deliver the benefit of reduced constraint costs. As such, GB ECM-18 would not better facilitate competition.

Generators may not be willing and / or able to react

Certain generators are unable or unwilling to react to the GB ECM-18 locational charges e.g. inflexible nuclear plant and wind generators. Some have claimed this to be a problem since the aim of the proposal is to encourage generators to respond to the charges and hence reduce constraint costs. Whilst we recognise that the ability or willingness to respond to network cost signals varies according to users' specific circumstances, our view is that in general, improving cost-reflectivity of charges helps create a more level playing field for generators. We also note that not all generators need to be able and willing to respond to achieve the benefits of the proposal.

The existence of market power may impact on willingness to react - generators with market power may not be willing to react to the charge. GB ECM-18 does not remove the incentive on parties who have market power to use it although it does reduce their net gain from exploiting market power.

One respondent further stated that for generators to be able to react there must also be sufficient market liquidity for generators to trade to meet their contractual commitments. We recognise that the market may not be liquid enough at times, particularly when trading large volumes further along the curve however, we would note that the June 2009 discussion document *Liquidity in the GB wholesale energy markets*¹⁰ found that prompt (close to real time) markets were more liquid than trading further along the curve. This view was supported by the majority of respondents to the discussion document, a number of whom suggested that prompt liquidity in particular was sufficient for their trading needs. We subsequently published a consultation document, *Liquidity Proposals for the GB wholesale electricity market*¹¹. The document outlined a number of proposals to improve both overall levels of liquidity in the GB wholesale electricity market and the ability of smaller market participants and potential new entrants to compete with the big six energy suppliers. The consultation outlined our view that we would prefer to see market initiatives deliver the required improvements in liquidity and supply market contestability, however it also sets out policy options which we will progress if these market initiatives do not show clear signs of delivering the required improvements.

Undue discrimination

A key consideration in the development of effective competition is that there should not be undue discrimination between participants in the market and arrangements should ensure consistent treatment of parties, wherever possible and appropriate. One respondent

¹⁰<http://www.ofgem.gov.uk/Markets/WhIMkts/CompandEff/Documents1/Liquidity%20in%20the%20GB%20wholesale%20energy%20markets.pdf>

¹¹<http://www.ofgem.gov.uk/Markets/WhIMkts/CompandEff/Documents1/Liquidity%20Proposals%20for%20the%20GB%20wholesale%20electricity%20market.pdf>

considered that there was no undue discrimination. Other respondents raised issues of discrimination in several areas, most of which relate to the targeting of the constraint costs at generators behind derogated boundaries, as opposed to other parties that may be regarded as having impact, such as the transmission licensees, demand users and distributed generators (DGs).

We do not consider that GB ECM-18 leads to undue discrimination. We agree with NGET's view that the primary cause of the constraint costs relating to non-compliance of the derogated transmission boundaries is the decision to over-sell transmission capacity¹² to generators on one side of the boundary only and it is suitable to target these costs at users whose actions directly cause the costs. NGET's proposal only targets constraints costs on generators who currently pay BSUoS. We note that some respondents argued that GB ECM-18 should also be targeted at suppliers and other distributed generators (DGs). With regards to demand, the rising costs of constraints across the system are predominantly caused by the increasing generation capacity. With regards to DG, we agree that the impact on transmission costs is, in aggregate, similar to that of larger generation. This is a wider issue that is better addressed systematically. NGET has signaled its intention to review the treatment of DG.

Respondents have pointed out that it is possible that areas with high constraint costs and no derogations will exist in the future. These areas may indeed have the same issues as derogated boundaries. Notwithstanding this, we consider the use of a derogation provides an objective basis on which to establish where the GB ECM-18 methodology will be applied.

Further we do not consider there are grounds for treating new and existing generators differently. In the absence of user commitment which underpins rights to access to the grid¹³, we consider it may well be discriminatory to treat existing and new users differently.

We acknowledge that non portfolio generators cannot use other plant to limit exposure to GB ECM-18 and that smaller parties often find it more difficult to build complex IT systems. We also recognise the impact volatility and risk has on smaller parties. However, GB ECM-18 aims to ensure the impact on any generators is proportionate to their impact on constraint volume.

Some respondents argued that the proposal will have an adverse impact on renewable generation; however, renewable generation is not singled out by the proposal. In addition, NGET's analysis indicates that, to the extent to which the proposal encourages behavioural change, it will predominantly affect thermal plant. All types of generators are able to operate in the market in a way that best suits their economics, wind generators are no different and choose their bids and offers as such. All generation, including wind are likely to generate at constrained times.

Regulatory and commercial uncertainty / barrier to entry

Some respondents believed that GB ECM-18 would render BSUoS charges more volatile and that this would create a barrier to entry for new plant. They consider that the uncertainty and volatility may add a risk premium and increase wholesale prices and the cost of capital, thus affecting new investors. Some respondents cited the charges as a specific barrier for generators to locate behind constrained boundaries. Further risk would arise due to the possibility that there could be additional derogated boundaries and indeed that current derogated boundaries may experience increases in generation that would further exacerbate the situation. This in turn would affect customers. One respondent considered that the scale of new investments as well as marginal investments might be affected. One respondent considered that the pressure to include embedded generation and the interaction with TNUoS would add further uncertainty, whilst several respondents considered the uncertainty of interactions between GB ECM-18 and enduring access would cause additional risk. One respondent considered that changing terms of trading for plant in Scotland after the event

¹² This was due to the effect of extending connection offers to "existing users" at BETTA that would not be dependent on interconnector circuit upgrades and works across the boundary.

¹³ Beyond the requirement to pay one year of TNUoS.

(including in the case of recent renewable investment) will not give positive signal to future investors.

Some respondents believed that increased uncertainty would affect renewable generation. One respondent considered that the market based system to support renewables would be undermined by GB ECM-18.

We acknowledge that any changes to the charging methodology and hence to charges would cause some disturbance to the user's costs. However, the charges which generators face for their use of the transmission system are always subject to change. Nevertheless, we are concerned that the proposal may not result in changes in behaviour due to the fact that the charges are published on a two days *ex-post* basis. We consider that this may lead to an undesirable volatility of charges and an undesirable increase in uncertainty.

Complexity, transparency and predictability

We must weigh any increased complexity of the charging structure against the overall benefit that the proposal might bring. We note that NGET would publish *ex-ante* constraint management information. We also note that the unpredictability of the BSUoS charges would primarily arise due to the behaviour of the generators, not the way the charges are calculated.

In light of our assessment of this proposal in relation to the *ex-post* charge with delay of two days and the consequent lack of potential for increased efficiency in operation, our view is that the complexity of the proposed changes is not justified in this case and therefore is likely to be detrimental to competition.

SLC C5 5(b) – Result in charges which reflect, as far as reasonably practicable, the costs incurred

We consider that on balance GB ECM-18 does better facilitate SLC C5 5 (b).

GB ECM-18 would introduce a short-run locational signal specifically relating to transmission capacity shortfall which results from grid non-compliance, whilst removing from TNUoS the relevant signal for the same shortfall of transmission capacity.

One respondent claimed that high constraint costs in England and Wales¹⁴ clearly highlight that even in the absence of a derogation to the boundary constraint costs can be significant and that short-run costs can diverge from the long-run costs.

One respondent agreed with our initial view set out in the impact assessment that this proposal may provide a sharper cost-reflective signal in the short run in areas where the long term investment lags significantly behind the level of generation being allowed access. We continue to hold this view. In the case of derogated non-compliant boundaries short and long run costs depart significantly from those expected under a fully compliant system. Although this can happen when there is no derogation we consider that the derogation is an objective practical tool to use to establish where the GB ECM-18 methodology will be applied.

The proposal will result in a pro rata adjustment to the level of TNUoS charges for generators behind a derogated boundary. Although the proposed adjustment is relatively simplistic in nature, it strikes an appropriate balance of complexity and cost reflectivity for this aspect and is better than the status quo.

One respondent did not accept that the NETS SQSS currently sets the right economic level of constraint versus reinforcement. This issue is being considered in the context of the NETS SQSS fundamental review¹⁵. Were any issues identified with this there would be implications

¹⁴ Specific reference in the response was to the £100m Thames Estuary forecast costs for 2010/11. This has since been revised down by NGET.

¹⁵ <http://www.nationalgrid.com/uk/Electricity/Codes/qbsqsscode/>

for many matters including potentially GB ECM-18 and we would consider these at the appropriate time and factor all aspects into any subsequent decisions.

Several parties believed that this proposal would concentrate the effects of market power to a smaller group of generators that do not abuse market power on one side of the derogated boundary and that this was an impact of the proposal that is disproportionate to the extent of the problem it aims to resolve.

We acknowledge the influence of market power on the costs associated with constraints. Notwithstanding the potential existence of market power, GB ECM-18 goes some way to ensuring that those who do not contribute to the cost of constraints are not charged for these costs. Whilst to the extent that market power exists, GB ECM-18 also changes the way the costs of it are allocated, it also does not give participants who have market power additional ability to use it. In fact if behaviour remains the same, such parties' profits from it would be reduced. Therefore in relation to this point, the proposal on balance is still more cost-reflective and hence competition is better facilitated albeit not to the full possible extent.

Several issues were raised by respondents about the methodology used by NGET to calculate the charge. Having considered these arguments carefully we do not consider these arguments undermine the case for the proposal.

For the reasons given above and in light of the evidence before the Authority, including the responses to the consultations carried out by NGET and by Ofgem, we believe that there is merit in moving part of the locational signal from TNUoS charges to BSUoS charges in areas where there is a derogated boundary in the manner suggested by NGET.

SLC C5 5(c) – Properly take account of developments in the transmission system

We consider that on balance GB ECM-18 does not better facilitate SLC C5 5 (c).

The Authority noted that GB ECM-18 *aims* to respond to the increasing level of constraint costs due to the over-allocation of access rights behind derogated boundaries, a product of the growth of connected generation and an increasingly constrained system. If parties could make economically informed decisions about the level of their generation output then GB ECM-18 would have addressed that aim and hence would properly take account of developments in the transmission system. However, the Authority considered that, given its concerns about the ability of generators to make informed decisions in light of the the two days *ex-post* nature of the charge, GB ECM-18 did not better facilitate this objective.

A majority of respondents considered that continued work on GB ECM-18 in light of DECC's process for implementing enduring access reform would not be efficient and work on BSUoS should stop, or that the Authority should veto the modification proposal.

The Authority noted the proximity of this proposal to the implementation of DECC's proposed approach to the reform of access arrangements, but notes that DECC's approach has not been implemented at the time of this decision and that GB ECM-18 was only ever intended as an interim solution.

Assessment against the objectives when they are considered collectively

In light of all considerations, in particular our doubt as to whether parties will be able to respond to the GB ECM-18 locational charge signal due to the fact that the modification proposal would result in charges which are made available on a two-day *ex-post* basis, we consider that GB ECM-18 **does not** better facilitate the applicable charging objectives. **On this basis the Authority has decided to veto the proposal.**

Assessment against the Authority's statutory objectives and duties

Notwithstanding the decision to veto GB ECM-18 based on the Authority's evaluation that it did not better facilitate the relevant objectives, the Authority did give consideration to whether the implementation of GB ECM-18 is consistent with its principal objective and statutory duties.

When considering the implications of GB ECM-18 in relation to the principal objective and statutory duties, the Authority considered that the arguments did not require them to reassess any aspect of the decision to veto.

Other relevant matters: Implementation timeframe

Some respondents believed that the impact on parties' IT systems has not been taken into account and they did not have time to make the required changes. We acknowledge this concern. It is hard to have a definitive view on the changes needed to generator IT systems however we consider that any future work in this area should consider the issue of implementation timeframes in more detail.

Other relevant matters: Legitimate expectation

Some respondents considered that circumstances have not changed since BETTA and Ofgem gave an expectation at BETTA about the level of constraints before locational constraints charging would be implemented. We have considered and carefully reviewed all the relevant documents and conclude that we disagree with this view. The Authority did not rule out locational charging in its BETTA decision, stating:

"the Authority is of the view that this issue should be kept under review by NGC post BETTA go live¹⁶".

We also commented at BETTA:

"In respect of the comments raised concerning future developments in charging pursuant to changes in the geographic pattern of enduring transmission constraints, under the BETTA arrangements it is for the GB system operator in keeping its charging methodologies under constant review, including to ensure that they meet the relevant objectives, to bring forward change proposals where it considers them to be appropriate. It would not be appropriate for Ofgem to express a view as to the merit of a particular proposal in the context of potential future developments at this stage, given its power to accept or reject charging methodology change proposals and its statutory requirement to undertake, in certain circumstances, an impact assessment prior to making any such decision¹⁷".

We have considered the arguments raised by respondents and conclude that in all of the documents relating to BETTA, no expectation was created that locational constraints charging for BSUoS would not be reviewed or that constraints would need to reach a particular level before a review would be triggered - in fact, a clear signal was sent at the time of BETTA that locational charging had not been ruled out and was to be kept under review.

Our assessment overall


We have set out above why we consider that on balance GB ECM-18 does not better facilitate the applicable objectives. We also conclude that when considering the implications of GB ECM-18 in relation to the principal objective and statutory duties, the arguments did not require a reassessment of any aspects of the decision to veto. The Authority's main concern was in relation to the ability of generators to respond to the two days *ex-post* charge.

¹⁶ <http://www.ofgem.gov.uk/Networks/Trans/BETTA/Publications/Documents1/10033-8005.pdf>

¹⁷ http://www.ofgem.gov.uk/Networks/Trans/Betta/ADP/Documents1/8196-GBaccess_conclusions1.pdf

Decision notice

In accordance with the conclusions reached above and the information before it, the Authority has decided to veto GB ECM-18.

A handwritten signature in black ink, appearing to read 'Stuart Cook', with a long horizontal line extending from the end of the signature.

Stuart Cook

Senior Partner, Transmission and Governance

Signed on behalf of the Authority and authorised for that purpose