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Date: 7 March 2014

Dear Michael,

Direction to the Balancing and Settlement Code (BSC) Panel to consult on a revised proposed implementation date for BSC Modification Proposal P286

In accordance with Section F, Paragraph 2.11.18 of the Balancing and Settlement Code (BSC), this letter directs the BSC Panel to consult on a revised proposed Implementation Date for BSC Modification Proposal 286 ('P286').¹ This will allow our decision on P286 to be made in view of our decision on the Connection and Use of System Code Modification Proposal CMP201 ('CMP201').²

The BSC states that Ofgem may direct the BSC Panel to consult on a revised proposed Implementation Date for a modification if we consider the proposed Implementation Date is not, or may no longer be, appropriate, or might otherwise prevent us from making a decision due to the passing of time.³ In the case of P286, the proposed Implementation Date of 1 April 2016, as set out in the Final Modification Report (FMR),⁴ requires us to make a decision on or before 31 March 2014 to allow industry two years of implementation lead time. In our impact assessment on CMP201,⁵ we set out our initial view that our decision on P286 is contingent on our decision on CMP201. This is because the charges or payments associated with Residual Cashflow Reallocation Cashflow, which P286 proposes to remove from generation Balancing Mechanism (BM) Units, can be considered to be related to the imbalance cost element recovered by Balancing System Use of System charges or payments, which CMP201 proposes to remove from generation BM Units. We remain of the view that P286 is contingent on CMP201 and we do not expect to reach a decision on CMP201 on or before 31 March 2014.

We note that the P286 workgroup also considered that the approval of P286 should be dependent on the approval of CMP201. However, the P286 FMR provides only two alternative implementation dates, with the effect of requiring an Authority decision on P286 on or before 31 March 2014. To ensure that the implementation of P286, if approved, could be aligned with the implementation of CMP201 (if approved), we specify⁶ that the revised proposed Implementation Date provided by the BSC Panel shall not be prior to the earliest possible implementation date for CMP201, which is 1 April 2017. However, it should be

¹ P286 'Revised treatment of RCRC for generation BM Units'

² CMP201 'Removal of BSUoS Charges from Generation'

³ BSC Section F, paragraph 2.11.18

⁴ The P286 FMR contains two possible implementation dates, however the earlier date, 1 April 2015, required an Authority decision by 31 March 2013

⁵ <https://www.ofgem.gov.uk/ofgem-publications/84353/impactassessmentbsuos081113.pdf>

⁶ In accordance with Paragraph 2.11.22 in Section F of the BSC

noted that the content of this letter is without prejudice to Ofgem's discretion concerning CMP201.

Yours sincerely,

Emma Kelso

Interim Partner, Wholesale Markets

Signed on behalf of the Authority and authorised for that purpose