

Overview of the Balancing and Settlement Code Modification Procedures

Introduction

The balancing and settlement arrangements governed by the Balancing and Settlement Code (BSC) are subject to a continual programme of development to deliver operational improvements or react to changing market conditions and issues. There are procedures in place that allow a broad range of interested parties to suggest changes. This document provides a high level explanation of the process for modifying the BSC. The rules, contained in Section F – ‘Modification Procedures’ - of the BSC, can be downloaded from www.elexon.co.uk. Section F prescribes the process of submitting proposals for evaluation, consultation and ultimately, decision by the Gas and Electricity Markets Authority.

Modification Procedures

The BSC Panel supervises and implements the Modification Procedures. ELEXON provides the advice, support and resources required by the BSC Panel for this purpose. In addition, if a modification to the BSC is approved, ELEXON oversees the implementation of that amendment (including any changes to systems, procedures and documentation). The Authority makes the final decision on whether the BSC should be changed and gives consent where it believes that the change would better achieve the Applicable BSC Objectives set out in Condition C3 of National Grid’s Transmission Licence, and are listed below:

- The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;
- The efficient, economic and co-ordinated operation of the GB Transmission System;
- The promotion of 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;
- The promotion of efficiency in the implementation and administration of the balancing and settlement arrangements.

Submitting a Modification Proposal

Modification Proposals can be raised by any BSC Party (other than ELEXON and its subsidiaries), the National Consumer Council, and other representative bodies designated by the Authority. The BSC Panel, in certain limited circumstances including on ELEXON’s recommendation of efficiency in the implementation and administration of the BSC, can also raise Modification Proposals. The form used for submitting a Modification Proposal, plus guidelines on how to complete it, can be found on the Modifications section of www.elexon.co.uk.

Definition, Assessment and Report

When a Modification Proposal is received by ELEXON, it is circulated to all BSC Parties and published on www.elexon.co.uk. The BSC Panel will set a timetable for the progression of the Modification Proposal and will normally set up a Modification Group to consider and develop it. The Modification Group is made up of representatives of the industry and ensures the industry is involved in the development of the BSC. The BSC Panel has three main options:

1. **The Definition Procedure.** The Modification Proposal may be submitted to a Modification Group for clarification and definition where the BSC Panel needs more information to decide whether to proceed with a detailed evaluation;
2. **The Assessment Procedure.** The Modification Proposal (either following a Definition Procedure or otherwise) may be submitted to a Modification Group for a detailed assessment and evaluation. An Alternative Modification may also be developed by the Modification Group if it thinks the Alternative would better achieve the Applicable BSC Objectives;

3. **The Report Phase.** The BSC Panel may decide to go directly to the Report Phase where it considers the Modification Proposal self evidently better achieves the Applicable BSC Objectives, and if there are no outstanding issues to be discussed. This outcome is rare as the majority of Modification Proposals require an Assessment Procedure to consider the implications of the proposal in more detail.

Industry Involvement

Modification Groups are appointed by the BSC Panel and may be established on a standing basis to consider Modification Proposals and issues falling within specific subject areas. A Modification Group consists of industry experts, a member appointed by the party proposing the Modification Proposal, a Transmission Company employee and ELEXON employees as appropriate. A representative from the Authority may attend and participate. All Modification Group meetings are held in open session and may be attended by any BSC Party.

Modification Groups define and evaluate Modification Proposals and are responsible for producing the Definition and/or Assessment Reports for the BSC Panel¹. Standing Modification Groups may also consider issues submitted by anyone entitled to raise a Modification Proposal to assist those parties in deciding whether to propose a modification to the BSC and how to frame such proposals.

A key role of the Modification Groups is to undertake consultation with a wide range of interested parties and to assimilate the responses received. All consultation responses are included in the relevant Definition, Assessment and Modification Reports and these views are critical in assisting the BSC Panel and the Authority to reach recommendations and decisions. The Modification Group will also commission impact assessments to evaluate the changes to industry systems, documentation, costs, and implementation timetables which the Modification Proposal would require.

At the end of the process, a final Modification Report is presented to the Authority containing the BSC Panel's recommendation on whether the Modification Proposal should be approved, a view on the appropriate Implementation Date, and a detailed assessment of the Modification Proposal. The Authority considers the report and publishes a decision letter setting out the reasons for its determination. The reports and decision letters for Modification Proposals can be downloaded from the Modifications section of www.elexon.co.uk².

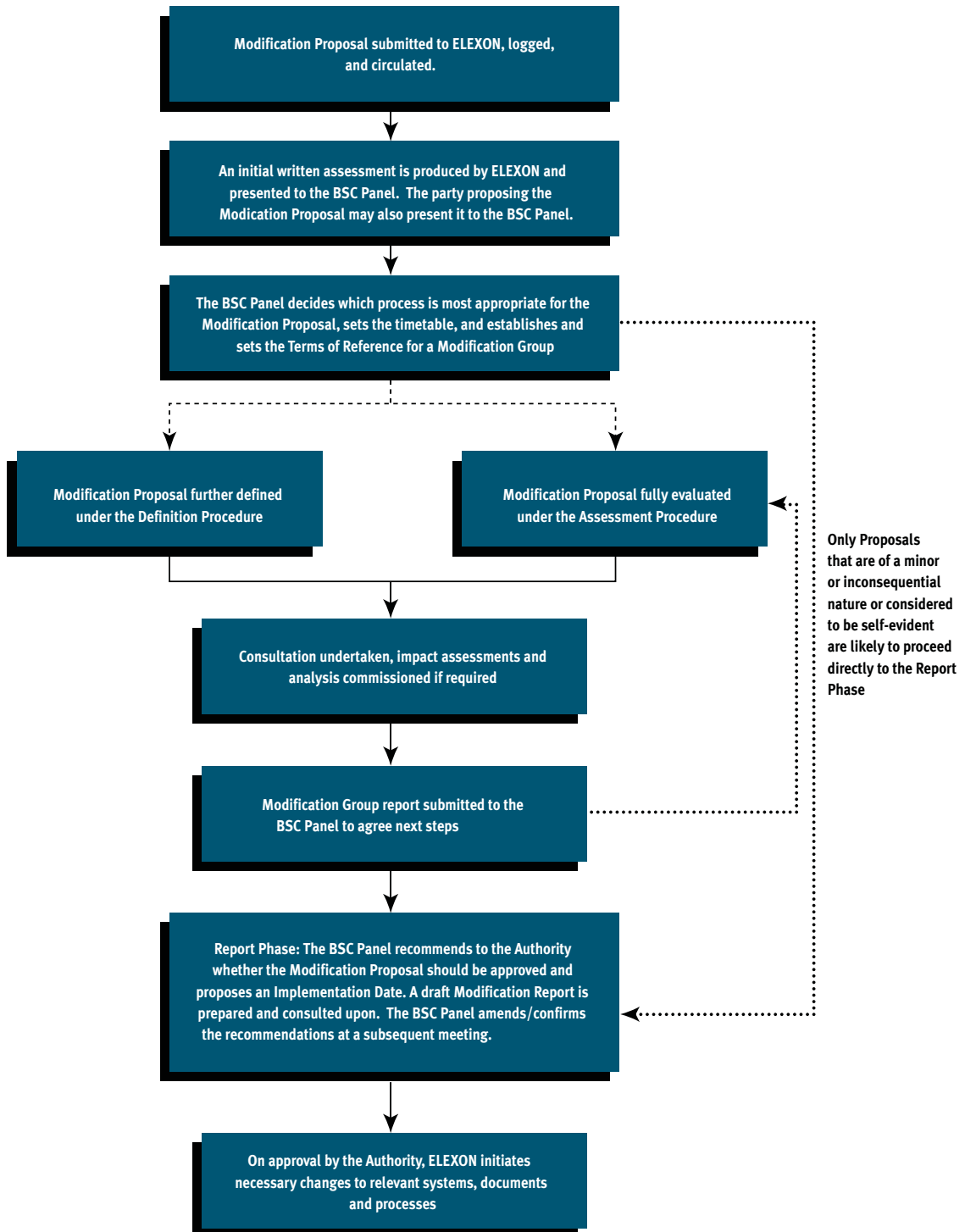
Urgent Modifications

Section F of the BSC also contains provision to circumvent the normal Modification Procedures to fit with the urgency of a particular matter - and Urgent Modification Proposals may therefore be progressed by a different process and timetable. The Proposer of a Modification Proposal may request urgency when submitting the Modification Proposal form, while ELEXON and/or the Transmission Company can independently recommend urgency if it hasn't been requested by the Proposer. When urgency is requested, the BSC Panel Chairman, on behalf of the BSC Panel, will recommend to the Authority whether urgency should be granted. The Authority makes the final decision on urgent status. As a "lesson's learnt" exercise, implemented Urgent Modification Proposals may be reviewed, to ascertain whether the change could have been made in an alternative way that would have better achieved the Applicable BSC Objectives.

¹ If you would like to contribute to the future of the BSC by being involved in a Modification Group, please email change_delivery_admin@elexon.co.uk.

² If you would like to receive notification when Modification Proposals are raised, approved or rejected, please email: modifications@elexon.co.uk.

Overview of the Modification Procedures



ELEXON is the Balancing and Settlement Code Company (BSCCo) defined and created by the Balancing and Settlement Code (BSC). All licenced electricity companies are obliged to sign the BSC, other parties may choose to do so. The BSC places obligations on ELEXON.

The rules and governance for trading in the balancing mechanism and imbalance settlement process are contained within the BSC, and it is these two areas that ELEXON manages in conjunction with the BSC Panel.

ELEXON procures, manages and operates services and systems, which enable the balancing and imbalance settlement of the wholesale electricity market and retail competition in electricity supply.

Wholesale electricity trading arrangements, introduced in England and Wales in 2001 and into Scotland in 2005, are designed to promote greater competition, while maintaining a secure and reliable electricity system. The arrangements are intended to allow electricity to be traded freely, based on established commodity trading practices.

The role of ELEXON, the Balancing and Settlement Code Company, the balancing mechanism and imbalance settlement processes, and the governance procedures are more fully described in the BSC and on the BSC (ELEXON) website.

Website www.elexon.co.uk

Email communications@elexon.co.uk