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Dear BSC Panel Secretary,

Authority decision to 'send back' BSC modification proposal P397 'Assessing the costs and benefits of adjusting Parties Imbalances following a demand disconnection'

On 24th January 2020, the BSC Panel submitted a Final Modification Report (FMR) for BSC modification proposal P397 'Assessing the costs and benefits of adjusting Parties Imbalances following a demand disconnection' to the Authority.

We are not able to form an opinion on whether or not P397 should be approved based on the evidence submitted and we are therefore sending the proposal back to industry for further work.

In particular, we consider that the FMR does not provide sufficient evidence as to whether the modification proposed better facilitates objective (c) and (d) of SLC C3.3¹. The evidence used to form an understanding of the cost of Demand Control Event (DCE) process operation was highlighted as "indicative and incomplete" in the BSC panel meeting on 12 December 2019. The indicative and incomplete nature of the evidence means that it is not possible to make an assessment of whether the solution suggested promotes efficiency in the implementation and administration of balancing and settlement arrangements. We have

1 - (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; (d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements described in paragraph 2.

been unable to assess the impact on competition based upon the aggregate level analysis provided.

We acknowledge that there is a limit to the amount of evidence that could be collected given the short time frame given to P397. However, there are opportunities to gather more evidence from a lessons learned exercise from the DCE event on 9 August 2019 and from an issues proposal being raised to better assess future and distributional impacts of P397.

We therefore direct the Panel to revise the FMR so that further analysis in respect of objective (c) and (d) is included, setting out:

1. Evidence gathered from the lessons learned exercise associated to the full set of costs for the Settlement Adjustment Process (SAP) as well as the different in costs for different Parties.
2. The cost of running the SAP following the DCE on 9 August 2019.

After addressing the issues discussed above, and revising the FMR accordingly, the BSC Panel should re-submit it to us for decision as soon as practicable.

Yours sincerely,

Chris Thackeray