

Dear Michael,

We note your letter of 13 September 2019 and have had follow up discussions with Roger Harris and Mark Bygraves of Elexon on 9 and 11 October respectively.

Ofgem maintains the view that the Balancing and Settlement Code (BSC) should be followed by BSC Parties as drafted. It is vital to the integrity of the code, code administration process and regulation of the code that responsibilities are fulfilled as drafted.

It is the responsibility of the panel to assess Modification Proposals against a defined set of criteria laid out in the Transmission Company's Licence, determine trading parameters and to comply with the BSC rules (together with those party to the code). It is expected that industry parties and Elexon follow the code unless and until the code is amended, and particularly when guidance has been sought from Ofgem and provided to this effect.

Further to the principle of following the code, the process for a Demand Control Event introduced through P305 has not until now been tested. Despite the relatively small amount of money involved in the calculation, this is the first end to end test of the process and will provide useful information to inform a lessons learned exercise. We consider that this would be in the interests of consumers.

Ofgem would like to remind the panel and Elexon that industry parties are able to raise modifications proactively ahead of potential circumstances arising, and are also entitled to run lessons learned processes and modify the code, following an event with unforeseen circumstances.

We appreciate industry has a view that there is requirement for a *de minimus* amount to be included and look forward to seeing the outcome of a lessons learned exercise followed by a developed solution through due process.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'C' followed by a long horizontal line.

Chris Thackeray
Head of GB Wholesale Markets