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value for all customers*

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Date: 19 March 2009

Dear Shafqat

### **Annual review of the Balancing Principles Statement and Procurement Guidelines**

As required by Standard Condition C16 of the Electricity Transmission Licence ("Standard Condition C16"), National Grid Electricity Transmission (NGET) has submitted a report ("the Report") to the Gas and Electricity Markets Authority ("the Authority") on its annual review of the Balancing Principles Statement (BPS) and Procurement Guidelines (PGs).

NGET has proposed a number of 'technical' changes to both the BPS and the PGs. NGET has also proposed 'plain English' changes to both documents. NGET considers that the technical changes are the type of changes that NGET would normally propose as part of the annual review process. These mainly consist of house-keeping changes and points of clarification but also include some changes that reflect current practice. The plain English changes aim to improve the clarity of the BPS and PGs by writing them in a simpler and easier to read form. NGET has informed us that the changes have been suggested by an external organisation which specialises in converting technical documents into plain English.

In accordance with Standard Condition C16, NGET consulted the industry on the proposed changes to the BPS and PGs. NGET received three responses to its consultation.

This letter explains the background to NGET's recommendations, sets out the Authority's views on the issues raised during the consultation and the Authority's decision.

### **Respondents' views**

Responses to NGET's consultation were received from E.on, the Chartered Institute of Purchasing & Supply Energy Committee (CIPS) and BOC Limited (BOC).

CIPS agreed that the technical changes proposed to both documents should be made and E.on agreed that the technical changes should be made to the PGs. However, E.on considered that certain areas of the BPS that had been deleted to avoid duplication with other documents should be reinstated as this duplication provides helpful clarity.

All three respondents welcomed the move by NGET to rewrite the documents in plain English. However, they all raised concerns with the changes proposed. E.on considered that some of the changes proposed appeared somewhat superficial and also that some of the original meaning had been altered or made less clear. E.on also considered that it would not be a productive use of NGET's time or resources for it to extend the plain English

approach to other documents. CIPS noted that NGET must be careful that the changes made do not change the meaning or intent of the document. BOC also noted that in the interests of minimising costs rewriting in plain English should only be undertaken when they are substantive changes to the document and that documents should be made more concise.

### **NGET's views**

NGET in its Report to the Authority acknowledges the issues raised by the respondents. In respect of the removal of duplication, NGET considers that the duplication causes ambiguity regarding the specific purpose of the PGs and the BPS and therefore the removal of the duplicate provisions will improve the clarity regarding the purpose of the two documents.

In respect of the plain English changes, NGET has proposed revised changes which have taken into account the comments received. NGET considers that writing documents in a simpler and easier to understand form is the right thing to do as this will be of overall benefit to the electricity market.

### **NGET's recommendation**

NGET has recommended that the Authority approves both the technical and plain English changes to both documents. If the Authority does not approve the plain English changes then NGET recommends that the Authority approves the technical changes.

### **Ofgem's view**

The Authority has considered the changes to the BPS and PGs proposed by NGET and the responses from consultees. The Authority considers that the technical changes to the PGs and BPS proposed by NGET are mainly 'housekeeping' changes and reflect only minor textual revisions. Regarding the removal of duplication, Ofgem agrees with NGET that this will improve the clarity regarding the purpose of the two documents.

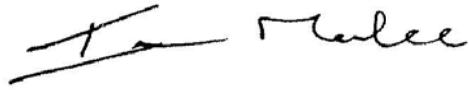
We note the point made by BOC that it would be helpful for industry documents to be more concise and welcome the consideration of writing the documents in plain English. We agree that such a move would assist in the understanding of the documents by the industry. However, Ofgem agrees with respondents that it is important that such drafting does not change the meaning of the documents. Whilst Ofgem recognises the changes that NGET has made as a result of respondents' comments, Ofgem still has some concerns that there is a change of emphasis in the drafting.

We therefore consider that it would be more appropriate for NGET not to rewrite documents in plain English but for each existing document to contain a concise plain English summary of its contents. In this regard, we note that as part of the Industry Codes Governance Review Ofgem has established the Code Administrators Working Group which is looking at the development of a Code of Practice for Code Administrators. The group has discussed the potential for a Code of Practice to require the preparation of short plain English summaries of modification proposals (and industry assessments on the proposals) to form part of the modification report that is submitted to Ofgem. There may also be scope through the development of any Code of Practice for administrators to also provide plain English summaries of each chapter or section of the code for which they are responsible.

## **The Authority's decision**

Pursuant to Standard Condition C16, the Authority agrees, having had regard to its principal objective and statutory duties, that NGET may modify the BPS and PGS as set out in Appendix C and Appendix D of the Report to take effect from 1 April 2009. The Authority also directs pursuant to Standard Condition C16 that the modifications to the BPS and PGS as set out in Appendix G and Appendix H of the Report should not be made.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Marlee', with a horizontal line drawn underneath the signature.

**Ian Marlee**

**Director, Trading Arrangements**

Signed on behalf of the Authority and authorised for that purpose by the Authority.