

## **The treatment of BSC Manifest Errors and Special Provisions in NGC's Balancing Services Activity charging restrictions**

On 19 February 2001, Ofgem/DTI published a conclusions document on Manifest Errors in Balancing Mechanism Transactions and Special Provisions for Computing Systems Failures (collectively known as Contingency Provisions).

Under the terms of the proposed modifications to the BSC in relation to these issues, NGC may, in certain circumstances, be required to pay compensation to BSC Parties as a result either of Manifest Errors that it makes (in relation to the accepting of bids or offers in the Balancing Mechanism) or of the failure of its computing systems.

In the light of these BSC modifications, Ofgem has included an incentivised cost-recovery mechanism for such costs within the internal cost Balancing Services Activity revenue restriction. This cost-recovery mechanism operates on a monthly basis and provides that NGC is exposed to 40% of any Contingency Provision costs it incurs in any month, subject to an overall cap on its exposure of £250,000. Thus, if the Contingency Provision costs it is exposed to exceed £625,000 ( $£250,000/0.4$ ) in any month, NGC will be allowed to pass through in full the costs in excess of £625,000. Equally, if as a result of NGC making a Manifest Error, it receives compensation so that overall it receives Contingency Provisions payments in any month, then these revenues will be passed through in full.