

INITIAL WRITTEN ASSESSMENT for Modification Proposal P207 'Introduction of a New Governance Regime to Allow a Risk Based Performance Assurance Framework (PAF) to be Utilised and Reinforce the Effectiveness of the Current PAF'

Prepared by: ELEXON Limited¹

Date of Issue:	6 October 2006	Document Reference:	P2071R
Reason for Issue:	For Panel Decision	Version Number:	1.0

This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.²

P207 seeks to introduce new governance arrangements to allow a risk based Performance Assurance Framework (PAF) to be utilised under the Balancing and Settlement Code (BSC). P207 looks to introduce Supplier Volume Allocation (SVA) Assurance objectives and possibly Central Volume Allocation (CVA) Assurance objectives into the BSC to define the purpose of the assurance arrangements. P207 suggests that under the new arrangements two new Panel Committee roles would be established; the first would be to identify, assess and prioritise risks; and the second would be to operate the PAF by choosing how to deploy the assurance techniques against those risks.

BSCCO'S RECOMMENDATIONS

On the basis of the initial assessment BSCCo recommends that the Panel:

- **DETERMINE that Modification Proposal P207 should be submitted to the Assessment Procedure;**
- **AGREE the Assessment Procedure timetable such that an Assessment Report should be completed and submitted to the Panel for consideration at its meeting of 11 January 2007;**
- **DETERMINE that the P207 Modification Group be formed from members of the Volume Allocation Standing Modification Group (VASMG); and**
- **AGREE the Modification Group Terms of Reference.**

¹ ELEXON Ltd fulfils the role of the Balancing and Settlement Code Company ('BSCCo'), pursuant to Annex X-1 of the Balancing and Settlement Code (the 'Code').

² The current version of the Code can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>.

CONTENTS TABLE

Summary of Impacted Parties and Documents	3
1 Description of Proposed Modification.....	4
1.1 Modification Proposal.....	4
1.2 Current Process.....	4
1.3 PAF Review.....	4
2 Areas for Consideration in Progressing Modification Proposal	5
2.1 The Panel and Panel Committees.....	5
2.2 High Level Process	6
2.3 Impact on Current Assurance Techniques.....	7
2.4 CVA Performance Assurance.....	8
2.5 Legal Text and Code Subsidiary Document changes	8
2.6 Interaction with the Implementation of P197	8
2.7 Implementation Approach and Transitional Arrangements.....	8
2.8 Status of Existing Non-Compliances	9
3 Rationale for BSCCo's Recommendations to the Panel	9
4 Terms Used in this Document	10
5 Document Control.....	11
5.1 Authorities	11
5.2 References	11
5.3 Intellectual Property Rights, Copyright and Disclaimer	11
Appendix 1: Modification Proposal	12
Appendix 2: Initial Assessment of Impacts of Modification Proposal	21
Appendix 3: Costs and Timetable for Progression	25

SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as BSCCo has been able to assess, the following parties/documents are potentially impacted by Modification Proposal P207.

Please note that this table represents a summary of the full initial impact assessment results contained in Appendix 2.

Parties	Sections of the BSC	Code Subsidiary Documents
Distribution System Operators <input checked="" type="checkbox"/>	A <input type="checkbox"/>	BSC Procedures <input checked="" type="checkbox"/>
Generators <input checked="" type="checkbox"/>	B <input checked="" type="checkbox"/>	Codes of Practice <input type="checkbox"/>
Interconnectors <input checked="" type="checkbox"/>	C <input checked="" type="checkbox"/>	BSC Service Descriptions <input checked="" type="checkbox"/>
Licence Exemptable Generators <input checked="" type="checkbox"/>	D <input checked="" type="checkbox"/>	Party Service Lines <input checked="" type="checkbox"/>
Non-Physical Traders <input checked="" type="checkbox"/>	E <input type="checkbox"/>	Data Catalogues <input type="checkbox"/>
Suppliers <input checked="" type="checkbox"/>	F <input type="checkbox"/>	Communication Requirements Documents <input type="checkbox"/>
Transmission Company <input type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input type="checkbox"/>
Party Agents³	H <input checked="" type="checkbox"/>	Core Industry Documents
Data Aggregators <input checked="" type="checkbox"/>	I <input type="checkbox"/>	Ancillary Services Agreement <input type="checkbox"/>
Data Collectors <input checked="" type="checkbox"/>	J <input checked="" type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
Meter Administrators <input checked="" type="checkbox"/>	K <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
Meter Operator Agents <input checked="" type="checkbox"/>	L <input checked="" type="checkbox"/>	Distribution Codes <input type="checkbox"/>
ECVNA <input type="checkbox"/>	M <input type="checkbox"/>	Distribution Connection Agreements <input type="checkbox"/>
MVRNA <input type="checkbox"/>	N <input type="checkbox"/>	Distribution Use of System Agreements <input type="checkbox"/>
BSC Agents³	O <input type="checkbox"/>	Grid Code <input type="checkbox"/>
SAA <input type="checkbox"/>	P <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
FAA <input type="checkbox"/>	Q <input type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
BMRA <input type="checkbox"/>	R <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
ECVAA <input type="checkbox"/>	S <input checked="" type="checkbox"/>	BSCCo
CDCA <input type="checkbox"/>	T <input type="checkbox"/>	Internal Working Procedures <input checked="" type="checkbox"/>
TAA <input checked="" type="checkbox"/>	U <input type="checkbox"/>	BSC Panel/Panel Committees
CRA <input type="checkbox"/>	V <input type="checkbox"/>	Working Practices <input checked="" type="checkbox"/>
SVAA <input type="checkbox"/>	W <input type="checkbox"/>	Other
Teleswitch Agent <input type="checkbox"/>	X <input checked="" type="checkbox"/>	Market Index Data Provider <input type="checkbox"/>
BSC Auditor <input checked="" type="checkbox"/>		Market Index Definition Statement <input type="checkbox"/>
Profile Administrator <input type="checkbox"/>		System Operator-Transmission Owner Code <input type="checkbox"/>
Certification Agent ⁴ <input checked="" type="checkbox"/>		Transmission Licence <input type="checkbox"/>
Other Agents³		
Supplier Meter Registration Agent <input checked="" type="checkbox"/>		
Unmetered Supplies Operator <input checked="" type="checkbox"/>		
Data Transfer Service Provider <input checked="" type="checkbox"/>		
Qualification Service Provider <input checked="" type="checkbox"/>		

³ The ECVNA, MVRNA, SAA, FAA, BMRA, ECVAA, CDCA, CRA and SVAA are currently subject to performance assurance techniques which could change in their remit under a risk based approach to assurance, so these participants are potentially impacted. The Teleswitch Agent and Profile Administrator are not currently subject to performance assurance techniques, but could be in the future if the activities that they carry out are deemed to be an 'at risk' area of the PAF.

⁴ Note that the Certification Agent will cease to exist nine months after the implementation of Approved Modification P197. A Qualification Service Provider will be in place following the Implementation Date of P197 to deliver the Qualification Service.

1 DESCRIPTION OF PROPOSED MODIFICATION

1.1 Modification Proposal

P207 was raised on 29 September 2006 by energywatch ('the Proposer'). P207 seeks to introduce new governance arrangements to allow a risk based PAF to be utilised under the BSC. P207 looks to introduce SVA Assurance objectives and possibly CVA Assurance objectives into the Code to define the purpose of the assurance arrangements. P207 suggests that under the new arrangements two new Panel Committee roles would be established; the first would be to identify, assess and prioritise risks; and the second would be to operate the PAF by choosing how to deploy the assurance techniques against those risks.

P207 does not look to fundamentally change any of the existing assurance techniques or introduce new assurance techniques. Any fundamental changes to these techniques would have to be the subject of a separate Modification Proposal or Change Proposal. P207 does however look to ensure that the current techniques can be used under a risk based approach to assurance, and remove any inconsistencies in the current techniques where this is not the case.

The aim of P207 is to build on the work undertaken by the recent PAF review.

1.2 Current Process

The BSC sets out each of the basic PAF techniques and places an obligation on ELEXON as BSCCo to deliver these techniques in accordance with the BSC. Each of these techniques aims to ensure that BSC Parties and their agents meet all their obligations under the BSC. The PAF techniques are intended to be either preventative, detective or corrective in nature, reflecting the method of operation. These techniques are summarised in the following table:

PREVENTATIVE	DETECTIVE	CORRECTIVE
Accreditation ⁵	Technical Assurance of Metering Systems	Peer Comparison
Entry Process ⁵	BSC Audit	Supplier Charges
Education	Technical Assurance of Suppliers and Supplier Agents	Error and Failure Resolution
	Performance Reporting and Monitoring	

The current PAF and use of these techniques places equal focus on compliance by participants with all the processes set out under the BSC. There is no ability under the current arrangements to treat those non-compliances that have a large impact on Settlement any differently to those non-compliances that have a negligible impact on Settlement.

1.3 PAF Review

The PAF Review was initiated in August 2005 and concluded in August 2006. The aim of the review was to examine from first principles the need for assurance for the SVA aspects of the BSC and how this assurance would be best delivered. The rationale for the review was based on the fact that whilst the overall SVA arrangements appeared to be operating satisfactorily, the BSC Audit had been qualified on a number of occasions and a number of issues have remained unresolved for long periods. There were also large numbers low-level non-compliances with the BSC that remained to be addressed.

The PAF Review was led by the Core Working Group whose membership included industry, Ofgem, energywatch and ELEXON. The PAF Review held a number of open industry forums and issued two consultations to gain feedback from the industry and other stakeholders.

⁵ Note that following the implementation of Approved Modification P197 'SVA Qualification Processes Review' on 23 August 2007, Accreditation and Entry Processes will be replaced by Qualification.
Version Number: 1.0

The conclusions and recommendations of the Core Working Group in relation to the PAF ([Reference 1](#) and [Reference 2](#)) were as follows:

- There is a justification for an assurance framework for the SVA arrangements;
- Weaknesses in the current PAF are such as to justify considering change, particularly in the way assurance is governed;
- The assurance framework for the SVA arrangements should be based on assessment of risk, rather than on seeking to enforce compliance with every detailed provision of the BSC and Code Subsidiary Documents (CSDs). However, the obligation on Parties to comply with these provisions would remain;
- Key elements of the risk-based assurance framework should be:
 - A statement in the BSC defining the purpose of the SVA arrangements. The majority of the Core Working Group believed that this should comprise two SVA Assurance Objectives, relating to the allocation of volumes and Metering System data separately. The minority view was that only the objective relating to the allocation of volumes is necessary;
 - A governance structure centred around the roles of a Risk Evaluation Group (REG) which would identify and prioritise risks, and where necessary initiate changes in the available assurance techniques and a Risk Assurance Board (RAB) which would deploy and manage assurance techniques to mitigate the identified risks;
 - A risk identification and assessment method;
 - A set of assurance techniques to be deployed to mitigate risks;
 - Consultation on the risks to be addressed, and the assurance techniques to be deployed.
- The funding basis for the assurance framework should not be changed at the present time;
- The risk-based assurance framework should be established through a single Modification to the BSC to put in place the essential principles and governance structure, to transition the existing assurance techniques to the new arrangements, and to remove any provisions of the BSC that conflict with the risk-based approach; and
- Further changes, such as the adoption of new assurance techniques, or changes to existing techniques should take place under the new governance once this has been established.

2 AREAS FOR CONSIDERATION IN PROGRESSING MODIFICATION PROPOSAL

BSCCo has undertaken an initial assessment of the potential impacts of P207 on BSC Systems, documentation and processes, and the full results of this assessment can be found in [Appendix 2](#).

The initial assessment of P207 has identified the following areas which BSCCo recommends should be considered further during the progression of the Modification Proposal:

2.1 The Panel and Panel Committees

P207 proposes that two new roles are formed; a risk evaluation role and a risk assurance role. It is envisaged that these roles would be carried out by Panel Committees, however the Modification Group will have to determine the detail of who would be responsible for each role. The choices would be:

- Create two new Panel Committees, one to carry out the role of identifying, assessing and prioritising risks (this is called the Risk Evaluation Group (REG) in the Modification Proposal), and one to choose

how to deploy the techniques to prioritise these risks (this is called the Risk Assurance Board (RAB) in the Modification Proposal); or

- Create one committee who would carry out both roles of identifying, assessing and prioritising risks and choosing how to deploy the techniques to prioritise these risks; or
- Allow the Panel (noting that the Panel could delegate this responsibility) or an existing Panel Committee(s) to carry out each of the roles.

The Modification Group may also wish to define the type of representation to be included in any new Panel Committees. The Modification Group should determine the extent to which the detail relating to any new Panel Committees is included in the legal text for the Modification and the extent to which the Panel will be responsible for determining the type of representation to be included in these Panel Committees and delegating responsibilities to Panel Committees.

The Modification Group will have to determine the role of the Panel in the new process and whether items from any Panel Committee responsible for the risk evaluation or risk assurance role can be escalated to the Panel.

Depending on who the Modification Group determine should be responsible for carrying out the risk evaluation and risk assessment roles, the Modification Group may need to consider whether any references to the Performance Assurance Board (PAB) should remain in the BSC.

P207 suggests that the Panel Committee undertaking the risk evaluation and / or the risk assessment roles would be able to raise Modifications or recommend the raising of Modifications to the BSC to amend existing PAF techniques, remove techniques or introduce new techniques. The Modification Group will need to determine which of the relevant Panel Committee(s) would be able to form Modifications and how these Modifications would be proposed, i.e. whether the Modification could be raised by the Panel Committee or whether the Panel Committee would have to recommend to the Panel that a Modification is raised. This would mean that the Modification would be raised by the Panel as opposed to the Panel Committee which is consistent with the approach currently followed by the Trading Disputes Committee who can recommend to the Panel that Modifications be raised, but cannot raise Modifications themselves.

2.2 High Level Process

The Modification Group will have to develop the high level process for the new governance regime to operate the PAF. Although the Modification Proposal does not define the process in detail, a suggested process (as developed by the PAF Review Core Working Group) is attached to the Modification Proposal (see [Appendix 1](#) for the detail). This attachment details a five phased process for the operation of the new PAF, consisting of the following phases:

- Identification and Evaluation of Risks;
- Risk Assessment Decisions and Production of Operational Plan;
- Production of Risk Management Plans;
- Application of Common and Further Assurance Tools; and
- Risk Management Plan Monitoring.

The Modification Group will have to confirm whether this five phase process is sufficient to form the new requirements, or whether any further detail is required.

The Modification Proposal states that the Panel Committee responsible for risk evaluation would be responsible for defining the risk assessment process that they would then use to identify the risks. Therefore, the detail of the risk assessment process does not need to be discussed by the Modification Group.

P207 also states a number of key deliverables to be produced by the Panel Committees responsible for the risk evaluation role or risk assessment role as follows:

- Risk Evaluation Report;
- Operational Plan;
- Outcome Reports;
- Ad-hoc Risk Reports;
- Annual Report;
- Modifications and Change Proposals or recommendations to the Panel of the same; and
- Risk Management Plans.

Further details about the content, frequency of distribution and authors of each of these deliverables are contained in [Appendix 1](#).

The Modification Group will have to confirm whether these are the complete set of deliverables or whether any other deliverables are required. The Modification Group will also have to confirm the content, frequency, author, approver and distribution of these documents.

P207 states that the effectiveness of the assurance framework should be evaluated and reported to Parties regularly (potentially annually). The Modification Group will have to determine the form of this evaluation and the frequency of this review.

2.3 Impact on Current Assurance Techniques

P207 states that changes to the current set of assurance techniques will only be required to ensure that they are compatible with the risk based approach to the PAF. The Modification Group will therefore have to examine each of the current assurance techniques and determine any changes that are required to ensure that they are compatible with the risk based assurance approach. The Modification Group will also have to determine to what extent the current techniques can be varied under a risk based approach to the PAF. This could include but is not limited to:

- Ability to vary the scope of BSC Audits, including ad-hoc audits (possibly to be delegated to the Panel Committee responsible for risk assurance from the BSC Panel) and supported, where appropriate, by feedback gained in consultations with industry participants;
- Ability to vary the scope of Technical Assurance checks on Metering Systems and on participant systems and processes and supported, where appropriate, by feedback gained in consultations with industry participants;
- Clarification of escalation powers and processes (including appeal mechanisms) to be defined and detailed (possibly reference powers, processes and appeal mechanisms in the BSC and detail process timings and appeal routes in the Code Subsidiary Documents (CSDs));
- Clarification of powers and processes (including appeal mechanisms) relating to the progression of rectification plans (possibly reference powers, processes and appeal mechanisms in BSC and detail process timings and appeal routes in the CSDs). This should ensure that there is a clearly referenced ability to determine where rectification action plans will be sought and where they will not;
- Ability to vary the scope of desk-based reviews undertaken via, Qualification, BSC Audit or Technical Assurance processes;

- Ability to vary the breadth and frequency of information published under Peer Comparison Techniques and perhaps more generally;
- Ability to publish a variety of information under a variety of conditions to Suppliers that are associated with Agents that are subject to PAF techniques (Currently set out under the provisions relating to Technical Assurance); and
- Power to vary the Qualification Requirements.

2.4 CVA Performance Assurance

The review of the PAF focused on the SVA aspect of performance assurance; however the CVA market falls under a number of the current PAF techniques such as the BSC Audit and Technical Assurance of Metering Systems. P207 states that the performance assurance of the CVA market would fall under the remit of the new governance regime. The Modification Group will have to determine how performance assurance in the CVA market fits into the risk based approach to assurance and whether any CVA performance assurance objectives are required.

2.5 Legal Text and Code Subsidiary Document changes

A number of sections of the BSC are likely to be impacted by P207. The Modification Group will have to ensure that a thorough review of all possibly impacted sections of the BSC is carried out to ensure that all changes required, particularly to the existing techniques to ensure that they are compatible with a risk based approach, are made. The Modification Group will also have to ensure that there is a reference in the BSC setting out the risk-based approach to assurance under the BSC but not defining the detailed risk assessment process.

The Modification Group will have to ensure that a thorough review of all possibly impacted Code Subsidiary Documents (CSDs) is carried out. P207 lists the CSDs relating to the current assurance techniques as impacted documents. The Modification Group will have to determine to what extent they wish to define the required changes to the Code Subsidiary Documents. In addition, a number of CSDs refer to the PAB. The Modification Group will have to determine whether the PAB can continue to be responsible for these roles or whether these roles should be transferred to a different body.

2.6 Interaction with the Implementation of P197

P197 'SVA Qualification Process Review' has been approved for Implementation on 23 August 2007. P197 removes the separate Accreditation, Certification and Entry Process requirements for new Suppliers, Supplier Meter Registration Agents (SMRAs) and Supplier Agents and replaces these with a Qualification process. As part of the implementation of P197, a new Balancing and Settlement Code Procedure (BSCP) is being written. This may be impacted by P207 and the Modification Group should consider whether there are any impacts. The current BSCPs that relate to Entry Processes, Accreditation and Certification will be withdrawn nine months after the implementation of P197, so the Modification Group will also have to consider whether there is any impact of P207 on these documents. The Modification Group will need to consider whether there is any impact on the contract with the existing Certification Agent (who will cease to be a BSC Agent nine months after the Implementation Date of P197) or the new Qualification Service Provider.

P197 places the obligation on the Panel for the approval of Qualification Applications, though notes that this can be delegated to a new or existing Panel Committee. Should the Panel wish to delegate this role to the PAB, there may be an interaction between P207 and the implementation of P197.

2.7 Implementation Approach and Transitional Arrangements

The Modification Group will have to consider the implementation approach for P207, for example if new Panel Committee(s) are to be set up to carry out the risk evaluation and risk assessment roles, the Group

would need to consider how these Panel Committees would be set up; and whether these Panel Committees would be set up prior to the Implementation Date for P207 or whether they would be set up on the Implementation Date of P207. The Modification Group will also have to consider how the PAF and PAB will operate between the Implementation Date for P207 and the production of the first reports on the risks to be considered.

The Modification Group will also have to determine whether the new PAF arrangements only apply for Settlement Days that are after the Implementation Date for P207, or whether they also apply to Settlement Days prior to the implementation of P207 that are still passing through the Settlement Process (i.e. where the relevant Reconciliation Run has not occurred for the Settlement Day).

2.8 Status of Existing Non-Compliances

The Modification Group will have to consider the status of existing non-compliances after the Implementation Date of P207. For example, the Modification Group will have to consider how to treat non-compliances under the current PAF in areas that are not considered an 'at risk' area by the Panel Committee responsible for evaluating risks under P207 and which would therefore no longer be pursued after the implementation of P207. Likewise, the Modification Group will also have to consider how to treat non-compliances raised in one year under the P207 PAF where those non-compliances are no longer considered to be in an 'at risk' area in subsequent years.

3 RATIONALE FOR BSCCO'S RECOMMENDATIONS TO THE PANEL

BSCCo believes that further consideration of P207 by a Modification Group is required in order to consider, and consult upon, the areas raised by this IWA. As the areas for consideration are sufficiently defined, BSCCo recommends that P207 proceed to the Assessment Procedure.

BSCCo recommends that P207 be submitted to a 3 month Assessment Procedure.

It is estimated that progression of P207 will require:

- 3 Modification Group meetings;
- 1 industry consultation;
- 1 BSC Agent impact assessment;
- 1 Party/Party Agent impact assessment;
- 1 BSCCo impact assessment; and
- 1 request for Transmission Company analysis.

The proposed timetable and estimated costs for the progression of P207 are shown in [Appendix 3](#).

It should be noted that the proposed timetable is based on the Modification Group agreeing the role of the Panel and Panel Committees at the first Modification Group meeting and also agreeing with the high level process of a risk based PAF as suggested in Appendix A of the Modification Proposal. Should the Modification Group wish to discuss the process in detail and / or amend this process significantly so that an impact assessment cannot be carried out following the first Modification Group meeting then the proposed timetable will be impacted.

BSCCo recommends that the P207 Modification Group be formed from members of the Volume Allocation Standing Modification Group (VASMG), whose areas of expertise include:

- SMRS Registrations;
- Supplier Volume Allocation;

- Supplier Meter Registration;
- Half Hourly (HH) / Non-Half Hourly (NHH) Data Collection;
- HH / NHH Data Aggregation;
- Supplier Volume Allocation (SVA) Metering;
- Party Agents;
- Accreditation (for SVA); and
- The Performance Assurance Framework.

BSCCo recommends that the areas for consideration raised by this IWA should form the basis of the Modification Group Terms of Reference, along with any additional areas proposed by the Panel.

4 TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

Acronym	Definition
BMRA	Balancing Mechanism Reporting Agent
BSC	Balancing and Settlement Code
BSCCo	Balancing and Settlement Code Company
BSCP	Balancing and Settlement Code Procedure
CDCA	Central Data Collection Agent
CoA	Change of agent
CRA	Central Registration Agent
CSD	Code Subsidiary Document
CVA	Central Volume Allocation
ECVAA	Energy Contract Volume Aggregation Agent
FAA	Funds Administration Agent
HH	Half Hourly
IWA	Initial Written Assessment
NHH	Non-Half Hourly
PAB	Performance Assurance Board
PAF	Performance Assurance Framework
RAB	Risk Assessment Board
REG	Risk Evaluation Group
SAA	Settlement Administration Agent
SMRA	Supplier Meter Registration Agent
SVA	Supplier Volume Allocation

Acronym	Definition
SVAA	Supplier Volume Allocation Agent
SVAAO	Supplier Volume Allocation Agent Operations
TAA	Technical Assurance Agent
VASMG	Volume Allocation Standing Modification Group

5 DOCUMENT CONTROL

5.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	29/09/06	Katie Wilkinson	David Jones Adam Richardson	For technical review
0.2	06/09/06	Katie Wilkinson	Sarah Jones	For technical review
0.3	06/09/06	Katie Wilkinson	David Jones Adam Richardson Sarah Jones	For quality review
1.0	06/10/06	Change Delivery		For Panel decision

5.2 References

Ref.	Document Title	Owner	Issue Date	Version
Reference 1	Findings of the PAF Review v1.0	ELEXON	07/08/06	1.0
Reference 2	Appendices to the Findings of the PAF Review v1.0	ELEXON	07/08/06	1.0

5.3 Intellectual Property Rights, Copyright and Disclaimer

This document contains materials the copyright and other intellectual property rights in which are vested in ELEXON Limited or which appear with the consent of the copyright owner. These materials are made available for you to review and to copy for the purposes of your establishment or operation of or participation in electricity trading arrangements under the Balancing and Settlement Code ("BSC"). All other commercial use is prohibited. Unless you are a person having an interest in electricity trading under the BSC you are not permitted to view, download, modify, copy, distribute, transmit, store, reproduce or otherwise use, publish, licence, transfer, sell or create derivative works (in whatever format) from this document or any information obtained from this document otherwise than for personal academic or other non-commercial purposes. All copyright and other proprietary notices contained in the original material must be retained on any copy that you make. All other rights of the copyright owner not expressly dealt with above are reserved.

No representation, warranty or guarantee is made that the information provided is accurate, current or complete. Whilst care is taken in the collection and provision of this information, ELEXON Limited will not be liable for any errors, omissions, misstatements or mistakes in any information or damages resulting from the use of this information or any decision made or action taken in reliance on this information.

APPENDIX 1: MODIFICATION PROPOSAL

Modification Proposal – BSCP40/06	MP No: 207 (mandatory by BSCCo)
Title of Modification Proposal <i>(mandatory by originator)</i> : Introduction of a new governance regime to allow a risk based Performance Assurance Framework (PAF) to be utilised and reinforce the effectiveness of the current PAF	
Submission Date <i>(mandatory by originator)</i> : 29 September 2006	
<p>Description of Proposed Modification <i>(mandatory by originator)</i></p> <p>This Modification proposes to introduce appropriate new governance arrangements to allow a risk based Performance Assurance Framework (PAF) to be utilised and to reinforce the effectiveness of the current PAF. It builds on the work undertaken in the recent PAF Review.</p> <p>First the proposal requires a statement in the Code that defines the purpose of the SVA assurance arrangements. Such a statement is to be in the form of SVA Assurance Objectives and is to be effectively the same as points (A) and (B) below:</p> <p><i>The SVA Assurance regime should provide assurance that:</i></p> <ul style="list-style-type: none"> <i>A) energy is allocated efficiently and equitably between Suppliers, to an acceptable level of accuracy, that is derived from the aggregated consumption of Metering Systems for which each Supplier is responsible; and</i> <i>B) participants act as good stewards of Metering System data, delivering efficient and effective transfer of this data between Suppliers and Supplier Hubs and supporting the equitable allocation of energy.</i> <p>In addition, the proposal will introduce two new roles which could be called (and for the purposes of this proposal shall be called) the Risk Evaluation Group (REG) and the Risk Assurance Board (RAB). These roles may be performed by creating new Panel Committees or by modifying the role of an existing Panel Committee such as the Performance Assurance Board (PAB). Potentially the roles could be carried out by one or two different Panel Committees, however, if it is able to be one, the Panel Committee must have the two roles distinctly and separately detailed in the Code.</p> <p>The REG would be responsible for identifying, assessing and prioritising the risks that occur in the SVA market on the basis of their potential impact on the achievement of the SVA Assurance Objectives set out above. The general nature of the REG's functions/roles shall be contained in the Code and this shall include a requirement for the REG to consult with the industry on its proposed conclusions. The methodology for identifying, assessing and prioritising risk will be devised by the REG at its discretion. The REG would also recommend the level of performance standards that are applicable to Suppliers and their Agents.</p> <p>The RAB would be responsible for developing and delivering an operational plan detailing which assurance techniques from the current assurance techniques are to be deployed as against those risks which have already been identified by the REG. The RAB will also be able to determine at its discretion those participants in respect of whom particular assurance techniques should be utilised. The general nature of the RAB's functions/roles shall be contained in the Code.</p> <p>It would be for the Modification Group to consider whether the REG and the RAB ought to be two distinct bodies with different memberships and whether the current PAB could evolve into the RAB to provide continuity from the current arrangements.</p> <p>The REG (and possibly in some circumstances the RAB) would be able to raise Modifications or make</p>	

Modification Proposal – BSCP40/06

MP No: 207
(mandatory by BSCCo)

recommendations to the BSC Panel that changes to the Code or Code Subsidiary Documents (CSDs) should be made. Such proposals could be in respect of assurance matters, including but not limited to performance standards and/or in relation to the suite of assurance techniques which are to be deployed.

Given that a new governance regime is being proposed in respect of the PAF, changes will also be required to the Code to remove any incompatible existing governance arrangements relating to the current PAF, including those functions currently performed by the Performance Assurance Board (PAB).

This proposal also seeks to ensure that the effectiveness of the assurance framework would be evaluated and reported to BSC Parties on a regular basis (potentially annually).

The role of the BSC Panel under the proposed governance regime would, amongst other things, be to oversee the delivery of the regime and could act as a point of escalation in respect of participants who continuously breach the Code (i.e. are in continuous or repeated non-compliance).

A possible example of the practical application of the risk based assurance regime is attached to this proposal at Appendix A (this proposal was drafted by the Core Working Group (CWG) and was included in the PAF Final Report as Appendix F).

The new governance arrangements when introduced will utilise and apply the current assurance techniques available under the Code. Changes to such techniques will therefore be required only to the extent necessary to ensure that the current assurance techniques are compatible and are able to be deployed with the new governance arrangements and the risk based approach described in the proposal.

To avoid any doubt, it is not the intention that new assurance techniques or substantially amended current assurance techniques are introduced via this proposal. Any additional assurance techniques or substantially altered assurance techniques would need to be introduced via separate Modifications and Change Proposals.

It is envisaged that the performance assurance of CVA Systems would also fall under the remit of the new governance regime as to have two separate governance and assurance regimes would be less efficient and effective and would give rise to an element of duplication and inconsistency in the treatment of like situations. It may be that in order to define the purpose of the CVA Systems assurance a CVA Assurance Objective(s) will need to be developed to provide guidance.

Description of Issue or Defect that Modification Proposal Seeks to Address *(mandatory by originator)*

Since 1998, considerable experience has been gained regarding the operation of the SVA arrangements. Over this time, however, there have still been a number of significant issues that have arisen which materially impact the accuracy of Settlement. In addition, there have been a multitude of non compliances where the significance or materiality or risk in relation to Settlement is thought to be low.

A review of the PAF was launched in August 2005. The CWG carrying out this review concluded that there are weaknesses in the current PAF which justify change, particularly in the way assurance is governed.

By way of background, the circumstances within which the PAF operates have changed considerably since the SVA arrangements were originally designed. At that time there was a need to mitigate possible risks arising from the initial implementation of a completely new set of industry processes; there was also uncertainty over how Suppliers would operate under the new arrangements.

A comprehensive PAF was therefore put in place, with considerable emphasis on ensuring compliance with all aspects of the SVA arrangements by Suppliers and their Agents. With the advent of the New Electricity Trading Arrangements (NETA), this framework was transferred into the Code.

Consequently, the BSC Panel, the PAB and the associated PAF techniques are constrained in their operation by requirements set out in the Code and CSDs. These requirements oblige the BSC Panel and the PAB to monitor

Modification Proposal – BSCP40/06	MP No: 207 (mandatory by BSCCo)
<p>and audit compliance by participants with all aspects of the Code and to subsequently provide specific notifications and take defined actions in respect of all identified breaches of (i.e. non-compliance with) the Code. A governance regime and more tailored application of the assurance regime of the nature described in this proposal would be more efficient, effective and deliver better value as it would be able to take into account, as a priority, those significant or material issues and/or non-compliances and apply the relevant assurance techniques in a more focussed and productive way.</p> <p>Further, the Code contains no clear objectives against which to assess, on a continuing basis, whether the various non-compliances are significant. As such, under the current PAF it can be difficult to establish the significance of identified non-compliances, and the PAB has little discretion in choosing to disregard non-compliances (or give them a lower priority) where the significance, materiality, or risk to Settlement is low.</p> <p>The existing PAF is therefore considered to be inflexible, and does not necessarily focus on the most important issues. The Proposer considers that one outcome of this is that a number of important issues have remained unresolved over several years.</p> <p>The governance arrangements therefore should not only be flexible enough so that they can identify those risk areas which are seen as a priority but also be flexible enough so that its governing authority is able to deploy a flexible set of assurance techniques in a proportionate manner against those risks. This could be seen as more adaptable, effective and efficient.</p> <p>It is noted though that participants would still be obliged to comply with the Code and CSDs.</p> <p>The performance assurance of the CVA Systems would be better facilitated if they fell under the remit of the REG and RAB as it is felt that it would be inappropriate to have two different governance arrangements under the Code for performance assurance. A consistent approach to the SVA and CVA assurance regimes would be more effective and efficient.</p>	
<p>Impact on Code <i>(optional by originator)</i></p> <p>Changes are potentially required to the following sections of the Code:</p> <ul style="list-style-type: none"> ▪ Section B and Annex B-1 ▪ Section C ▪ Section H ▪ Section J ▪ Section L ▪ Section S and Annex S-1 ▪ Section W 	
<p>Impact on Core Industry Documents or System Operator-Transmission Owner Code <i>(optional by originator)</i></p> <p>None Identified</p>	
<p>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by originator)</i></p> <p>None identified</p>	

Modification Proposal – BSCP40/06	MP No: 207 (mandatory by BSCCo)
<p>Impact on other Configurable Items <i>(optional by originator)</i></p> <p>Changes are potentially required to all assurance related CSDs to ensure that a new governance regime which utilises a risk based approach is able to be deployed and further given this the current assurance techniques will also need to be compatible with the risk based approach. The current assurance related CSDs identified to date are:</p> <ul style="list-style-type: none"> ▪ BSCP533 'PARMS Data Provision' ▪ BSCP534 'PARMS Techniques' ▪ BSCP535 'Technical Assurance' ▪ BSCP536 'Supplier Charges' ▪ BSCP27 'Technical Assurance of Half Hourly Metering Systems for Settlement Purposes'. <p>Note that the CSDs relating to Entry Processes, Accreditation and Certification have not been included in this list since they are due to be withdrawn with the implementation of Approved Modification P197 'SVA Qualification Processes Review'.</p> <p>It may also be necessary to include a reference to the effect that the new governance regime is to follow a risk based assurance approach in a new or existing CSD.</p>	
<p>Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by originator)</i></p> <p>The risk-based assurance regime to be governed by the REG and the RAB (as described above) is considered to better facilitate Applicable BSC Objective (c) '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' by providing assurance that the REG and the RAB are able to identify and highlight risks which are seen as significant or material and hence that participants in the SVA arrangements concentrate efforts on resolving such risks such that:</p> <ul style="list-style-type: none"> ▪ the transfer of Metering Systems between Supplier Hubs is underpinned by improved data quality; and ▪ energy is allocated equitably between Suppliers. <p>Compliance with the requirements will be monitored by the REG/RAB. Over the course of time, addressing significant or material risks should make the Settlement process more efficient, reducing the overall costs of market operation. It should also encourage entry into the market of new participants with more robust systems and processes as their awareness of the materiality of existing risks would allow them to address, or, at the very least, mitigate those risks prior to market entry.</p> <p>Including the performance assurance of the CVA Systems under the REG and RAB would be seen to enhance its performance assurance as it would be consistent with the SVA arrangements and therefore be more effective and efficient. As a result it would promote more effective competition.</p>	
<p>Urgency Recommended: Yes / No <i>(delete as appropriate) (optional by originator)</i></p> <p>No</p>	
<p>Justification for Urgency Recommendation <i>(mandatory by originator if recommending progression as an Urgent Modification Proposal)</i></p> <p>N/A</p>	

Modification Proposal – BSCP40/06	MP No: 207 (mandatory by BSCCo)
Details of Proposer:	
<i>Name.....Carole Pitkeathley.....</i>	
<i>Organisation...energywatch.....</i>	
<i>Telephone Number.....0191 221 2072.....</i>	
<i>Email Address.....carole.pikeathley@energywatch.org.uk.....</i>	
Details of Proposer’s Representative:	
<i>Name.....Paul Savage.....</i>	
<i>Organisation.....energywatch.....</i>	
<i>Telephone Number.....0207 654 9490</i>	
<i>Email address.....paul.savage@energywatch.org.uk.....</i>	
Details of Representative’s Alternate:	
<i>Name.....</i>	
<i>Organisation.....</i>	
<i>Telephone Number.....</i>	
<i>Email address.....</i>	
Attachments: Yes / No <i>(delete as appropriate) (mandatory by originator)</i>	
If Yes, Title and No. of Pages of Each Attachment:	

Modification Proposal Appendix A

Overview of Governance Arrangements of a Risk Based Assurance Regime

1. Governance Overview

The proposed assurance framework is founded explicitly on the basis of ongoing risk identification, risk evaluation, and risk mitigation. The governance arrangements described below have been developed to enable an agreed set of assurance techniques to be deployed to mitigate the risk that SVA Assurance Objectives are not met.

Risk identification and evaluation would, in effect, provide a map of the level of risk across the SVA arrangements. A set of assurance techniques would then be chosen for deployment to mitigate the identified risks. Some of these techniques might be deployed across the SVA arrangements as a

whole, whilst others, reflecting a further risk assessment, might focus on individual participants (or type of participant).

Transparency would be of particular importance in building confidence that the assurance framework was being operated impartially and efficiently. The outcome of the risk assurance programme would be monitored and the results fed back into the risk identification and evaluation process.

BSC Panel

The role of the Panel would be to oversee the delivery of the assurance framework and to approve the key deliverables produced. The Panel would also act as a point of escalation for resolving issues. It may be envisaged that the Panel would also deal with participants that:

- fail to comply with the assurance framework;
- make an unacceptable contribution to the risk to SVA Assurance Objectives; or
- impact the SVA Assurance Objectives in a material or persistent way.

The CWG noted that it might be valuable to distinguish between the role of a "Risk Evaluation Group" (REG), whose task would be to reach a view on the significance of risks facing the SVA arrangements, and the role of a "Risk Assurance Board" (RAB) whose task it would be to deploy the appropriate assurance techniques required to mitigate these identified risks. The CWG noted that it need not be assumed that two separate bodies would perform these roles, or that it would be necessary to establish, for example, new BSC Panel committees; these would be matters for further consideration.

Risk Evaluation Group (REG)

This strategic role would be responsible for the identification and evaluation of key risks to the SVA Assurance Objectives that may arise from the processes set out in the BSC. The REG would be able to regularly assess the requirements for assurance, and would be able to take account of the views of Suppliers about the importance of particular issues.

The REG would be able to promote the development of the assurance regime by raising Modification Proposals or Change Requests, or at the very least be able to make recommendations to the Panel in this regard, for industry consideration as required. The CWG anticipates that this responsibility would be limited to matters of assurance rather than the Balancing and Settlement Arrangements as set out under the BSC. In this way the REG could adapt the techniques available for deployment by the RAB (see below) and the standards to which participants were measured in order to adapt the assurance regime to the changing needs of the industry.

It is envisaged that meetings of the REG would be held in open session and that industry participants would be able to comment on the work of the group through a process of formal consultation. The constitution of this group could comprise either:

- elected or Panel-appointed members that acted as independent experts reflecting an appropriate cross-section of industry participant functions; or
- Panel-appointed representatives from Trading Party organisations, each member representing his or her Trading Party.

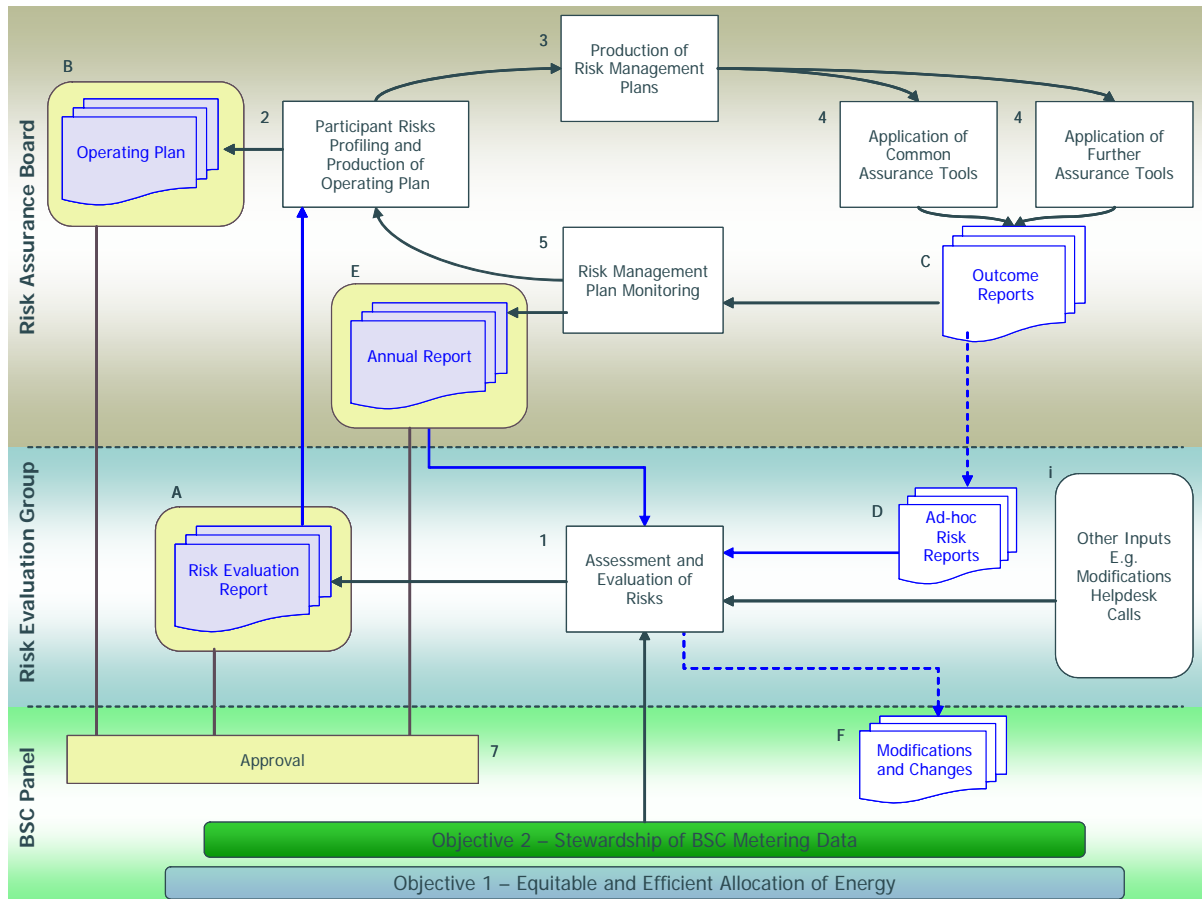
Risk Assurance Board (RAB)

This operational role would be responsible for the development and delivery of an operational plan designed to manage the risks identified by the REG. This work would encompass the application of the assurance techniques. It is envisaged that the flexibility of the risk-based assurance regime would be founded in the RAB's ability to deploy assurance techniques according to risk and that these responsibilities would be enabled by the BSC.

Much of the RAB's work would be confidential and meetings would be held in closed session. Members would act independently; that is, when appointed to the board by the Panel their role is that of industry expert; members would not represent the interests of their employer.

2. Operation Overview

The diagram below sets out one possibility for the practical application of a risk-based assurance regime under the governance set out above. Several key deliverables are referenced in this diagram. Each is described in the following section.



Phase 1: Identification and Evaluation of Risks

This task would be performed by the REG and would result in the production of a Risk Evaluation Report (RER). The REG would be responsible for the production of this report. Members of the industry would have an opportunity to contribute to the report through the formal consultation that would take place (at least once every year). Any changes to the SVA arrangements that are introduced each year (either via a Modification or a Change Proposal) would be reviewed by the REG and their impact on the RER would be assessed. In addition, whenever an Ad-hoc Risk Report is produced its impact on the RER would also be assessed. This is because Ad-hoc Risk Reports would be generated whenever new information about a particular risk or issue is collected or whenever a potential new risk or issue is identified. It is therefore likely that as well as an annual periodic review the RER would be reviewed and potential updated at various points throughout the year (e.g. to coincide with the implementation of an SVA Release).

Phase 2: Risk Assessment Decisions and Production of Operational Plan

This task would be performed by the RAB and would result in the production of the Operational Plan. This document is the RAB's formal response to the RER, setting out how the board intends to provide

assurance for those risks and issues identified, that is, what assurance techniques will be applied and how they will be applied; and the cost of providing that assurance (i.e. the anticipated costs of applying the assurance techniques). It is envisaged that the Operational Plan will be a non-confidential report that is approved by the Panel and published to the industry. The plan would be produced at least once annually but would also be reviewed whenever the RER was updated.

During this phase the RAB would determine the profile of risks for each participant. The participant risk profile would describe the extent to which the risks highlighted in the RER existed at that participant and would be based on:

- the participant's dimensions and portfolio of metering systems;
- an assessment of the participant's performance historically; and
- knowledge of the relevant control arrangements in place at the participant for each SVA process risk.

This information would be obtained from current market knowledge and the findings of any previously applied assurance techniques. For example, Qualification processes could provide information about an individual participant's control environment. Whilst the RAB may use this information to inform the development of its Operational Plan, it is not envisaged that the detail of participant risks would be published in the Operational Plan. Participant risk information would be considered further during phase 3 below. Appendix H provides further information regarding participant risks.

Phase 3: Production of Risk Management Plans

Following the assignment of participants' risks profiles, the RAB would translate the Operational Plan into individual Risk Management Plans (RMPs) setting out in more detail how preventative, detective, incentive and remedial assurance techniques would be deployed at each participant.

Phase 4: Application of Common and Further Assurance Tools

The application of common and further assurance techniques.

Common assurance techniques would be applied to all participants (or groups of participants, e.g. NHHDCs) in the same way and to the same extent. For example, the collection and reporting of Key Performance Indicator (KPI) data for specific business processes could be a common assurance tool, as all participants with the same role in that business process would have to provide the same monitoring data, e.g. all NHHDCs would have to provide data about the number of D0023 exceptions they received.

Further assurance techniques would only be applied where a participant significantly contributed to the existence of a risk or issue identified within the RER and may comprise targeted audits or escalation proceedings or similar.

It is anticipated that controls would be in place to ensure that the application of both common and further assurance techniques would be consistent, with participants in similar circumstances treated similarly by the RAB.

Whenever an assurance technique is applied, an Outcome Report would be produced detailing the findings. If new information is collected about an existing or potential new risk or issue then an Ad-hoc Risk Report would also be produced for review by the REG.

Phase 5: Risk Management Plan Monitoring

Performance against RMPs would be reported to the RAB. Where the application of an assurance tool provides further information about a participant's performance this would be used to update that participant's RMP. Where a participant is found to be failing against its agreed RMP, and this failing is

significant, escalation processes could allow for the RAB and ultimately the BSC Panel to be informed of the participant's poor performance in order that further provisions set out under the BSC may be applied in accordance with the powers of the RAB and the BSC Panel.

At the year-end the RAB would prepare an annual report for presentation to the Panel and the industry. The report would contain the results of the work performed by the RAB, particularly how successful it had been at providing assurance that the risks identified in the RER had been successfully mitigated. The bulk of the report would be concerned with the findings of the different assurance techniques that had been applied during the period and the results that had been obtained from the application of those techniques. This report could include details of those participants who were contributing significantly to the manifestation of a particular risk or issue, as well as league tables of how different participants perform in different areas. In addition, the report would also contain details of the cost of the provision of the assurance framework over the course of the year and how these costs compare to the costs set out originally in the board's Operational Plan; any deviations would be explained.

Summary of Key Deliverables

A number of documents produced by either the RAB or the REG are key to the model. The purpose of these documents and their frequency of production are set out in the table below.

Deliverable	Description	Frequency	Author	Approver	Distribution
(A) Risk Evaluation Report (RER)	Details all key risks and their relative importance (see below)	At least annually	REG	BSC Panel	All
(B) Operational Plan	The RAB's response to the RER detailing what actions it will take to mitigate the risks identified (see below)	At least annually	RAB	BSC Panel	All
(C) Outcome Reports	The findings of the technique that has been applied (e.g. audit issue documents)	Following the application of a tool	ELEXON, BSC Agent or subcontractor	RAB	Impacted participants, associated Suppliers, OSMs
(D) Ad-hoc Risk Reports	Reports of new risks that have been identified or where further information has been obtained about a known risk	Only when new risks or information is identified following the application of a technique	ELEXON, BSC Agent or subcontractor	REG	All
(E) Annual Report	Details how effective the RAB has been at mitigating the risks identified in the RER (see below)	At least annually	RAB	BSC Panel	All

Deliverable	Description	Frequency	Author	Approver	Distribution
(F) Modifications and Change Proposals or Recommendation to the Panel for the same.	Changes to assurance techniques, standards etc. raised under BSC Section F.	As required when potential improvements identified by the REG or noted to the REG by the RAB via ad-hoc risk reports above.	REG	As per industry process	As per industry process
Risk Management Plans	Details the assurance techniques that will be deployed at a participant based upon an assessment of the risks that the participant presents to the SVA Assurance Objectives	At least annually and revised as necessary	RAB	RAB	Impacted participants , associated Suppliers, OSMs

APPENDIX 2: INITIAL ASSESSMENT OF IMPACTS OF MODIFICATION PROPOSAL

An initial assessment has been undertaken by BSCCo in respect of all BSC Systems, documentation and processes. The following have been identified as being potentially impacted by P207.

a) Impact on BSC Systems and Processes

BSC System / Process	Potential Impact of Proposed Modification
Performance Assurance	The Performance Assurance process is substantially impacted as Performance Assurance will be based on risks as opposed to ensuring that all requirements in the BSC are complied with.

b) Impact on BSC Agent Contractual Arrangements

BSC Agent Contract	Potential Impact of Proposed Modification
LogicaCMG (TAA)	The TAA is potentially affected by P207 if the scope of Technical Assurance of Metering Systems becomes based on ‘at risk’ areas that are re-assessed on a regular basis. Contracted services will need to have flexibility built into Service Descriptions in order to be able to vary the scope and scale of work undertaken from time to time in line with an industry assessment of risk. The TAA may also have to redeploy their activities to adjust to any transitional arrangements.
PwC (BSC Auditor, Certification Agent)	The BSC Auditor is potentially affected by P207 if the scope of the BSC Audit becomes based on key ‘at risk’ areas that are re-assessed on a regular basis. Contracted services will need to have flexibility built into Service Descriptions in order to be able to vary the scope and scale of work undertaken from time to time in line with an industry assessment of risk. The BSC Auditor may also have to redeploy their activities to adjust

BSC Agent Contract	Potential Impact of Proposed Modification
	<p>to any transitional arrangements.</p> <p>The Certification Agent is potentially impacted in the cut over period between the implementation of P197 and the run off of the Certification Process, should the Modification Group determine that changes to the Certification Process are required under P207.</p>

c) Impact on BSC Parties and Party Agents

BSC Parties and Party Agents are currently subject to a range of performance assurance techniques and so will be impacted by the extent of performance assurance applied to them. Parties and Party Agents will need to input into the risk assessment process to help determine what the 'at risk' areas of Settlement are and will redeploy their activities to adjust to any transitional arrangements. Parties will also be consulted on the results of the risk assessment

d) Impact on Transmission Company

No impact identified.

e) Impact on BSCCo

Area of Business	Potential Impact of Proposed Modification
Performance Assurance	<p>The Performance Assurance Team would have to manage the performance assurance process differently, ensuring that the techniques are applied in line with the risk assessment.</p> <p>More work / analysis may be required to determine (and monitor) the 'at risk' areas of Settlement depending on the process developed by the relevant Panel Committee.</p>
Governance	<p>BSCCo may need to set up one or two new Panel Committees if the risk evaluation and risk assessments roles are not taken on by the Panel or the PAB. BSCCo would also have to provide chairman and secretariat support to these committees.</p> <p>BSCCo will need to support the Panel or Panel Committees responsible for the risk evaluation and risk assessment in producing the deliverables required by the new PAF regime.</p>
Communications	<p>BSCCo would be required to update the BSC Website, guidance notes and information sheets.</p> <p>BSCCo would also be required to provide education of the new PAF to the industry and Panel and Panel Committees.</p>
Qualification	<p>The Qualification Service which is to be introduced by Approved Modification P197 and provided by BSCCo via a Service Provider is potentially affected by P207 if the requirements and scope of work becomes based on 'at risk' areas that are re-assessed on a regular basis.</p>

f) Impact on Code

Code Section	Potential Impact of Proposed Modification
B 'The Panel'	Section B may need to be amended to remove references to the PAB and insert references to the Panel or new Panel Committees.
C 'BSCCo and its Subsidiaries'	Section C may need to be amended to ensure that the requirements in relation to monitoring Parties to check that they are not in Default or likely to go into Default are compatible with a risk based approach to assurance.
D 'BSC Cost Recovery'	Section D may need to be amended as there are references to the PAB in this section.
H 'General'	Section H may need to be amended to ensure that the requirements in relation to the BSC Audit are compatible with a risk based approach to assurance. References to defaults may also need to be amended to allow the Panel and Panel Committees to be more flexible.
J 'Party Agents'	Section J may need to be amended as there are references to the PAB in this section.
L 'Metering'	Section L may need to be amended to ensure that the requirements in relation to the Technical Assurance of Metering Systems are compatible with a risk based approach to assurance.
S 'Supplier Volume Allocation'	Section S may need to be amended to ensure that the requirements in relation to Performance Standards and Supplier Charges are compatible with a risk based approach to assurance.
X 'Definitions and Interpretation'	New definitions in relation to the risk based approach to Performance Assurance may be required and references to the PAB may require revision.

g) Impact on Code Subsidiary Documents

Document	Potential Impact of Proposed Modification
BSCP27 'Technical Assurance of Half Hourly Metering Systems for Settlement Purposes'	BSCP27 will have to be reviewed and amended to ensure that the Technical Assurance of Metering Systems is compatible with a risk based approach to assurance.
BSCP511 'Entry Processes – Supplier Meter Registration Service'	This BSCP will continue in operation for nine months after the Implementation Date of P197. It will have to be reviewed to ensure that it is compatible with a risk based approach to assurance.
BSCP512 'Entry Processes – Supplier'	This BSCP will continue in operation for nine months after the Implementation Date of P197. It will have to be reviewed to ensure that it is compatible with a risk based approach to assurance.
BSCP531 'Accreditation'	This BSCP will continue in operation for nine months after the Implementation Date of P197. It will have to be reviewed to ensure that it is compatible with a risk based approach to assurance.
BSCP533 'PARMS Data Provision'	BSCP533 will have to be reviewed and amended to ensure that it is

Document	Potential Impact of Proposed Modification
	compatible with a risk based approach to assurance.
BSCP534 'PARMS Techniques'	BSCP534 will have to be reviewed and amended to ensure that it is compatible with a risk based approach to assurance.
BSCP535 'Technical Assurance'	BSCP535 will have to be reviewed and amended to ensure that it is compatible with a risk based approach to assurance.
BSCP536 'Supplier Charges'	BSCP536 will have to be reviewed and amended to ensure that it is compatible with a risk based approach to assurance.
BSCP537 'Qualification'	BSCP537 is a new BSCP which will be introduced with the implementation of Approved Modification P197. BSCP537 will have to be reviewed and amended to ensure that it is compatible with a risk based approach to assurance.
Party Service Lines	The Party Service Lines will have to be reviewed to ensure that they are compatible with a risk based approach to assurance.
BSC Auditor Service Description	The BSC Auditor Service Description will need to be updated to ensure that it is flexible enough to allow a risk based approach to assurance.
Certification Agent Service Description	The Certification Agent Service description may need to be updated if it is concluded that any changes to its roles to ensure that it is flexible enough to allow a risk based approach to assurance are required before this service becomes redundant.
TAA Service Description	The TAA Service Description will need to be updated to ensure that it is flexible enough to allow a risk based approach to assurance.
Other CSDs	A review of other CSDs will be to be undertaken to ensure that any references to the PAB are replaced by an appropriate other body, if the PAB ceases to exist following the implementation of P207.

h) Impact on Core Industry Documents and Other Documents

No impact identified.

i) Impact on Other Configurable Items

No impact identified.

j) Impact on BSCCo Memorandum and Articles of Association

No impact identified.

k) Impact on Governance and Regulatory Framework

No impact has been identified on the governance and regulatory framework. Whilst the title of P207 refers to the introduction of a new governance regime, this would be within the BSC. It is not envisaged that P207 would impact the governance and regulatory framework outside of the BSC.

APPENDIX 3: COSTS AND TIMETABLE FOR PROGRESSION**ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL⁶**

Meeting Cost	£1,500
Legal/Expert Cost	£0
Impact Assessment Cost	£5,000
ELEXON Resource	75 Man Days £21,500

⁶ Clarification of the meanings of the cost terms in this appendix can be found on the BSC Website at the following link:
http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

