4.5 MP Form

Modification Proposal – BSCP40/03	MP No: P251 *(mandatory by BSCCo)*

Title of Modification Proposal

Revision of the election process for BSC Panel Industry Members

Submission Date

01 February 2010

Description of Proposed Modification

This proposal seeks to improve the process for election of the BSC Panel Industry Members by adopting the Single Transferable Voting methodology recommended by the Electoral Reform Society for any election to multiple vacancies[1,2]. (For multi-winner elections such as the Panel, sometimes called proportional representation through the single transferable vote, PR-STV).

Currently one Trading Party per trading party group can participate in the election of Industry Panel Members (currently not more than five in accordance with B 1.1.2(b)) and this proposal does not intend any change to this aspect of the process. Each voting Trading Party may express a first and if desired second and third preference, though the same candidate cannot receive more than one preference vote in a voting paper; this also would not change. However presently votes are not transferable.

Under STV, each voter gets one vote, which can transfer from their first preference to their second preference and so on, as necessary. As at present, candidates wouldn't need a majority of votes to be elected, just a 'quota', i.e. share of the votes. This would be determined by the size of the electorate (T) and number of positions to be filled (N) using the formula Q = T/(N+1), widely used in political science and as recommended for Single Transferable Voting by the Electoral Reform Society, replacing the current formula of Q = (T/N)+1.

If a voting Party's preferred candidate has either no chance of being elected or has enough votes already, their vote is transferred to another candidate in accordance with their preferences. STV thus minimises waste, and also minimises the number of unrepresented votes. Some proposals can affect Parties disproportionately, so it is particularly important that the Panel industry membership reflects the spread of votes cast.

Subject to approval, this amendment should be implemented as soon as possible, ideally to see the improved voting methodology introduced ready for the October 2010 Panel election.

e.g[3].

5 places, 9 candidates, 647 votes: Q = 647/6 = 108 (only 5 candidates can reach 108; versus current Q = (647/5)+1 = 130, which could only be reached by 4 candidates). If a candidate was elected with 144 first preference votes, 36 votes are surplus to the quota required. Surplus votes of this and any other candidates who have met the quota are then transferred proportionately to other candidates, according to voters' second choices. E.g. in this case the relevant candidates each receiving 36/144 of the number of second preferences they received on the 144 papers. After this transferral, any other candidates who now have 108 votes are also elected. When any/all surpluses have been transferred, if places remain to be filled the candidate with the fewest votes is excluded, and their votes also transferred to their second preference (or third if the paper shows a person elected in round one as second preference).

i.e. the process of Elect & Transfer, Elect & Transfer or Exclude & Transfer continues until all places are filled.

[1] http://www.electoral-reform.org.uk/article.php?id=48 ;

[2] http://www.electoral-reform.org.uk/oldsite20070123/votingsystems/stvrules.htm

[3] http://www.electoral-reform.org.uk/downloads/what%20is%20stv.pdf

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Description of Issue or Defect that Modification Proposal Seeks to Address

Modification P206 led to publication on the ELEXON website of vote totals in the BSC Panel elections, without divulging individual Parties' preference votes. However, while such transparency was a step forward, the voting system currently used for the election of Industry Panel Members could be improved. Currently:

1. A minority of papers can decide the majority of positions.
2. Some voters' wishes may not be reflected in the outcome, e.g. third preference votes are not considered in the event of tie in the further round, while all votes for unsuccessful candidates are wasted.
3. Candidates with a majority of second/third preference votes can be elected instead of candidates with a majority of first/second preference votes.

The former can occur due to the exclusion of papers from the second round if their 1st choice was elected in the first round, or third round if their 1st or 2nd choice was elected in former rounds, a step that seems likely to encourage tactical voting and has the perverse outcome not of improving proportionate representation but enabling the opposite situation, for minority views to determine more of the places. E.g. if one candidate was elected by a large majority in the first round and these papers excluded, the second round count being of both 1st and 2nd choices from the minority of papers eligible for the second round could decide three places. Depending on the spread of votes potentially most of these voters could see both their 1st and 2nd choices elected whereas the 1st choice only from those papers excluded from that round may have been elected.

For one remaining place a further round would have to take place. While counting all papers, a further round does not calculate a quota, effectively more of a 'First Past The Post' method, ranking remaining candidates by the number of 1st, 2nd and 3rd preference votes received. If only one paper's 1st choice has not yet been elected, this one 1st preference vote from one party could thus be elected over a candidate with a far higher number of second and/or third preference votes overall. This may have merit, but if two or more remaining candidates tie in 1st preferences, although 2nd preferences are considered, if there are matching numbers of 1st and 2nd preference votes, 3rd preferences are ignored, instead lots drawn by ELEXON. While it may be acceptable for a tie between candidates with absolutely matching preference totals to be decided by chance, it seems unfair that even if a candidate has a clear majority of 3rd preference and thus total votes, it will still be chance whether they are elected or not. This also means that 3rd preference votes for these candidates, as well as all votes for unsuccessful candidates will have been cast in vain.

That Parties do not realise the importance under the current process of expressing 2nd and potentially 3rd preference votes (notwithstanding the overlooking of the latter in the further round) was perhaps indicated by the 2008 election. On that occasion 35 of 59 papers (with 59 1st, 49 2nd, and 30 3rd preference votes) led to the election of two candidates in the first round, leaving 24 papers for consideration in the second. However these contained only 31 1st and 2nd second preferences meaning that 17 of 24 had not indicated more than a first choice. One place was decided by this second round, but had only 5 of these 17 listed a second preference a fourth candidate could also have been elected. As it was, the election of the third Panel member and exclusion of all papers which had 1st or 2nd preference votes for those elected meant that only one paper was eligible for the third round, meaning a further stage as whether this contained only a 1st or also 2nd and 3rd preference no quota could be reached. Luckily in this instance there was no tie between the three remaining candidates, but as currently further rounds overlook 3rd preferences (hence none of 2008's 3rd preferences were considered), a slight difference in the voting pattern could have led to 2 of the 5 industry Panel members being decided by chance rather than any 3rd preferences expressed.

The third point can also result from the current formula. E.g. 5 places, 6 or more candidates, 50 papers with 10 1st preference votes each for 5 candidates: under $Q = (T/N)+1 = 11$ these five would not be elected in the first round (compared with $Q = T/(N+1) = 8.3$ i.e. 9). Another one or two candidate(s) could achieve the second round quota of Q' on 2nd preferences alone and be elected ahead of all these five, even though all the voters who gave them those 2nd preferences would have preferred one of the original five. Similarly on third preference votes.

A multitude of outcomes can be envisaged and no system is perfect, but the adoption of the widely used and recommended system of Single Transferable Voting would help address these issues and ensure an outcome that better reflects the votes of the electorate.

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Impact on Code *(optional by originator)*
Sections 3 and 4 of Section B Annex B-2 shall be impacted as a result of updating the election process.

Impact on Core Industry Documents or System Operator-Transmission Owner Code *(optional by originator)*
None expected.

Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties (*optional by originator)*
None expected.

Impact on other Configurable Items (*optional by originator)*
None expected.

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Justification for Proposed Modification with Reference to Applicable BSC Objectives *(mandatory by originator)*

This Modification Proposal is a straightforward governance improvement. The BSC Panel exercises judgement on proposed amendments to the Code and makes direct recommendations to the legislated Authority. It is thus highly influential and its decisions can affect BSC Parties profoundly. As such and in line with overall good governance principles, election of candidates to the Panel should be objective and transparent. With the prospect of a greater degree of self-governance in the future, Parties must be confident that governance arrangements including the election of members to the Panel itself are robust.

The adoption of a standard Single Transferable Voting system would have the following benefits:

a) Using the methodology recommended as 'best practice' for a multi-winner election such as the BSC Panel would be a step forward in good Code Governance
b) Such a standard methodology should inspire confidence in Parties and encourage participation.
c) Tactical voting would not be encouraged as it may be by the present system.
d) Results would better reflect votes cast, further encouraging participation and engagement with the BSC as a whole.

Using a standard, widely recognised and robust methodology instead of the particular arrangements currently in place should make the elections more accessible for market participants, potentially incentivising participation by more voting Parties. STV would ensure an outcome that best reflects the votes of the electorate and stands closer scrutiny. This would improve democratic accountability, progressing the move towards best practice in Code Governance. Such improved efficiency in governance will better facilitate the achievement of Objective **D:** promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

Ensuring the Industry Panel membership more accurately reflects the expertise voted for by the entire electorate may also help ensure a balance of relevant experience amongst Panel Industry members, as well as encouraging engagement from Parties. Improving accessibility and transparency of the process, removing the current disincentive of excluding some papers and related incentive for tactical voting, could also be expected to further increase engagement with Code administration, potentially the modification process as well as elections themselves. The proposed modification should thus also better facilitate Objective **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.

Urgency Recommended: No *(optional by originator)*

Justification for Urgency Recommendation *(mandatory by originator if recommending progression as an Urgent Modification Proposal)*
n/a

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Attachments: No *(mandatory by originator)*

If Yes, Title and No. of Pages of Each Attachment: