

## Stage 01: Initial Written Assessment

# P252

# Removal of Trading Parties' ability to submit two votes at elections of BSC Panel industry members

This proposal seeks to remove the ability of Trading Parties to cast two votes in the BSC Panel elections (one per Energy Account) and instead allow them one vote per Trading Party.



ELEXON recommends:  
Modification P252 should be submitted to 1 month Assessment



High Impact:  
BSC Parties voting for their representatives in the Panel elections



Low Impact:  
ELEXON

What stage is this document in the process?

**01** Initial Written Assessment

**02** Definition Procedure

**03** Assessment Procedure

**04** Report Phase

166/08

P252  
Initial Written Assessment

5 March 2010

Version 1.0

Page 1 of 7

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## Contents

<b>1</b>	<b>Why Change?</b>	<b>3</b>
<b>2</b>	<b>Solution</b>	<b>4</b>
<b>3</b>	<b>Applicable BSC Objectives</b>	<b>4</b>
<b>4</b>	<b>Proposed Progression</b>	<b>5</b>
<b>5</b>	<b>Likely Impacts</b>	<b>6</b>
<b>6</b>	<b>Recommendations</b>	<b>7</b>
<b>7</b>	<b>Further Information</b>	<b>7</b>
	Attachment A – P252 Modification Proposal	7
	Attachment B – P252 Proposed Legal Text	7

## About this document:

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 11 March 2010. The Panel will consider the recommendations and agree how to progress P252.

Further information is available can be found in:

- Attachment A - P252 Modification Proposal; and
- Attachment B - P252 Draft Legal Text



### Any questions?

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166/08

P252  
Initial Written Assessment

5 March 2010

Version 1.0

Page 2 of 7

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# 1 Why Change?

## Current Issue

Under the current Panel election voting process, **Trading Parties** are entitled to submit one vote for each Energy Account that they hold, Production and/or Consumption. Since each Trading Party will always have a Production and Consumption account it means that they will always have two votes.

There is an argument that not all Trading Parties understand this element of the Panel election process. This is supported by the figures for the 2008 elections which showed 59 votes received from 31 Trading Parties. It is clear that not all Trading Parties used both their votes (although the rationale from for this behaviour cannot be inferred).

The proposer argues that regardless of the reason of why Trading Parties do not use both votes, the existence of the ability to cast two votes creates a number of issues:

- The current process does not reflect the principle of one party, one vote. The existence of Production and Consumption Accounts does not reflect a relevant distinction in the election of BSC Panel Members in respect of either the objectives of the Panel or its duties and powers. There is therefore no need for Trading Parties to have two votes;
- There is anecdotal evidence that the ability of Trading Parties to cast two votes has in the past lead to tactical voting with a view to maximising the number of seats secured for a particular interest or constituency. Thus aligned Trading Parties could vote their production accounts one way, and consumption accounts another; and
- The proposal would improve overall BSC governance by improving the accuracy with which industry Panel membership reflects the views of the electorate, making the process more accessible and transparent, and establishing better democratic accountability through 'one party, one vote'.

## Related change

The issue raised by P252 was first identified under [P251](#) 'Revision of the election process for BSC industry panel members'. P251 is a [Pending](#) Modification Proposal which also addresses the election of BSC Panel industry members. It is however targeted at a different aspect of this process, and the issue of as P251 does not address the number of votes cast by a Trading Party and this issue is out of its scope.



### Trading Party

The following roles fall within the participation capacity of Trading Party:

- Suppliers
- Generators
- Interconnector Users
- Interconnector Error Administrators
- Non-Physical Traders

166/08

P252  
Initial Written Assessment

5 March 2010

Version 1.0

Page 3 of 7

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## 2 Solution

P252 seeks to amend the Panel election process so that each Trading Party only receives one vote. Currently:

- Section B of the BSC states:  
Trading Parties may appoint up to five persons as Panel Members by election in accordance with Annex B-2
- Annex B-2 states:  
3.1.2 Subject to paragraph 3.1.3, each Trading Party may submit one voting paper for each Energy Account which is held by that Trading Party.  
3.1.3 Only one Trading Party (the “voting” Trading Party) in a **trading party group** may submit voting papers.

P252 would amend Annex B2 3.1.2 to state:

- Subject to paragraph 3.1.3 each Trading Party may submit one voting paper.

The proposer believes this would improve the governance of the current arrangements by removing a distinction which does not reflect genuinely different constituencies and by reducing the opportunity it provides for organised tactical voting.



### trading party group

A 'trading party group' means a Trading Party and every Affiliate of that Trading Party.

## 3 Applicable BSC Objectives

### Proposer's initial view of benefits of P252 against the Applicable BSC Objectives

Description of Objective	Identified benefit
a) Efficient discharge of the Transmission Licence obligations.	None identified.
b) Efficient, economic and co-ordinated operation of the GB transmission system.	None identified.
c) Promoting effective competition in the generation and supply of electricity and in the sale and purchase of electricity.	<p>By removing the ability to vote twice, this proposal would enable the voting process to reflect the principal of one party, one vote. Production and Consumption Energy Accounts do not represent different constituencies but rather a potential distortion to the voting process. Removing this distortion would make it easier for parties to participate in election process.</p> <p>The proposal would also remove a facility for organised tactical voting. This not only increases competition as it means all parties votes are equal. But in turn this could be expected to help ensure that the Industry Panel membership more accurately reflects expertise voted for by the electorate and to encourage engagement by Parties with Code administration, with a potential positive influence on the modification process and its outcomes.</p>

166/08

P252  
Initial Written Assessment

5 March 2010

Version 1.0

Page 4 of 7

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d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.	Eliminating Trading Parties' ability to vote twice in elections for BSC industry panel members should help to produce a result which is a better reflection of the views of the electorate by reducing the impacts of organised tactical voting. This should improve democratic accountability and incentivise greater participation and therefore improve overall governance of the Code.
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## 4 Proposed Progression

It is recommended that P252 be considered by the P251 Modification Group (drawn from members of the Governance Standing Modification Group).

As noted earlier in this report, P252 is closely associated with P251, which also addresses a perceived defect in the Panel election process. Whilst progressing P251 the Modification Group discussed the issue of Trading Parties having two votes and questioned if this could be resolved under the scope of P251. Unfortunately this issue was out of scope of the Modification.

As indicated in the timetables below, P251 Assessment Report will be presented to the Panel on 8 April so that it can be sent to the Authority for decision in May. This is required so an Authority decision can be made in time to impact this years Panel elections process which begins in late June. For this reason P252 would also be required to be sent to the Authority in May. Therefore we believe P252 should be progressed in parallel to P251.

The timetable for progression is detailed below. As will be noted the P252 will be sent to Assessment Consultation for 5 WD after the Modification Group's discussion following the Panel meeting on 11 March. These timescales are tight. To help mitigate this issue we have highlighted P252, via P251, to the industry and requested they begin considering a response before the consultation reaches them following the Panel.

Event	Date
P251 Assessment Consultation	8 - 19 March 2010
P252 IWA to be presented to the Panel	11 March 2010
P252 MG confirm consultation questions and objectives	12 March 2010
P252 Assessment Consultation	12 - 19 March 2010
P251/P252 MG discuss consultation response	23 March 2010
P251/P252 Assessment Reports presented to the Panel	8 April 2010
Issue Report Phase Consultations	12 April 2010
Report Consultation responses due	26 April 2010
Draft Reports presented to the Panel	13 May 2010

It is estimated that progressing P252 will take 3 ELEXON Man Days equating to £720.

166/08

P252  
Initial Written Assessment

5 March 2010

Version 1.0

Page 5 of 7

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## 5 Likely Impacts

### Impact on BSC Systems and process

BSC System/Process	Potential impact
BSC Systems	None

### Impact on BSC Agent/service provider contractual arrangements

BSC Agent/service provider contract	Potential impact
BSC Agent/service providers	None

### Impact on BSC Parties and Party Agents

All Trading Parties (generators, Suppliers, non-physical traders, Interconnector Error Administrators and Interconnector Users) are eligible to vote in Panel elections and will be equally impacted by this Modification Proposal.

### Impact on Transmission Company

None. The Transmission Company is not eligible to vote for Industry Panel Members, as it appoints its own member of the Panel.

### Impact on ELEXON

Area of ELEXON's business	Potential impact
Panel administration	ELEXON would need to adopt the proposed solution for future Panel elections.

### Impact on Code

Code section	Potential impact
Section B	Annex B-2 will be impacted as a result of updating the election process.

### Impact on Code Subsidiary Documents

None

### Impact on Core Industry Documents and other documents

None

### Other Impacts

None

166/08

P252  
Initial Written Assessment

5 March 2010

Version 1.0

Page 6 of 7

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## 6 Recommendations

ELEXON invites the Panel to:

- DETERMINE that Modification Proposal P252 should be submitted to the Assessment Procedure;
- AGREE the Assessment Procedure timetable of 1 month, such that an Assessment Report will be completed and submitted to the Panel at its meeting on 8 April 2010;
- DETERMINE that the P252 Modification Group will be formed from members of the P251 Modification Group; and
- AGREE the Modification Group's Terms of Reference.

## 7 Further Information

More information can be found in:

Attachment A – P252 Modification Proposal

Attachment B – P252 Proposed Legal Text