

Standing Issue

Review of Elexon Governance and Funding Arrangements for New Business Opportunities	Issue: 40 <i>(mandatory by BSCco)</i>
Submission Date: 29 March 2011	
<p>Description of the Issue: BSCCo is unable to pursue new business development opportunities as it is precluded from doing so under Section C 1.2.2 of the code.</p> <p>The Governance Standing Group is asked to consider options for an appropriate governance framework to address the above Issue, including amongst other things;</p> <ol style="list-style-type: none">1) The extent to which Elexon should be permitted to pursue new business development opportunities,2) The process for setting budgets, authorising expenditure and ensuring effective accountability to BSC parties,3) Funding arrangements and the extent to which costs and risks should be allocated to BSC Parties that benefit from new business developments,4) How surplus income generated from new business development opportunities are used including (a) consideration of repayments to parties required to/choosing to fund such activities and/or (b) reductions to BSCCo charges,5) The separate accounting and ring fencing of new business activities from existing BSC activities, and whether new organisation or ownership structures are required,6) The respective roles of the Board and BSC Panel, the Transmission Company and Trading Parties for each of the points 1) to 5),7) An appropriate regulatory regime. <p>Crafting a new governance regime that meets the need of a range of stakeholders is not a straight forward task. It is therefore important that the diversity of stakeholder views is reflected in the membership of the Standing Group and we would ask the Panel to facilitate this. Active engagement by Ofgem in consideration of the Issue will also be vitality important given changes to the Transmission licence and the regulatory regime within which Elexon operates, may be required alongside changes to the BSC.</p> <p>It is envisaged that the Standing Group would consider and develop a number of viable governance proposals which could form the basis for one or more future modifications. As part of this process consideration should be given to the Elexon 'strawman' governance proposal, first presented at the February 2011 BSC Panel, alongside other viable options.</p> <p>Given this Issue primarily focuses on Elexon and the future role and aspirations of that business it is proposed that chair of the Standing Group considering this Issue should not be an Elexon employee or an existing contractor working for Elexon. Nor should the chair be an Industry Panel Member or an employee of a BSC Party or Party Agent.</p>	
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