

Stage 01: Recommendation to raise a Modification Proposal and Initial Written Assessment

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

Changes to BSC Section H 'Audit' and BSC Service Description for BSC Audit to reflect current Practice

This Modification Proposal seeks to align BSC Section H 'Audit' and the BSC Service Description for BSC Audit, to align them with current practice in time for the commencement of the new BSC Audit and Qualification Service Provider contract on 01 October 2013.

ELEXON recommends that the Panel:



- Raise the attached Modification Proposal;
- Progress directly to the Report Phase with a provisional view that it should be approved; and
- Progress as a Self-Governance Modification Proposal.



Low Impact:
BSC Panel and ELEXON

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About this Document

This is a recommendation from the Performance Assurance Board (PAB) to the Panel to raise a Modification Proposal.

We will present this recommendation to the Panel on 9 May 2013. If the Panel agrees to raise the Modification Proposal, this document also forms the Initial Written Assessment (IWA) and sets out how we believe the change should be progressed.

The Panel will consider the recommendations and agree whether to raise the Modification Proposal and, if so, how to progress it.

You can find further information in the attached Modification Proposal (Attachment A), draft BSC legal text (Attachment B), draft redlined changes to the BSC Service Description for BSC Audit (Attachment C) and summary table listing the changes to BSC Section H and BSC Service Description for BSC Audit (Attachment D).



Any questions?

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1 Why Change?

Summary of the Change

A number of recommended changes have been identified in the Balancing and Settlement Code ([BSC Section H5 'Audit'](#) and '[BSC Service Description for BSC Audit](#)', which require updating to ensure that the BSC and the Service Description align with current process and the new BSC Audit contract commencing on 01 October 2013.

The Performance Assurance Board (PAB) has recommended that this Modification is raised to take forward these changes.

What is the Issue?

The current BSC Audit contract comes to an end on 30 September 2013, with the new contract for the BSC Audit and Qualification Service Provider commencing on 01 October 2013. ELEXON is currently undertaking a competitive tender process to appoint the new BSC Auditor and Qualification Service Provider. As part of this process, ELEXON has reviewed the current requirements in BSC Section H5 'Audit' and the 'BSC Service Description for BSC Audit'.

Following the review, a number of minor changes have been identified that will ensure that the BSC and Service Description reflects current processes and service. The minor changes address any inconsistencies in terminology, add clarity and ensure that the BSC and Service Description relate to the proposed changes to the Audit Contract. The proposed changes will not have an impact on the delivery of the BSC Audit or on the Performance Assurance Parties subject to audit.

The proposed changes have undergone full internal and legal review to ensure that the Code and the Service Description align with the new contract. The proposed changes were considered and commented on by the PAB on 28 March 2013 ([PAB146/04](#)) where they agreed that a recommendation to raise a Modification should be brought to the Panel to take forward the changes.

It is worth noting that the final contract is yet to be negotiated so may change, however none of the proposed changes to the BSC or the BSC Service Description for BSC Audit will be affected by the contract negotiations.

2 Solution

Proposed solution

To reflect current processes and services, the minor changes identified in BSC Section H5 'Audit' and the 'BSC Service Description for BSC Audit' need to be made. The Proposed changes to the BSC and the Service Description can be found in Attachment B and C respectively. Further details and rationale for each change can be found in Attachment D.

The PAB recommends that the Panel raise the Modification Proposal in Attachment A, to align the BSC and the BSC Service Description for BSC Audit with current practice and the new BSC Audit and Qualification Service Provider contract from commencement on 01 October 2013.

In addition to the changes agreed by the PAB, as detailed in Attachment D, we have included a minor Housekeeping Change to BSC Section H, paragraph 5.3.1(a) which should read 'Administration', rather than 'Administrative'. We have also included minor Housekeeping Changes to the Service Description which consist of corrections to section number, cross references and a typographical error.

Applicable BSC Objectives

We believe that this Modification Proposal better facilitates Applicable BSC Objective (d) 'promoting efficiency in the implementation of the Balancing and Settlement arrangements'; as it removes any inconsistencies between current practice and what is described in the BSC and Service Description.

Implementation Costs

Implementation costs	
ELEXON effort	1 man day, equating to approximately £240
Service Provider costs	None
Total costs	Approximately £240

Impacts

Impact on BSC Parties and Party Agents

None – The Modification Proposal will have no impact on those subject to the BSC Audit as the changes will reflect current practice.

Impact on Transmission Company

None.

Impact on ELEXON

Minor impact to update the BSC Code Section and Service Description.

Impact on Code

Code section	Potential impact
BSC Section H - Audit Service Description -	Change will be required to implement the solution. The proposed changes to the Code and Service Description can be found in Attachment B and C respectively.

4 Proposed Progression

We recommend that, if the Panel raise this Modification, it progress as a Self-Governance Modification and proceed directly to the Report Phase.

Why directly to Report Phase?

The Panel has the ability to progress a Modification straight to the Report Phase where it considers it self-evident that the Modification Proposal better facilitates the Applicable BSC Objectives (BSC paragraph F2.2.4).

We believe that it is self-evident that inconsistencies currently exist in both the BSC and the BSC Service Description for BSC Audit. These inconsistencies should be corrected so that they reflect current process and to ensure that this documentation is consistent with the new BSC Audit and Qualification Service Provider contract.

Why Self-Governance?

A Modification Proposal can be progressed as Self-Governance if:

- The Panel believes that it satisfies the Self-Governance Criteria, and the Authority does not issue a contrary direction; and/or
- The Authority believes that it satisfies the Self-Governance Criteria and issues a notice to that effect.

The Modification Proposal has no material impact on consumers, competition, the Transmission System and/or BSC governance. There will be no impact on Parties or process as the Modification only corrects the known inconsistencies in the BSC and Service Description documentation and aligns them with current practice.

We therefore believe that this Modification Proposal meets the Self-Governance Criteria.

Implementation Approach

If the Panel agree to raise and approve the Modification Proposal, we recommend that it is implemented on the same day the new BSC Audit and Qualification Service Provider contract commences on 01 October 2013.



Self-Governance Criteria

(a) it is unlikely to have a material effect on:

(i) existing or future consumers;

(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity;

(iii) the operation of the national electricity transmission system;

(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and

(v) the BSC's governance procedures or modification procedures; and

(b) it is unlikely to discriminate between different classes of BSC parties.

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5 Recommendations



We invite the Panel to:

- **RAISE** the Modification Proposal in Attachment A.
- **SUBMIT** the Modification Proposal directly to the Report Phase;
- **AGREE** a provisional view that the Modification should be made;
- **AGREE** a provisional Implementation Date of 1 October 2013 in line with the commencement of the new BSC Audit and Qualification Service Provider contract ;
- **AGREE** the draft legal text in Attachment B;
- **AGREE** the draft changes to the BSC Service Description for BSC Audit in Attachment C;
- **AGREE** a provisional view that the Modification Proposal meets the Self-Governance Criteria; and
- **AGREE** that the Draft Modification Report should be issued for consultation and submitted to the Panel at its meeting on 13 June 2013.

Report Phase

We recommend that the Panel raises the Modification Proposal, sends it straight to the Report Phase with a view that it should be approved, and progresses it as a Self-Governance Modification Proposal.

6 Further Information

You can find more information in:

Attachment **A**: Modification Proposal

Attachment **B**: Draft Legal Text

Attachment **C**: Draft changes to BSC Service Description for BSC Audit

Attachment **D**: Summary table of changes to BSC Section H and BSC Service Description for BSC Audit

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