

## P318 'Change of Party ID/Company Number Through Enabling Assignment'

P318 seeks to enable a BSC Party to change its Party ID and/or its Company Number in order to reassign its rights and obligations under the BSC without going through the full Market Exit and Market Entry procedures. The intention of this Modification is for this to apply when such a change is of an administrative nature only.



ELEXON recommends P318 is progressed to the Assessment Procedure for an assessment by a Workgroup

This Modification is expected to impact:

- ELEXON

## Contents

<b>1</b>	Why Change?	3
<b>2</b>	Solution	4
<b>3</b>	Areas to Consider	5
<b>4</b>	Proposed Progression	7
<b>5</b>	Likely Impacts	8
<b>6</b>	Recommendations	9
	Appendix 1: Glossary & References	10



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## About This Document

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 12 March 2015. The Panel will consider the recommendations and agree how to progress P318.

There are two parts to this document:

- This is the main document. It provides details of the solution along with potential impacts, costs, benefits and drawbacks; and
- Attachment A contains the P318 Modification Proposal Form.

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235/17

P318  
Initial Written Assessment

---

5 March 2015

---

Version 1.0

---

Page 2 of 11

---

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# 1 Why Change?

## Market Entry and Exit

Subject to completing the application forms, any person, other than a Balancing and Settlement Code (BSC) Agent, may become a BSC Party by acceding (agreeing) to the BSC and qualifying through the [Market Entry](#) process. ELEXON executes the Accession Agreement and notifies the Panel, existing Parties, the Authority and BSC Agents of the new Party. Further information on the Accession process can be found in BSC [Section A](#).

When a Party accedes to the BSC the Party ID and the Company Number of the acceding Party become linked. If a BSC Party wishes to change its Company Number or its Party ID it would usually bring it through the Market Entry processes and, if necessary, withdraw the original company through the [Market Exit](#) process. It is possible for a company to change its name or address but the Company Number and Party ID will remain the same.

## Qualification under the BSC

The BSC Qualification processes are designed to provide assurance that Suppliers and Supplier Agents entering the market develop their systems and processes to the right standard. Qualification applications are considered by the [Performance Assurance Board](#) (PAB). The PAB conducts and administers activities to provide assurance that Suppliers and Supplier Agents under the BSC arrangements are suitably qualified and that the relevant standards are maintained.

The Supplier Volume Allocation (SVA) Qualification process is documented in BSC [Section J 'Party Agents and Qualification under the Code'](#) and in [BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators'](#).

Additionally, all new BSC Parties are subject to the Central Volume Allocation (CVA) Qualification process as defined in [BSCP70 'CVA Qualification Testing'](#).

## What is the Issue?

There is currently no route for a BSC Party to make administrative changes to its Party ID or Company Number without going through the full Market Exit and Market Entry processes. The P318 Proposer contends that this restriction can be an issue for BSC Parties when a new company has been established and has transferred to it (with the Authority's approval) its electricity supply licence. The rationale for the transfer is a legitimate business reason that has met the tests applied by the regulator. The new company has a different Company Number, and so from the perspective of the BSC, is a new entity.

The Proposer believes that the current requirements are both disproportionate and unnecessary if there have been no changes to a Party's ability to discharge its responsibilities under the BSC. The Proposer also considers that the current processes place unnecessary cost on BSC Parties and is a waste of BSC resource for what should be a purely administrative change. The Proposer therefore concludes that the BSC should contain provisions to make such administrative changes without the requirement for the full Market Entry process that apply to genuine new entrants.



### What is a Party ID?

A BSC Party ID (also referred to as Party ID) is an alphanumeric identifier (up to eight characters long) that is linked directly to the company which signed the BSC Accession Agreement.



### What is a Company Registration Number?

A Company Registration Number (also referred to as Company Number) is a unique number that is issued to a limited company or Limited Liability Partnership (LLP) upon incorporation with [Companies House](#).

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235/17

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P318  
Initial Written Assessment

---

5 March 2015

---

Version 1.0

---

Page 3 of 11

---

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### Proposed solution

Green Energy raised [P318 'Change of Party ID/Company Number Through Enabling Assignment'](#) on 26 February 2015. This Modification seeks to enable a BSC Party to change its Party ID and/or its Company Number in order to reassign its rights and obligations under the BSC without going through the full Market Exit and Market Entry procedures. The intention of this Modification is for this to apply when such a change is of an administrative nature only.

P318 proposes to enable assignment by making a change to BSC Section H 9.1 which currently states:

- *"A Party shall not assign and/or transfer and shall not purport to assign or transfer any of its rights or obligations under the Code or the Framework Agreement, provided that a Party may assign, subject to Section N2.4 to 2.7 (inclusive), by way of security only all or any of its rights over receivables arising under the Code."*

The Proposer looks to introduce the ability of a Party to assign its rights and obligations under the BSC with the prior written agreement of the BSC Panel. The Panel would consider all relevant information from the Party concerned, including clear evidence that there is no material change to the BSC Party. The Panel would then confirm on behalf of BSC Parties whether it is content to allow the assignment to take place.

For the avoidance of doubt the Proposer is not looking to recommend wider changes to the Market Entry and Qualification processes for new or existing Parties.

### Applicable BSC Objectives

The P318 Proposer believes that this Modification would better facilitate:

- **Applicable BSC Objective (d)** by introduce a method to make administrative or housekeeping changes to a Party ID and/or Company Number. Such a change would remove the need for a Party to go through a time-consuming and costly process where there is no benefit to the operation or integrity of the balancing and settlement arrangements. The current requirement is unnecessarily bureaucratic and puts a barrier to companies that wish to make such changes for administrative purposes.



#### What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(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

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

235/17

P318

Initial Written Assessment

5 March 2015

Version 1.0

Page 4 of 11

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### 3 Areas to Consider

In this section we highlight areas which we believe the Panel should consider when making its decision on how best to progress this Modification Proposal, and which a Workgroup should consider as part of its assessment of P318. We recommend that the areas below form the basis of a Workgroup's Terms of Reference, supplemented with any further areas specified by the Panel.

#### Self-Governance

The P318 Proposer believes that this Modification meets the Self-Governance Criteria as it will have no material impact on:

- existing or future consumers;
- competition;
- the operation of the Transmission System;
- wider market/network management issues or Code procedures; and
- does not discriminate between different classes of Parties.

ELEXON recommends that the treatment of P318 as a Self-Governance Modification Proposal be considered by the Panel and the Workgroup.

#### Assignment facilities under other industry codes

In the P318 Proposal Form the Proposer notes that assignment facilities have precedent in other industry codes. For example, the [Distribution and Connection Use of System Agreement](#) (DCUSA) states that:

- *"No Party may assign any of its rights under this Agreement without the prior written consent of the other Parties, such consent not to be unreasonably withheld"*

The Proposer believes that the introduction of a similar provision into the BSC is a straightforward means to allowing the reassignment of rights and obligations as part of an administrative change.

ELEXON considers that the BSC and other codes operate differently to one another and that what may be appropriate in one industry code may not be appropriate in another. However, we agree with the Proposer that the reasons for assignment facilities being introduced into other industry codes should be explored by the P318 Workgroup.

#### Qualification, Re-Qualification and off-the-shelf Suppliers

As part of the PAB Strategy, the PAB has explored and developed options to address risks associated with the SVA Qualification and re-Qualification processes. This included issues with both:

- companies that undergo Qualification and then operate the Supplier ID; and
- third parties that seek PAB approval for off-the-shelf (OTS) Supplier IDs.



#### What is the Self-Governance Criteria?

A Modification that, if implemented:

- (a) is unlikely to have a material effect on:
- (i) existing or future electricity consumers; and
  - (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
  - (iii) the operation of the national electricity transmission system; and
  - (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
  - (v) the Code's governance procedures or modification procedures; and

(b) is unlikely to discriminate between different classes of Parties.

235/17

P318  
Initial Written Assessment

5 March 2015

Version 1.0

Page 5 of 11

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ELEXON presented two options for how the PAB could identify and resolve any non-compliances resulting from a Material Change to systems and/or processes before a Qualified Supplier became active ([PAB155/06](#)). The PAB:

- approved the use of the existing Post Qualification Checks and Error and Failure Resolution (EFR) process; and
- agreed to recommend that the Panel raise a BSC Modification to introduce the option of revoking Qualification, requesting further information and triggering re-Qualification for inactive Suppliers.

ELEXON presented the PAB's recommendation to the Panel at its January 2014 meeting ([Panel 220/04](#)). The Panel had a number of questions it wished to understand before it could proceed with raising a Modification. These questions focused on:

- the materiality of the issue;
- whether the proposed controls would create a barrier to entry and were proportional; and
- whether it is undue discrimination to focus on a subset of Suppliers and whether the scope should be extended to all Suppliers.

As such, the Panel requested an Issue Group be established to discuss these questions with the wider industry. ELEXON went back to the PAB seeking its views on the questions put forward by the Panel. It also presented analysis of the materiality of the issue, which is low, and suggestions on how it could mitigate the associated risks now. Due to the low materiality and the techniques for investigation available to it, the PAB ultimately recommended that an Issue Group should not be raised at this point. However, the PAB decided to explore the options available to it for mitigating the risks.

ELEXON recommends that the P318 Workgroup considers the issues raised by the PAB and the Panel when assessing this Modification to ensure that the associated risks are not exacerbated.

## Areas to consider

The table below summarises the areas we believe a Modification Workgroup should consider as part of its assessment of P318:

Areas to Consider	
Would the implementation of P318 exacerbate the risks associated with OTS Suppliers? If so how can we mitigate these risks?	
What issues are associated with the transfer of liability and the responsibility of Reconciliation Runs?	
What are the reasons for assignment facilities being introduced into other industry codes? Do these reasons also apply to the BSC?	
Should P318 be treated as a Self-Governance Modification Proposal?	
What changes are needed to BSC documents, systems and processes to support P318 and what are the related costs and lead times?	
Are there any Alternative Modifications?	
Does P318 better facilitate the Applicable BSC Objectives than the current baseline?	

235/17

P318  
Initial Written Assessment

5 March 2015

Version 1.0

Page 6 of 11

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## 4 Proposed Progression

### Next steps

We recommend that P318 is progressed to an Assessment Procedure for consideration by a Workgroup.

The Proposer is requesting that P318 be progressed as a Self-Governance Modification Proposal. We recommend that this be considered by the Panel and the Workgroup.

### Workgroup membership

We recommend that the P318 Workgroup should comprise of individuals with an understanding of the Market Entry and Qualification processes, PAB Members and any other relevant experts and interested parties.

### Timetable

ELEXON are recommending that P318 undertakes a four month assessment procedure. This will allow ample time to assess the Modification when taking into consideration bank holidays. We are recommending the following timetable:

Proposed Progression Timetable for P318	
Event	Date
Present Initial Written Assessment to Panel	12 Mar 15
Workgroup Meeting	W/B 30 Mar 15
Assessment Procedure Consultation	27 Apr 15 – 18 May 15
Workgroup Meeting	W/B 8 or 15 Jun 15
Present Assessment Report to Panel	9 July 15
Report Phase Consultation	13 – 31 Jul 15
Present Draft Modification Report to Panel	13 Aug 15
Issue Final Modification Report to Authority <i>(not progressed as Self-Governance)</i>	14 Aug 15
Publish Final Modification Report <i>(progressed as Self-Governance)</i>	14 Aug 15
15 Working Day Appeal Window <i>(progressed as Self-Governance)</i>	14 Aug 15 - 7 Sep 15

## 5 Likely Impacts

### Impact on BSC Parties and Party Agents

We do not expect the implementation of this Modification to impact BSC Parties or Party Agents as the aim of P318 is to enable a Party to change its Party ID and/or Company Number without going through the full Market Entry/Exit processes. However, the full impacts of the proposed changes will be determined as part of the assessment of the Modification.

### Impact on Transmission Company

We do not expect the implementation of this Modification to impact the Transmission Company.

### Impact on BSCCo

ELEXON will be impacted through the implementation of the Modification should it be approved. This will include the implementation of corresponding document changes (and system changes if required) as well as ensuring that any business-as-usual processes are adapted accordingly.

### Impact on BSC Systems and processes

Any impacts on BSC Systems, processes and BSC Agents will be determined as part of the assessment of this Modification.

### Impact on Code

Code Section	Potential Impact
Section A	Changes may be required to implement this Modification.
Section H	Changes will be required to implement this Modification.
Section J	Changes may be required to implement this Modification.

### Impact on Code Subsidiary Documents

CSD	Potential Impact
BSCP70	Changes may be required to implement this Modification.
BSCP537	Changes may be required to implement this Modification.



## 6 Recommendations

We invite the Panel to:

- **AGREE** that P318 progresses to the Assessment Procedure;
- **AGREE** the proposed Assessment Procedure timetable;
- **AGREE** the proposed membership for the P318 Workgroup; and
- **AGREE** the Workgroup's Terms of Reference.

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235/17

P318  
Initial Written Assessment

---

5 March 2015

---

Version 1.0

---

Page 9 of 11

---

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## Appendix 1: Glossary & References

### Acronyms

Acronyms used in this document are listed in the table below.

Acronym	
Acronym	Definition
BSC	Balancing and Settlement Code
BSCP	Balancing and Settlement Code Procedure
CSD	Code Subsidiary Documents
CVA	Central Volume Allocation
DCUSA	Distribution and Connection Use of System Agreement
EFR	Error and Failure Resolution
IWA	Initial Written Assessment
OTS	Off-the-shelf
PAB	Performance Assurance Board
SVA	Supplier Volume Allocation

### External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
3	Performance Assurance webpage	<a href="https://www.elexon.co.uk/reference/market-compliance/performance-assurance/">https://www.elexon.co.uk/reference/market-compliance/performance-assurance/</a>
3	Market Entry webpage	<a href="https://www.elexon.co.uk/reference/market-entry/">https://www.elexon.co.uk/reference/market-entry/</a>
3	BSC Sections webpage	<a href="https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/">https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/</a>
3	Market Exit webpage	<a href="https://www.elexon.co.uk/reference/market-exit/">https://www.elexon.co.uk/reference/market-exit/</a>
3	Performance Assurance Board	<a href="https://www.elexon.co.uk/group/performance-assurance-board-pab/">https://www.elexon.co.uk/group/performance-assurance-board-pab/</a>
3	BSCPs webpage	<a href="https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/">https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/</a>
4	P318 webpage	<a href="https://www.elexon.co.uk/mod-proposal/p318/">https://www.elexon.co.uk/mod-proposal/p318/</a>
5	DCUSA webpage	<a href="http://www.dcusa.co.uk/SitePages/Documents/DCUSA-Document.aspx">http://www.dcusa.co.uk/SitePages/Documents/DCUSA-Document.aspx</a>

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235/17

P318

Initial Written Assessment

---

5 March 2015

Version 1.0

---

Page 10 of 11

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## External Links

Page(s)	Description	URL
6	PAB155 webpage	<a href="https://www.elexon.co.uk/meeting/pab-155/">https://www.elexon.co.uk/meeting/pab-155/</a>
6	Panel220 webpage	<a href="https://www.elexon.co.uk/meeting/bsc-panel-220/">https://www.elexon.co.uk/meeting/bsc-panel-220/</a>

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235/17

P318  
Initial Written Assessment

---

5 March 2015

---

Version 1.0

---

Page 11 of 11

---

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