

Public

**P325 'Improving the  
accountability of BSCCo to  
stakeholders and better  
aligning BSCCo governance  
with best practice'**

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P325 Workgroup Meeting 12

17 May 2017

# Health & Safety

## In case of an emergency

An alarm will sound to alert you. The alarm is tested for fifteen seconds every Wednesday at 9.20am

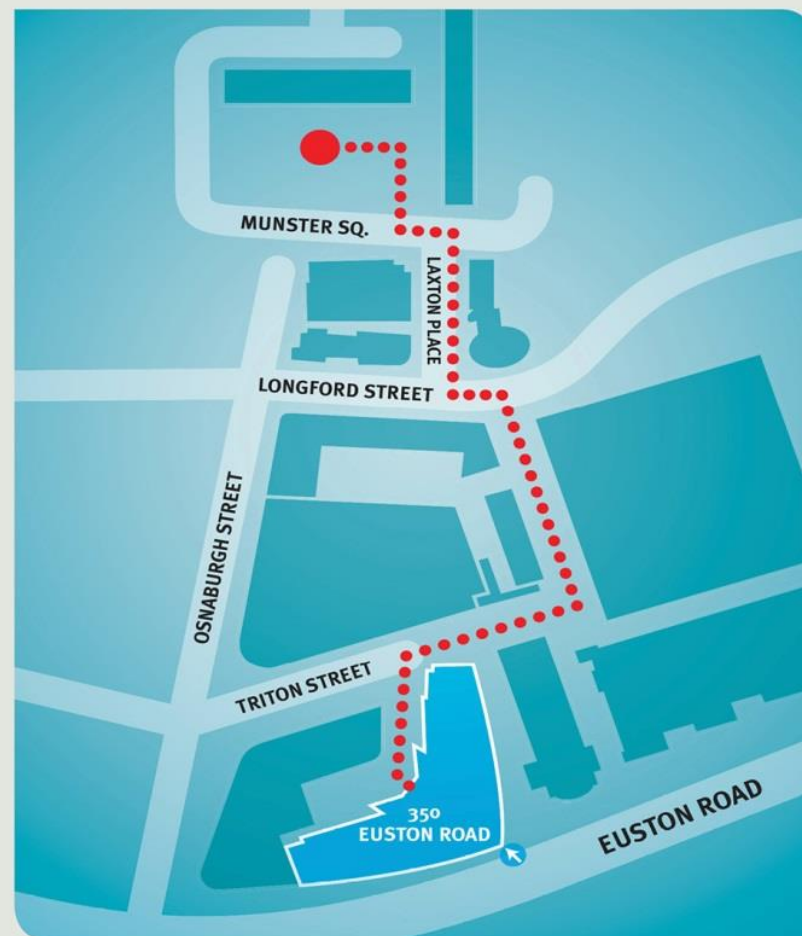
## Evacuating 350 Euston Road

- If you discover a fire, operate one of the fire alarms next to the four emergency exits.
- Please do not tackle a fire yourself.
- If you hear the alarm, please leave the building immediately.
- Evacuate by the nearest signposted fire exit and walk to the assembly point.
- Please remain with a member of ELEXON staff and await further instructions from a Fire Warden.
- For visitors unable to use stairs, a Fire Warden will guide you to a refuge point and let the fire brigade know where you are.

## When evacuating please remember

- Do not use the lifts.
- Do not re-enter the building until the all clear has been given by the Fire Warden or ground floor security.

**Our team on reception is here to help you, if you have any questions, please do ask them.**



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# Meeting objectives

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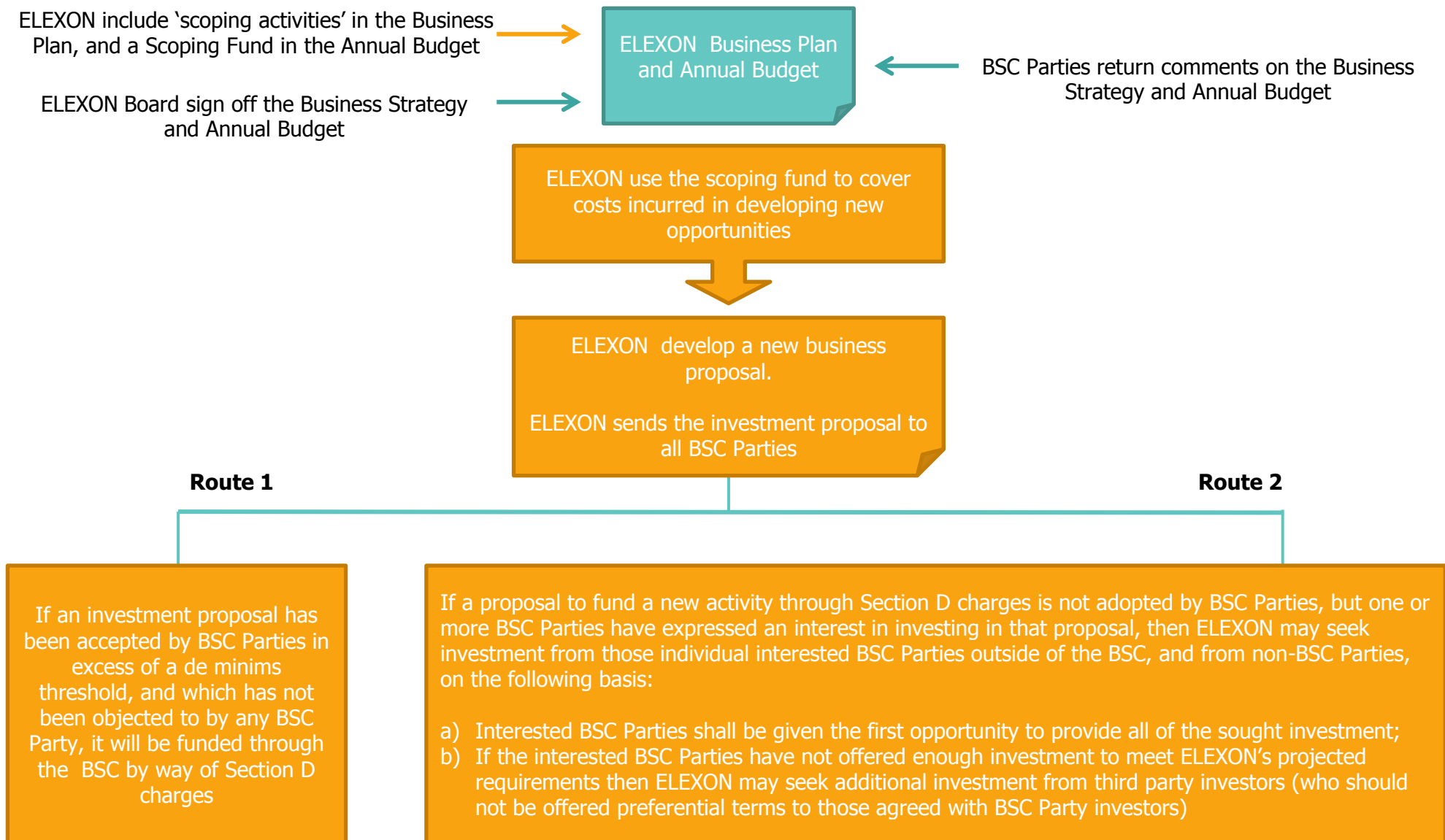
- Agree the following for P325:
  - Draft legal text
  - Proposed implementation approach
  - Initial views again the Applicable BSC Objectives
  - Questions for the Assessment Procedure Consultation
  
- Consider the P325 Terms of Reference



# Proposed Solution

Workgroup discussion

# Proposed Solution diagram





# **BSC Legal Text**

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## BSC legal text

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- Changes would be required to implement this Modification, in the following sections of the BSC:
  - Section C 'BSCCo and its subsidiaries'
  - Annex C-1 'Permissible activities'
  - Annex C-3 'Procedures for investment proposals'



# **Implementation Date and Approach**



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# Proposed Implementation Approach

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- Implementation Date
  - **22 February 2018** (as part of the February BSC Systems Release)
  - This is the next available release
- Big bang – document only release



# **Workgroup's views on the Applicable BSC Objectives**

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## P325: Applicable BSC Objectives *(1 of 2)*

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- 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 administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

## P325: Applicable BSC Objectives (2 of 2)

- P325 Proposer's view:
  - **Applicable BSC Objective Applicable BSC Objective (d)** as the introduction of new governance arrangements will improve the accountability of BSCCo to stakeholders, and better align BSCCo governance with best practice.
- The Proposer contends that the current governance model does not allow the Board to function with optimum efficiency and restricts BSCCo's ability to comply with good corporate governance practice, as set out in the UK Corporate Governance Code.
- Additionally, the Proposer believes that significant time and effort has been expended over the last few years in considering and attempting to remedy the issue, introducing additional inefficiency.
- Whilst initially incurring some expense and complexity to transition to a new governance model, the Proposer believes that in the long-term, Applicable BSC Objective (d) will be better facilitated through the introduction of new governance arrangements, as the Board is made more accountable to BSC Parties (through BSC Parties' rights as shareholders) and the BSCCo is able to govern itself more in line with good corporate governance practice.



# Consultation Questions

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## Standard questions

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- Do you agree with the Workgroup's initial [majority/unanimous] view that P325 does better facilitate the Applicable BSC Objectives than the current baseline?
- Do you agree with the Workgroup that the draft legal text delivers the intention of P325?
- Do you agree with the Workgroup's recommended Implementation Date?
- Do you agree with the Workgroup that there are no other potential Alternative Modifications within the scope of P325 which would better facilitate the Applicable BSC Objectives?
- Do you have any further comments on P325?

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## Additional questions

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- As a BSC Party, would you use the Proposed Solution as a mechanism to enter into activities outside of the BSC?
- Does P325 align with Ofgem's direction for Code Governance, under the CMA findings?



# **Terms of Reference**



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## P325 Workgroup terms of reference *(1 of 3)*

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- What is the most appropriate mechanism for allocating and issuing shares?
  - How many shares should be created?
  - Who will be responsible for issuing the shares?
  - How long will the shares be valid?
  - How will Parties be able to release or receive additional shares?
  - Should there be a process for reallocating shares during the year?
  
- What voting rights should BSC Parties have in accordance with their annual funding shares?
  - What voting mechanism should be put in place?
  - How will the voting mechanism work in practice?
  - Can the voting mechanism be used at any time during the year or on an annual basis only?

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## P325 Workgroup terms of reference *(2 of 3)*

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- What are the impacts and practicalities on the existing BSCCo model?
  - Consider the impact on the existing Board and Panel make up
  - Consider the impact on the existing Board and Panel interactions
  - Consider the changes to ELEXON as an organisation;
  - Consider any potential license implications;
  - Consider the impact on National Grid as the existing license holder/shareholder
- What changes are needed to BSC documents and processes to support P325 and what are the related costs and lead times?
- Are there any Alternative Modifications?
- What are the benefits of P325?
- Consider the appropriate implementation approach for the proposed changes
- Does P325 better facilitate the Applicable BSC Objectives than the current baseline?

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## P325 Workgroup terms of reference *(3 of 3)*

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- Consider an alternative methodology for shares based on a percentage limit.
- Consider the impact that any change of control would have on ELEXON's contracts, financial accounting implications, pension arrangements etc.
- Consideration of BSC Parties who are prevented from holding traded shares:
  - How could Parties opt-out of having shares but still have voting rights?
  - How would the trading of shares take place to ensure equal access to shares?



**Next steps**

## P325: Progression timetable

Event	Date
Panel considers IWA	13 Aug 15
Workgroup Meeting 3	06 Nov 15
Workgroup Meeting 8	18 Aug 16
Workgroup Meeting 9	13 Dec 16
Workgroup Meeting 10	10 Mar 17
Workgroup Meeting 11	07 Apr 17
<b>Workgroup Meeting 12</b>	17 May 17
Prepare Assessment Procedure Consultation	<i>18 May 17 – 31 May 17</i>
Workgroup review	1 Jun 17 – 2 Jun 17
Assessment Procedure Consultation (15WD)	8 Jun 17 – 30 Jun 17
Workgroup Meeting 13	<b>27 Jun 17 or 28 Jun 17</b>
Panel considers Assessment Report	13 Jul 17

