

PANEL GOVERNANCE REVIEW – INITIAL THOUGHT-PIECE: DELEGATION

1. Aim

- 1.1 This thought-piece looks at the way in which the Panel delegates authority to its various Panel Committees, Modification Workgroups and officers of the Panel. It considers:
- the rules, requirements and limitations relating to the delegation of powers and responsibilities; and
 - the measures that afford the Panel oversight of such delegated matters.
- 1.2 This paper sets out the initial conclusions of the Panel's Governance Review Group for discussion. Further background and additional considerations giving rise to these initial conclusions are set out below.

2. Delegation by a Pro-Active Panel

- 2.1 The review has so far considered the [accountability, role and key functions](#) of the BSC Panel. The initial conclusions on these matters are set out in companion thought-pieces which provide context for the recommendations set out here in relation to delegation. In particular, they have noted that a proactive Panel should:
- Establish principles to underpin its work;
 - Prioritise issues and risks;
 - Direct action and expert analysis;
 - Set expectations and be clear about desired outcomes; and
 - Establish and oversee monitoring programmes to track progress and review success.

3. Initial Conclusions for Discussion

Use of Policies

- 3.1 Policies can help committees perform optimally and help individual members address problems when they arise. A separate thought-piece could explore the types of policy that might be relevant to the workings of the BSC Panel. The Appendices to this document explore aspects of delegation that could form part of such policies.

Collective Responsibility

- 3.2 The BSC Panel may delegate authority of action and decision to an individual Panel Member or an 'officer of the Panel' such as the Panel Secretary or a Panel Committee. The Panel (or a Panel Member) may also, by their actions, give apparent authority, but ultimate responsibility remains theirs, collectively as the BSC Panel. The BSC confirms that delegation of authority to a Panel Committee does not relieve the Panel of its general responsibility to ensure that such powers are exercised in accordance with the Code.

Effective Delegation

- 3.3 The BSC Panel has a finite amount of time for meetings and it may therefore seek support in considering certain matters in more depth. These matters encompass both **strategic** and **operational** elements.
- 3.4 The Panel may delegate authority to **direct action and commission or undertake work** for the purposes of:
- **making recommendations to** the Panel; or
 - **taking decisions on behalf of** the Panel.
- 3.5 Effective delegation is clear and unambiguous.

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- 3.6 There should be transparency in those matters which have been delegated. The individual or group to which authority is delegated should clearly understand the limits of their delegated authority.
- 3.7 It is crucial for the BSC Panel, to monitor and evaluate the implementation of policies, strategies and activities to ensure delegation is effective and that delegated responsibilities are delivered in a sound way in line with the relevant Terms of Reference.
- 3.8 Appendix 1 suggests elements that could comprise a check-list in relation to effective delegation.

Officers of the Panel

- 3.9 The BSC identifies a number of roles which might be considered 'officers of the Panel'. Like officers of a company, these roles are in most cases appointed by the Panel, have particular responsibilities set out in the BSC or in BSC subsidiary documentation and have certain delegated authority¹. Officers of the Panel include:
- Individual BSC Panel Members;
 - The Panel Secretary;
 - The Modification Secretary;
 - ELEXON when acting as the Performance Assurance Administrator;
 - The Panel's representative on the Grid Code Review Panel;
 - Panel Committee Members and Alternates;
 - Panel Committee Chairs and Secretaries;
 - Change Workgroup Members².

Role of Chairs and Panel Sponsors

- 3.10 The Chairs of Panel Committees and Workgroups and the Sponsors of Panel Committees play particularly important roles in ensuring that the responsibilities of the BSC Panel are appropriately discharged. The specific responsibilities of Committee / Workgroup Chairmen and Panel Sponsors are described in Appendix 2 but might be summarised as follows.

Committee & Workgroup Chairs

The Chairman leads the Committee / Workgroup, ensuring effectiveness in all aspects of its role. The Chairman must have integrity and must not only be, but also be seen to be, impartial and free from proximity to vested interests.

The Chairman is responsible for:

- Chairing the Committee/Workgroup, bringing robust, transparent and well-reasoned analysis to its work, ensuring due process and maximising stakeholder engagement wherever possible, thereby enabling BSC Parties and Ofgem to place reliance on the BSC;
- Building relationships within ELEXON, and acting as an ambassador for the Committee/Workgroup, engaging in critical debate when challenged and inspiring stakeholder confidence.

Committee / Workgroup Chairs should have access to the ELEXON Executive to ensure that ELEXON provides the Committee / Workgroup with services as required.

¹ Although, as previously noted, the Panel remains responsible for ensuring that such powers are exercised in accordance with the BSC.

² This includes the Chairs of change Workgroups.

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Panel Sponsors

The Panel Sponsor performs an engagement and advisory role.

The Sponsor is responsible for:

- Communicating the vision, goals and expectations of the BSC Panel to the Chairman and the Committee and articulating how Committee matters link to the overall strategy;
- Constantly challenging to assure themselves and the Panel that Committees are operating effectively and in line with the Panel's overall strategy and objectives; and
- Building relationships between the Committee and the BSC Panel, acting as an ambassador for the Committee, engaging in critical debate when challenged and inspiring stakeholder confidence.

The Panel Sponsor should meet with the Panel Committee Chairman on a regular basis (at least quarterly), however, the Sponsor should not become part of an operational process.

3.11 The roles and responsibilities of other officers of the Panel are explored further in Appendix 2.

4. Recommendations

4.1 Having considered the existing Panel Committees and Groups, the BSC Panel Governance Review Group recommends the following.

Panel Member Participation in Panel Committees and Workgroups

- 4.2 **Panel Members should not be members of groups or committees where the Panel acts as an appeal body:** Where authority is delegated to a group or committee in such a way that the Panel operates as an appeal body (e.g. in relation to referred Trading Disputes or in respect of the application of Performance Assurance Techniques), Panel Members should not operate as members of such a body since good governance would suggest that Panel Members that had voted in the original determination should not participate in the Panel appeal proceedings. This applies particularly to the Performance Assurance Board, the Trading Disputes Committee and the Q8 Committee.
- 4.3 **Panel Members may be members of groups or committees where the Panel has created that group to assist it in its work:** Like sub-committees of a company board, there is no reason that Panel Members should not be able to be members of groups or committees which have been established to make recommendations to, or decisions on behalf of, the BSC Panel. While decisions may need to be referred to the BSC Panel if they exceed the parameters of the delegated authority, so long as there is no route of appeal from the Committee or Workgroup to the Panel, no conflict of interest arises. This applies to the majority of Panel Committees and Groups including Modification Workgroups, Issue Groups, The Imbalance Settlement Group and the Supplier Volume Allocation Group.
- 4.4 **Establish a policy on managing Conflicts of Interest:** The Panel should establish a policy dealing with Conflicts of Interest (that builds on the existing provisions in BSC Section B and that can be applied to its own business and that of its Panel Committees) that sets out:
- An agreed approach regarding Panel Member participation in Panel Committee's and Workgroups;
 - The extent to which Panel Sponsors (particularly the PAB or TDC Sponsors) may participate in any Panel decision-making on a matter that has been referred to it following the determination of the relevant Sponsor's Committee; and

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- Guidance on those matters which may constitute actual or perceived conflicts of interest on the Part of a Panel, Panel Committee or Workgroup Member; and
- Clear procedures for declaring and subsequently dealing with such conflicts when they arise in a robust and transparent manner.

Clarity on Delegated Authorities

- 4.5 **Assessing current arrangements:** The Panel should review existing Panel Committee Terms of Reference to ensure delegated responsibilities are appropriately captured, that they are clear and unambiguous and do not overlap.
- 4.6 **Delegation Policies:** The Panel should establish policies to articulate how powers are delegated to Officers of the Panel. These policies might encompass:
- Principles of delegation (based on Appendix 1) and a cycle for reviewing delegated authorities;
 - Schedule of delegated authority (including authority limits) - Panel Committee and Workgroup Terms of Reference outline delegated authorities at a high level. The Panel minutes record where the Panel delegates responsibilities to officers of the Panel (e.g. individual Panel Members, the Panel Secretary or the Modification Secretary). However, there may be benefit in creating a consolidated schedule of enduring delegated authorities; and
 - Schedule of matters reserved for the BSC Panel - The BSC is clear where certain activities cannot be delegated by the BSC Panel. There may be benefit in capturing these and any other powers that the BSC Panel, in its view, would not delegate.
- 4.7 **Set out the roles for the Officers of the Panel:** The Panel has agreed a job description for the Panel Chair (used in the recruitment of the current chair). There would be benefit in providing clarity over the purpose and roles of other officers of the Panel as provided for in Appendix 2.

Effective Delegation

- 4.8 **Ensuring there is a case for delegation:** Before establishing new Panel Committees or delegating authority to existing Panel Committees (or an Officer of the Panel), the Panel should satisfy itself that the benefits of delegating such authority, outweigh the additional burdens as outlined in Appendix 1.
- 4.9 **Commissioning work:** When work is commissioned, either by the BSC Panel (or by a BSC Panel Committee), there should be clarity on the purpose and scope of such work and on the extent of any delegated authority. Where the BSC Panel expands the delegated authority of a Panel Committee, Workgroup or an Officer of the Panel, it should either:
- Revise the Panel Committee or Workgroup's Terms of Reference on an enduring basis; or
 - Establish and document specific Terms of Reference and /or clear delegated authority for a defined period.
- 4.10 Such additions need not be extensive, but they should be clear and unambiguous. They should confirm the objective, scope, timescale and success criteria for the work and describe how the work will be monitored.
- 4.11 Consideration should be given as to whether Panel Sponsors should have delegated authority to commission work from their relevant Committee on behalf of the Panel (within certain, specified limits).
- 4.12 **Monitoring work being conducted under delegated authority:** The Panel should establish a robust monitoring framework that provides it with visibility that work is being undertaken by Panel Committees, Workgroups and Officers of the Panel in line with the relevant Terms of Reference and delegated authority. Such monitoring might include regular reports to the Panel. These could be written or verbal and could be

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presented by the Panel Sponsor or the Committee Chair. It might be that the form and frequency of current reporting from Panel Committees be revised. One possible structure might comprise:

- A monthly paper containing a short submission from each Panel Committee Chair outlining:
 - the extent to which the Panel Committee has delivered against its Terms of Reference for general, or specific aspects of its work (with progress reports on particular matters where relevant);
 - a commentary, with associated recommended action, regarding issues arising in discharging its Terms of Reference and delegated authority;
 - a summary of the matters that are anticipated at forthcoming meetings;
- An appendix comprising each Panel Committee's headline reports showing the decisions made at the last meeting;
- An appendix outlining key business indicators falling under each Panel Committee's Terms of Reference³.

4.13 **Appropriate Checks and Balances:** When delegating authority to Panel Committees, Workgroups and officers of the Panel, the Panel should be careful to ensure that appropriate checks and balances are in place. For example, where determinations made under delegated authority are not unanimous, there should remain a route for appropriate Panel oversight, either through referral of the matter to the Panel or via a clearly articulated appeal mechanism.

4.14 More detailed recommendations in respect of the Panel's main committees are set out in Appendix 3.

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³ For example, when considering the Trading Disputes Committee, this might include the number of Trading Disputes currently open, the number determined, the number of new Trading Disputes raised, the number of referrals to the BSC Panel and the total materiality of outstanding, rejected and upheld Trading Disputes.

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APPENDIX 1 – PRINCIPLES OF DELEGATION

1. Capacity to Delegate

1.1 The BSC provides for the BSC Panel to establish Panel Committees⁴ and Modification Workgroups⁵ and to delegate, within certain limits, any of the Panel's powers, functions and responsibilities to any Panel Committee. The defined Panel Objectives apply equally to each of the Panel's Committees. The BSC further notes⁶ that the defined Panel Objectives apply to the Panel Chairman, other individual Panel Members and the Panel Secretary where they have functions under the BSC which they carry out individually. Other provisions⁷ also exist which establish the ability of Panel Committees to further delegate their powers, responsibilities and functions to any person, but only subject to BSC Panel approval.

2. Collective Responsibility

2.1 Under UK Corporate Governance, boards are accountable for the action of the board on which they sit. While they may delegate authority of action and decision to officers of the board (such as the company secretary and individual directors), the ultimate responsibility remains theirs, collectively as a board.

2.2 A similar principle of collective responsibility could be applied to the BSC Panel and BSC Panel Members. That is, Panel Members are accountable for the actions of the Panel. They may delegate authority of action and decision to an individual Panel Member or an 'officer of the Panel' such as the Panel Secretary or Panel Committee (see below), or may, by their actions give apparent authority, but the ultimate responsibility remains theirs, collectively as the BSC Panel. This aligns with existing BSC drafting⁸ which makes it clear that delegation of powers to a Panel Committee shall not relieve the Panel of its general responsibility to ensure that such powers are exercised in accordance with the Code.

Exceptions

2.3 Significantly, under the BSC, there may be exceptions to this where the BSC itself mandates authority for specified Panel Committees. This applies particularly to the Performance Assurance Board (PAB) and the Trading Disputes Committee (TDC). For example, the BSC affords the Performance Assurance Board the right to delegate all or any part of the day-to-day administration of the PAB Functions without the need to seek Panel approval⁹. It further confirms that the Performance Assurance Board shall be deemed to have delegated to BSCCo the functions of the Performance Assurance Administrator¹⁰.

2.4 The PAB and the TDC make determinations of a particularly sensitive, commercial nature in respect of individual participants. While the BSC appears to provide for Panel Members to sit on the PAB and TDC as voting members, it is particularly important that both these Panel Committees are independent from the BSC Panel so as to enable the Panel to operate as an appeal body where the BSC so provides.

2.5 Further consideration should be given regarding the extent to which Panel Sponsors (particularly the PAB or TDC Sponsors) should participate in any Panel decision-making on a matter that has been referred to it following the determination of the relevant Sponsor's Committee. While the Panel Sponsor may not have had a vote in the original decision, it could clearly be said that the sponsor has played a role in shaping and

⁴ BSC Section B3.2.1 and BSC Section B5.3

⁵ BSC Section F2.4.2

⁶ BSC Section B1.2.3

⁷ BSC Section 5.1.4

⁸ BSC Section B5.5.5

⁹ BSC Section Z1.5.1

¹⁰ BSC Section Z1.5.2

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influencing the work and approach of the Panel Committee. Such considerations should be covered by an agreed policy dealing with Conflicts of Interest¹¹.

Panel Member Participation in Panel Committee's and Workgroups

- 2.6 Where authority is delegated to a group or committee in such a way that the Panel operates as an appeal body (e.g. in relation to referred Trading Disputes or in respect of the application of Performance Assurance Techniques), Panel Members should not operate as voting members of such a body since good governance would suggest that Panel Members that had voted in the original determination should not participate in the Panel appeal proceedings. This applies particularly to the Performance Assurance Board, the Trading Disputes Committee and the Q8 Committee.
- 2.7 However, like sub-committees of a company board, there is no reason that Panel Members should not be able to be members of groups or committees which have been established to make recommendations to, or decisions on behalf of, the BSC Panel. While decisions may need to be referred to the BSC Panel if they exceed the parameters of the delegated authority, so long as there is no route of appeal from the Committee or Workgroup to the Panel, no conflict of interest arises. This applies to the majority of Panel Committees and Groups including Modification Workgroups, Issue Groups, The Imbalance Settlement Group, and the Supplier Volume Allocation Group.

3. Why Delegate?

- 3.1 The BSC is a wide-ranging and detailed multi-lateral agreement. The BSC Panel has a finite amount of time for meetings and may therefore seek support in considering certain matters in more depth. There are also other benefits to delegation. In aggregate, potential benefits include:
- Allowing sufficient time and attention to be focused on a particular issue;
 - Providing for a more specialised activity and capability in delivering BSC Panel responsibilities;
 - Reducing the burden on Panel Meetings;
 - Assisting decision-making by overcoming Panel deadlocks and by providing more time and focus for considering decisions;
 - Providing for appropriate separation of sensitive or confidential activities; and
 - Allowing Panel Members to operate in a supervisory role, but under the BSC Panel's control.
- 3.2 The BSC sets certain limits on what the BSC Panel can delegate, however, the Panel remains responsible for actions of committees or individuals operating under delegated authority.
- 3.3 The Panel can delegate authority for delivering certain functions and services on its behalf to Panel Committees. The membership of Panel Committees may include Panel Members. However, the BSC also provides for Panel Committees to be established with wider membership that does not comprise a sub-group of Panel Members and which may encompass employees or other nominees BSC Parties and employees of BSCCo¹². Some Panel Committees are required to be established under the BSC, others have been established at the discretion of the BSC Panel.

¹¹ The BSC sets out various provisions relating to the declaration of conflicts of interest and the Panel has detailed conflict of interest processes within its documented [approach to dealing with referred Trading Disputes](#). These provisions could form the basis of a dedicated policy regarding conflict of interest.

¹² BSC Section 5.2.2

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- 3.4 The BSC only provides for the Panel to delegate authority for the delivery of Panel powers and functions to Panel Committees. However, the Panel may delegate authority to BSCCo for delivering activities which is necessary to support the exercise of Panel functions.
- 3.5 Setting up and running committees and groups brings additional administrative burdens, increases reporting and co-ordination tasks and distances Panel Committee activities from BSC Panel activities. Guidance on good working practice from the Institute of Directors suggests that the committees should consider if the potential benefits noted above outweigh these concerns when determining whether to delegate authority to a sub-committee.

4. Effective Delegation

- 4.1 Effective delegation is clear and unambiguous. There should be transparency in those matters which have been delegated. The individual or group to which authority is delegated should clearly understand the limits of their delegated authority. It is crucial for the delegating body, in this case, the BSC Panel, to monitor and evaluate the implementation of policies, strategies and activities to ensure delegation is effective.
- 4.2 The act of delegation should be clearly recorded (in the minutes of the relevant meeting) and the specific details recorded in appropriate documentation (for example, approved terms of reference, or a Code Subsidiary Document).

5. Setting up Panel Committees

- 5.1 Committees can have different roles and purposes. This enables their activities, membership and overall value to the Panel to be focused. Without a clear remit a committee may not deliver useful outputs and may develop into alternative or competing bodies.
- 5.2 The following considerations could be used as a health check when considering the value of establishing a committee or amending its Terms of Reference:
- What is the value that the Committee adds (with reference to the potential benefits noted above)?
 - What is the role of the committee for the Panel and for BSC Parties?
 - What should the committee produce or deliver (what are its outputs)?
 - Who should be on the committee?
 - To who, and how, should it report its activities?
 - Is the committee enduring or does it have a review-by-date or expiry-date?
 - How does the committee fit into the existing portfolio of Panel Committees - are there any overlaps in remit and are the dividing lines between Committees clear?

6. Officers of the Panel

- 6.1 Officers of a company are given authority by a board to run different aspects of the company and include the company secretary, directors, executives, managers, or other individuals authorised to so act.
- 6.2 The BSC identifies a number of roles which might be considered 'officers of the Panel'. Like officers of a company, these roles are in most cases appointed by the Panel, have particular responsibilities set out in the BSC or in BSC subsidiary documentation and have certain delegated authority. It could be considered that the following roles constitute 'officers of the Panel':

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Role	Appointment notes	Indemnity under the BSC
BSC Panel Members and Alternates	As per the various rules set out in BSC section B2	Yes – BSC Section B2.9.1 and 2.9.2
The Panel Secretary	Nominated by BSCCo and approved by the BSC Panel – BSC Section C3.2	Yes – BSC Section B2.9.1 and 2.9.2
The Modification Secretary	Nominated by BSCCo – but does not need to be approved by the BSC Panel – BSC Section F1.2.5	Yes – BSC Section B2.9.1 and 2.9.2
The Performance Assurance Administrator	The BSC identifies BSCCo as the Performance Assurance Administrator under BSC Section Z1.5.2	Yes – BSC Section Z1.3
The Panel's representative on the Grid Code Review Panel	The Grid Code Review Panel's (GCRP) membership includes a person that represents the BSC Panel. All members of the GCRP hold office for a year and are automatically retired at the beginning of each year, at which point they are eligible for re-appointment. Each GCRP member can appoint any individual as their alternate. ELEXON, as approved by the BSC Panel each year, has fulfilled this role on the BSC Panel's behalf since NETA Go-Live in 2001.	No - As per the constitution and rules of the Grid Code Review Panel (GCRP) clause 18.3
Panel Committee Members and Alternates	The Panel may establish Panel Committees under BSC Section B3.2(b) and BSC Section B5. The members of a Panel Committee may include any Panel Member, an employee or other nominee of any Party, and any employee of BSCCo. The Chairman and Members of Panel Committees are approved by the BSC Panel under the relevant Panel Committee Terms of Reference so approved by the BSC Panel under B5.3.1 and in accordance with B5.2.1 Panel Committee Alternates are appointed in line with the approved Terms of Reference, usually by the BSC Panel.	Yes – BSC Section B2.9.1 and 2.9.2
Panel Committee Secretaries	Panel Committee Secretaries are appointed in line with the approved Terms of Reference, usually by BSCCo or under the delegated authority of the Chairman of the Panel Committee.	Yes – BSC Section B2.9.1 and 2.9.2
Modification Workgroup Members ¹³	Modification Workgroup members are appointed in line with the Modification Workgroup terms of reference approved by the Panel under BSC Section F2.4.4.	Yes – BSC Section B2.9.1 and 2.9.2

¹³ This includes the Chairs of Modification Workgroups.

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APPENDIX 2 – ROLE DESCRIPTIONS FOR OFFICERS OF THE PANEL

1. Background

- 1.1 The UK Corporate Governance Code states that the chairman is responsible for ensuring that the directors receive accurate, timely and clear information. Management has an obligation to provide such information but directors should seek clarification or amplification where necessary.
- 1.2 Guidance from the Institute of Directors echoes these conclusions, noting that the Chairman controls the board agenda, ensuring that the company is adhering to its defined objectives, and that they must ensure that board members are appropriately briefed on issues at meetings and each member makes an effective contribution to the work of the board.
- 1.3 Aside from their role in overseeing the operation of the board, it is generally accepted that the Chairman has a wider representational role as the face of the board and plays a key role in liaising with stakeholders.

2. The Panel Chairman

- 2.1 In April 2013 the BSC Panel Chairman Nomination Committee (BPCNC) described the role of the Panel Chairman. It was noted that the Chairman must have integrity and is responsible for the leadership of the BSC Panel, ensuring effectiveness in all aspects of its role. This includes responsibility for:
 - Chairing the BSC Panel, bringing robust, transparent and well-reasoned analysis to its work, ensuring due process and maximising stakeholder engagement wherever possible, thereby enabling Ofgem to place reliance on the BSC in making its decisions; and
 - Building relationships within ELEXON, and acting as an ambassador for the BSC Panel, engaging in critical debate when challenged and inspiring stakeholder confidence.
- 2.2 The BSCNC noted that the Chairman must be politically astute with the ability both to interact with a range of industry and governmental bodies and to understand the interests and concerns of industry stakeholders and consumers. They must be able to manage the interaction between the Panel and ELEXON and must not only be, but also be seen to be, independent and free from proximity to vested interests
- 2.3 The BPCNC also identified the qualities that they would expect the Chairman to have, noting that these might be expected to be possessed by the Chair of any successful commercial company.
- 2.4 These features of a Panel Chairman may be able to be equally applied to the Chairs of Panel Committees and Workgroups.

3. Role of Panel Committee and Workgroup Chairs

- 3.1 With regard to these general principles of good governance and the considerations made by the BPCNC, it might therefore be expected that the Panel Committee and Workgroup Chairs role be defined as follows.

Overview

- 3.2 The Chairman leads the Committee/Workgroup, ensuring effectiveness in all aspects of its role. The Chairman must have integrity and must not only be, but also be seen to be, impartial and free from proximity to vested interests. The Chairman is responsible for:
 - Chairing the Committee/Workgroup, seeing that robust, transparent and well-reasoned analysis is brought to the work of the committee, ensuring due process and maximising stakeholder engagement, thereby enabling BSC Parties, the Panel and Ofgem to place reliance on the work of BSC Panel Committees;

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- Building relationships within ELEXON, and acting as an ambassador for the Committee/Workgroup, engaging in critical debate when challenged and inspiring stakeholder confidence.

3.3 It should be expected that Committee/Workgroup Chairs would have access to the ELEXON Executive to ensure that ELEXON provides the Committee/Workgroup with services as required.

Specific Responsibilities

3.4 The Chairman is responsible for:

- Ensuring that the Committee/Workgroup operates within its powers in accordance with its Terms of Reference;
- Ensuring that the Committee/Workgroup is adhering to its defined objectives, keeping meetings focused and delivering against the BSC Panel requirements in a timely and efficient manner¹⁴;
- Ensuring that the composition and membership of the Committee/Workgroup continues to meet the needs of the BSC Panel and that members attend meetings and play an active role in the work and decision-making of the Committee/Workgroup;
- Ensuring that the Committee/Workgroup makes robust, informed, high-quality decisions based on good working practices with appropriate discussion and constructive challenge¹⁵;
- Ensuring that the decisions made by the Committee/Workgroup are clear and unambiguous and are captured and recorded in a timely and transparent manner;
- Ensuring that committee communications (including the BSC Website) present a timely and accurate reflection of committee business;
- Ensuring that the Committee/Workgroup receives the support¹⁶ required to deliver against its Terms of Reference and that such support is provided to an appropriate (clearly defined¹⁷) standard; and
- Acting under delegated authority as the face of the Committee when liaising with stakeholders and reporting on Committee matters to the BSC Panel or others.
- Acting as a critical friend by:
 - Ensuring that unsubstantiated assumptions or assertions do not go unchallenged;

¹⁴ This might require getting a clear steer from the Panel, where appropriate, and being flexible and pragmatic when delivering against BSC Panel requirements.

¹⁵ One of the most challenging aspects of decision-making is 'group-think'. This is a dysfunctional pattern of processes which can include:

- Illusions of invulnerability creating excessive optimism;
- Rationalising warnings that might challenge the group's assumptions;
- Unquestioning belief in the morality of the group, causing members to ignore the consequences of their actions;
- Stereotyping those who are opposed to the group's view as weak, biased or foolish;
- Pressure being felt to conform by any group member who questions the group's view, couched in terms of 'disloyalty';
- Self-censorship of ideas that deviate from the apparent group consensus;
- Illusions of unanimity among group members with silence being viewed as agreement;
- Mind-guards who stifle any dissenting information or views.

¹⁶ Such support is usually provided by (or via) ELEXON Ltd.

¹⁷ Appropriate standards may be defined in the BSC, relevant Code Subsidiary Documents, the Panel Committee or Workgroup's general Terms of Reference, specific Terms of Reference relating to individual pieces of work and relevant policy documents or working procedures.

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- Ensuring that all arguments for and against a proposal are adequately discussed at the Committee/Workgroup and reflected in minutes, reports and other relevant Committee/Workgroup products;
- Ensuring that previous discussions or decisions that may be relevant to the proposal being considered are highlighted;
- Ensuring that ELEXON provides impartial input into the Committee/Workgroup's analysis;
- Ensuring that small market participant/consumer representatives viewpoints (whether such parties are present or not) can be articulated and debated at Committee/Workgroup meetings and that other Committee/Workgroup Members do not seek to stifle or prevent such debate; and
- Holding teleconference rather than 'face to face' meetings if this is more convenient for those that wish to participate, including smaller market participants.

Qualities

3.5 The Committee/Workgroup Chairman should have:

- Sound knowledge of governance best practice;
- Strong intellectual and analytical capabilities;
- The ability to make independent, reasoned and sound judgments;
- Sufficient time and commitment to fulfil role;
- The ability to remain objective, impartial and fair; and
- Strong chairmanship skills.

3.6 The Committee/Workgroup Chairman should also be:

- An excellent communicator;
- Politically astute with the ability both to interact with a range of industry and governmental bodies and to understand the interests and concerns of industry stakeholders and consumers; and
- Aware of, and participate in, industry developments with the ability to anticipate their effect on the Panel, Panel Committee and ELEXON.

4. Role of the Panel Sponsor

4.1 The concept of sponsorship is, perhaps, most closely associated with the management of projects. The Project Management Institute¹⁸ suggests that an engaged sponsor (with a vested business interest) can mean the difference between success and failure. Their role can include:

- Providing clear direction and articulating how matters link to the overall strategy;
- Challenging to ensure that work is on time, on budget and on scope;
- Providing feedback on status reports and making sure they reach the necessary stakeholders;
- Championing the work of the Committee to secure buy-in.

¹⁸ http://www.pmi.org/Business-Solutions/~/_media/PDF/Business-Solutions/Executive%20Engagement_FINAL.ashx

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- 4.2 Guidance from the Institute of Directors suggests that delegating authority to a Committee or sub-group allows boards to operate in a supervisory role, but under the board's control.
- 4.3 So, under the BSC, a Panel Sponsor may be seen as performing an engagement and advisory role, building on recognised best practice from project management, where relevant, aiding the Panel in its role overseeing the work of its Panel Committees and demonstrably lending the Panel's authority to the Panel Committee Chairman in support of robust committee processes (eg in tackling any perceived partiality, non-attendance or non-contribution).
- 4.4 The Panel Sponsor should not be seen as the Chairman's boss. Sponsors must effectively communicate the vision, goals and expectations to the Chairman and the Committee without crossing the line into micromanagement. However, the Panel Sponsor and the Committee Chairman should be expected to work effectively together. Such an 'emotional contract' might include:
- The time commitment each can expect from the other;
 - The frequency and nature of reports from the Chairman;
 - How often they will meet;
 - How the sponsor expects the Chairman to deal with problems and when they will be escalated to the sponsor.
- 4.5 In the view of the Project Management Institute, the best sponsors proactively enquire of progress, make themselves available and encourage communication, whether the news is good or bad.
- 4.6 With regard to these general principles it might therefore be expected that the Panel Sponsor role be defined as follows.

Overview

- 4.7 The Panel Sponsor performs an engagement and advisory role. The Sponsor is responsible for:
- Communicating the vision, goals and expectations of the BSC Panel to the Chairman and the Committee and articulating how Committee matters link to the overall strategy;
 - Constantly challenging to assure themselves and the Panel that Committees are operating effectively and in line with the Panel's overall strategy and objectives; and
 - Building relationships between the Committee and the BSC Panel, acting as an ambassador for the Committee, engaging in critical debate when challenged and inspiring stakeholder confidence¹⁹.

Specific Responsibilities

- 4.8 The Panel Sponsor should:
- Act as general counsellor and advisor to keep the Chair and Committee engaged with Panel views and approach;
 - Ensure that the Chair and Committee are aware of the Panel's priorities and relevant requirements;
 - Where possible, provide briefings to the Committee on Panel proceedings and thinking (to supplement the briefing that ELEXON provides to its Committee Chairs and Secretaries after each Panel meeting);
 - Support the Chair and Committee by providing advice, support and feedback – including on a one to one and/or confidential basis as appropriate;

¹⁹ This might include providing verbal progress updates to the Panel or Panel Committee, or bringing greater understanding of issues and debates to the Panel or Panel Committee when there was a more formal discussion.

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- Act as a conduit between the Panel and Committee so Committee issues and concerns are properly raised and the Panel kept informed (to supplement the ELEXON process of monthly reports to the Panel); and
 - Act as a background mentor and support – e.g. if the Chair struggles to obtain adequate support from the ELEXON Executive the Sponsor should take responsibility for escalation to the ELEXON board via the BSC Panel.
- 4.9 It is expected that the Panel Sponsor should meet with the Panel Committee Chairman on a regular basis (at least quarterly), however, the Sponsor should not become part of an operational process.

5. Role of BSC Panel Members, Panel Committee Members, Workgroup Members and Alternates (where applicable)

- 5.1 The BSC requires that BSC Panel Members, Panel Committee Members and Workgroup Members ('Members') act with impartiality and not as representatives of the body or person by whom they are appointed. Where a BSC Panel Member is employed by a company which claims an interest in a particular BSC Panel proceeding, the BSC Panel Member must declare these interests in writing²⁰ to the BSC Panel Secretary. Similar requirements for disclosure of conflicts exist for Panel Committee Members and Workgroup Members. All Members must conduct themselves in a manner consistent with the BSC Panel's objectives²¹ which might be summarised as 'Giving full and prompt effect to the Code consistent with achieving the Applicable BSC Objectives in a transparent, economic, efficient and non-discriminatory way'. This work may encompass responsibility for:
- Setting certain parameters and directing certain actions to ensure the BSC provides appropriate signals and intended outcomes that demonstrably achieve the Applicable BSC Objectives and align with the greater common good;
 - Amending the BSC to ensure it is robust, fair and continues to facilitate the Applicable BSC Objectives and aligns with the greater common good;
 - Providing assurance to interested parties that BSC Parties comply with the terms of the BSC and that identified issues are appropriately resolved; or
 - Setting the requirements for BSC services, including those for BSCCo as an independent provider of services to BSC Parties and the BSC Panel.

Overview

- 5.2 Members must have integrity and must not only be, but also be seen to be, impartial and free from proximity to vested interests. Members are responsible for:
- making decisions (or recommendations) regarding the application, amendment and interpretation of the BSC;
 - bringing the Panel's attention to external matters which may affect the BSC or the work of the BSC Panel;
 - initiating action to address issues arising in respect of matters that impact (or have the potential to impact) the BSC;

²⁰ BSC Section B2.8.3

²¹ BSC Section B1.2.1

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- ensuring that, wherever possible, the work of the Panel, the Panel Committee or Workgroup aligns with the Panel's strategic priorities;
- following due process, thereby enabling BSC Parties and Ofgem to place reliance on the work of the BSC Panel, its Panel Committees and Workgroups; and
- acting as ambassadors for the Panel, Panel Committee or Workgroup and inspiring stakeholder confidence.

Specific Responsibilities

5.3 Members should:

- Operate within their powers in accordance with the BSC and/or the relevant Terms of Reference as approved by the BSC Panel;
- Actively contribute towards the robust, transparent and well-reasoned scrutiny of matters brought to the Panel, Panel Committee or Workgroup for its consideration;
- Engage in constructive debate which is based on good working practices with appropriate discussion and constructive challenge²²;
- Support the Chair, Secretariat and other Members by providing advice, support and feedback – including on a one to one and/or confidential basis as appropriate; and
- Act as critical friends by:
 - Ensuring that unsubstantiated assumptions or assertions do not go unchallenged;
 - Ensuring that all arguments for and against a proposal are adequately discussed and reflected in minutes, reports and other relevant BSC Panel, Panel Committee or Workgroup products;
 - Ensuring that previous discussions or decisions that may be relevant to the proposal being considered are highlighted;
 - Ensuring that small market participant/consumer representatives viewpoints (whether such parties are present or not) can be articulated and debated at BSC Panel, Panel Committee or Workgroup meetings and that other Members do not seek to stifle or prevent such debate; and
 - Supporting the use of teleconference (or similar) facilities if this is more convenient for those that wish to participate, including smaller market participants.

6. Role of the BSC Panel Secretary

- 6.1 The BSC requires that BSCCo provide a Panel Secretary. The role and functions of the Panel Secretary are described throughout Section B of the BSC.

²² One of the most challenging aspects of decision-making is 'group-think'. This is a dysfunctional pattern of processes which can include:

- Illusions of invulnerability creating excessive optimism;
- Rationalising warnings that might challenge the group's assumptions;
- Unquestioning belief in the morality of the group, causing members to ignore the consequences of their actions;
- Stereotyping those who are opposed to the group's view as weak, biased or foolish;
- Pressure being felt to conform by any group member who questions the group's view, couched in terms of 'disloyalty';
- Self-censorship of ideas that deviate from the apparent group consensus;
- Illusions of unanimity among group members with silence being viewed as agreement;
- Mind-guards who stifle any dissenting information or views.

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6.2 The role of the Panel Secretary is not unlike that of a company secretary. The Higgs Review (2003)²³ stressed the importance of the company secretary, noting that the company secretary should support the chairman in assessing the information that is needed by the board and that they should be a provider of independent, impartial guidance and advice on board procedures, legal requirements and governance best practice. Higgs noted that in order to ensure good communication within the board and its committees, it is good practice for the company secretary, or their designee, to be secretary to all board committees.

Overview

6.3 The Panel Secretary is the officer of the BSC Panel that is responsible for its administration. Like Panel Members, the Panel Secretary must have integrity and must not only be, but also be seen to be, impartial and free from proximity to vested interests. The work of the Panel Secretary encompasses:

- Convening of BSC Panel meetings, provision of relevant BSC Panel papers and materials and taking minutes of meetings;
- Maintaining registers of Panel Members, Panel Member interests, Panel Member contracts/agreements;
- Communicating with BSC Parties and the Authority on behalf of the BSC Panel or in accordance with BSC procedures;
- Management and administration of the BSC Panel elections and Panel Member appointment processes; and
- Supporting the Chairman in ensuring compliance with regulations and BSC Obligations by Panel Members (and the Panel as a whole).

Specific Responsibilities

6.4 The BSC Panel Secretary should:

- Act as advisor to the Chair and BSC Panel Members on matters of compliance and process;
- Ensure that the Chair and Panel Members and the Code Administrator (ELEXON Ltd) remain aware of the Panel's priorities and relevant requirements;
- Act as a conduit between the Panel and the Code Administrator (ELEXON Ltd) so Panel issues and concerns are properly raised and addressed;
- Provide briefings to the Panel Committee Chairs and Secretaries after each Panel meeting;
- Ensure that clear and unambiguous decisions made by the BSC Panel are captured and recorded in a timely and transparent manner;
- Provide, or facilitate the provision of, appropriate support²⁴ to the BSC Panel and Panel Members as required – including on a one to one and/or confidential basis as appropriate; and
- Act under delegated authority as the face of the Committee when liaising with stakeholders and reporting on BSC Panel matters to others.

7. Role of the Modification Secretary

²³ <https://www.governance.co.uk/resources/item/258-the-higgs-report-review-of-the-role-and-effectiveness-of-non-executive-directors>

²⁴ Such support is usually provided by (or via) ELEXON Ltd.

DELEGATION

7.1 The BSC requires that BSCCo provide a Modification Secretary. This role may, but need not be, undertaken by the same person as the Panel Secretary. The role and functions of the Modification Secretary are described throughout Section F of the BSC.

Overview

7.2 The Modification Secretary is the officer of the BSC Panel that is responsible for the administration of the Modification Procedures. Like the Panel Secretary, the Modification Secretary must have integrity and must not only be, but also be seen to be, impartial and free from proximity to vested interests. The work of the Modification Secretary encompasses:

- Receiving, considering and publishing Modification Proposals;
- Publishing notices and reports relating to Modification business and keeping the BSC Panel, BSC Parties and the Authority updated on the progress of Modifications;
- Communicating with BSC Parties (including the Transmission Company) and the Authority on behalf of the BSC Panel, relevant Workgroup or in accordance with BSC procedures;
- Maintaining registers of Workgroup Members, Workgroup Member interests and Workgroup Member contracts/agreements; and
- Management and administration of the Workgroup Member appointment processes.

Specific Responsibilities

7.3 The Modification Secretary should:

- Act as advisor to the BSC Panel Chair, BSC Panel Members and Workgroup Members on matters of Modification process;
- Promote the efficient, economical and expeditious consideration of Modification business consistent with the Code Administration Code of Practice principles;
- Liaise with other Code Administrators to promote the co-ordinated assessment of industry change;
- Review and recommend improvements to the Code Administration Code of Practice principles;
- Maintain the Terms of Reference for Modification Workgroups in accordance with the determinations of the BSC Panel;
- Act as a conduit between the Panel and Workgroups to ensure that issues and concerns are properly raised and addressed;
- Provide, or facilitate the provision of, appropriate support²⁵ to Workgroups as required; and
- Ensure that clear and unambiguous recommendations made by the BSC Panel and Workgroups are recorded and reported in a timely and transparent manner.

8. Role of the Performance Assurance Administrator

8.1 The role and functions of the Performance Assurance Administrator (PAA) are described throughout Section Z of the BSC.

Overview

²⁵ Such support is usually provided by (or via) ELEXON Ltd.

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- 8.2 The Performance Assurance Administrator performs those functions associated with the day-to-day administration of the Performance Assurance Board (PAB) Functions as are delegated to it by the PAB. Like the Panel Secretary, the PAA must have integrity and must not only be, but also be seen to be, impartial and free from proximity to vested interests. The work of the PAA encompasses:
- Applying or implementing the relevant Performance Assurance Techniques under the delegated authority of the PAB;
 - Developing and Maintaining the Risk Evaluation Methodology, the Risk Evaluation Register, and the Risk Operating Plan on behalf of the PAB and the BSC Panel;
 - Preparing the Annual Performance Assurance Report; and
 - Making recommendations to the Panel that the BSC or a Code Subsidiary Document be modified.

8.3 **Specific Responsibilities:**

8.4 The PAA should:

- Act as advisor to the BSC Panel and the PAB on matters relating to assurance;
- Promote the efficient, economical and expeditious deployment of Performance Assurance Techniques;
- Liaise with the BSC Parties (including the Transmission Company and ELEXON), other Performance Assurance Parties, the BSC Auditor, the Technical Assurance Agent, the PAB Chair, PAB Members, Panel Members and the Authority in relation to the mitigation of Settlement Risks and resolution of identified issues; and
- Act as a conduit between the PAB and ELEXON Ltd. to ensure that issues and concerns are properly raised and addressed.

9. Role of the Panel's representative on the Grid Code Review Panel

9.1 The Grid Code Review Panel (GCRP) is established and maintained by NGET pursuant to GC.4.1 of the Grid Code. Its membership includes a person representing the BSC Panel. The Panel's representative on this group is bound by the obligations and objectives of the GCRP which, in summary, include responsibility for:

- keeping the Grid Code and its working under review;
- reviewing suggestions for amendments to the Grid Code;
- publishing recommendations as to amendments to the Grid Code that the Panel feels are necessary or desirable;
- issuing guidance in relation to the Grid Code and its implementation, performance and interpretation; and
- considering any changes to the Code Administration Code of Practice that the Code Administrator considers appropriate to raise.

9.2 In fulfilling these responsibilities the Panel's representative on the GCRP should represent the interests of the BSC Panel, save to the extent that such interests must remain subordinate to those obligations and objectives placed on the Member as a member of the GCRP.

Overview

9.3 It could be said that the role of the Panel's GCRP representative shares many features with that of a Panel Sponsor and that it encompasses:

- Communicating the vision, goals and expectations of the BSC Panel to the GCRP;

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- Ensuring that, wherever possible, the work of the GCRP aligns with the BSC Panel's overall strategy; and
- Building relationships between the GCRP and the BSC Panel, acting as an ambassador for the Panel, engaging in critical debate when challenged and inspiring stakeholder confidence.

Specific Responsibilities

9.4 The Panel's GCRP representative should:

- Ensure that the GCRP are aware of the Panel's priorities and relevant requirements;
- Where possible, provide briefings to the GCRP on Panel proceedings and thinking;
- Act as a conduit between the Panel and the GCRP so issues and concerns are properly raised and the Panel kept informed; and
- Regularly liaise with, and, where appropriate, seek the views of the BSC Panel and the BSC Panel Chairman in advance of GCRP meetings to ensure that the BSC Panel position can be appropriately represented in GCRP decision-making.

9.5 It is expected that the Panel's GCRP representative should meet with the BSC Panel Chairman on a regular basis (at least quarterly).

10. Role of Panel Committee Secretaries

10.1 The Terms of Reference for Panel Committees require that BSCCo provide a Panel Committee Secretary.

Overview

10.2 Panel Committee Secretaries are officers of the BSC Panel that are responsible for the administration of its relevant Panel Committee(s). Like the Panel Secretary, Panel Committee Secretaries must have integrity and must not only be, but also be seen to be, impartial and free from proximity to vested interests. The work of Panel Committee Secretaries encompasses:

- Convening of Panel Committee meetings, provision of relevant Panel Committee papers and materials and taking minutes of meetings;
- Maintaining registers of Panel Committee Members, Panel Committee Member interests, Panel Committee Member contracts/agreements;
- Communicating with BSC Parties, other industry participants and the Authority (where applicable) on behalf of the Panel Committee in accordance with the Panel Committee's Terms of Reference;
- Management and administration of the Panel Committee Member appointment processes; and
- Supporting the Chairman in ensuring compliance with regulations and BSC Obligations by Panel Committee Members (and the Panel Committee as a whole).

Specific Responsibilities

10.3 Panel Committee Secretaries should:

- Act as advisor to the Chair, Panel Committee Members and the Panel Sponsor on matters of compliance and process;
- Ensure that the Chair and Panel Committee Members and the Code Administrator (ELEXON Ltd) remain aware of the Panel's priorities and relevant requirements;
- Act as a conduit between the Panel Committee and the Code Administrator (ELEXON Ltd) so Panel Committee issues and concerns are properly raised and addressed;

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- Support the Chair as required in providing briefings to other Panel Committee Chairs and Secretaries after each Panel Committee meeting;
- Ensure that clear and unambiguous decisions made by the Panel Committee are captured and recorded in a timely and transparent manner;
- Provide, or facilitate the provision of, appropriate support²⁶ to the Panel Committee and Panel Committee Members as required – including on a one to one and/or confidential basis as appropriate; and
- Act under delegated authority as the face of the Panel Committee when liaising with stakeholders and reporting on Panel Committee matters to others.

²⁶ Such support is usually provided by (or via) ELEXON Ltd.

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APPENDIX 3 – REVIEW OF EXISTING PANEL COMMITTEES AND GROUPS

1. Scope

1.1 The review has considered the following committees:

Committee	Primary Purpose	Secondary Purpose(s)
Performance Assurance Board (PAB)	Independent Expert Decision-Making under Mandated Authority (PAB is mandated by the BSC - its role has been likened to that of an Audit Committee)	Independent Expert Decision-Making under Delegated Authority (e.g. approving the prioritisation of risk and the approach associated with managing such risks) Independent Expert Advice (e.g. determining the scope of the BSC Audit, recommending changes to the BSC to address inherent risk)
Trading Disputes Committee (TDC)	Independent Expert Decision-Making under Mandated Authority (the TDC is mandated by the BSC - it effectively fulfils a claims review function)	Decision-Making under Delegated Authority (e.g. approving that Post Final Settlement Runs be conducted) Expert Advice (e.g. recommending changes to the BSC to address issues arising)
Credit Committee	Decision-Making under Delegated Authority (e.g. setting parameters associated with the Credit Assessment Price)	Expert Advice (e.g. recommending changes to the CAP Review Process)
Imbalance Settlement Group (ISG)	Decision-Making under Delegated Authority (e.g. reviewing and approving changes to Code Subsidiary Documents and approving exceptions to requirements via Metering Dispensations)	Expert Advice (e.g. reviewing Settlement parameters and recommending changes and considering issues and recommending potential solutions)
Supplier Volume Allocation Group (SVG)	Decision-Making under Delegated Authority (e.g. reviewing and approving changes to Code Subsidiary Documents and approving exceptions to requirements via Metering Dispensations)	Expert Advice (e.g. reviewing Settlement parameters and recommending changes and considering issues and recommending potential solutions)
Modification Workgroups	Expert Advice (e.g. developing workable solutions to address issues in the BSC)	None
Profiling and Settlement Review Group (PSRG)	Expert Advice (e.g. developing and recommending changes to the BSC to address strategic drivers for change)	None

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2. Further Details

- 2.1 The attached spreadsheet shows how each of these committees currently adds value (based on the principles of delegation outlined in Appendix 1). It also captures brief overviews of:
- The role of the committee for the Panel and for Parties;
 - The outputs from the Committee;
 - The membership of the Committee;
 - The way in which the Committee reports on its activities;
 - How the Committee makes decisions with any associated special features;
 - Whether the Committee is enduring; and
 - Where there are links or potential overlaps in the scope of each Committee.
- 2.2 The spreadsheet goes on to consider, for each Committee:
- i) How the Panel should monitor and co-ordinate the work and any issues arising (i.e. What measures are needed to enable the appropriate level of oversight)?
 - ii) Whether Panel Members should be able to act as Committee / Workgroup Members and vote?
 - iii) What the role of the Panel is with respect to the Committee / Group?
 - iv) What the checks and balances on the Committee's delegated Authority are / should be?

The Main conclusions arising from this review are set out below

3. General Conclusions

- 3.1 **Commissioning work:** When work is commissioned, either by the BSC Panel (or by a BSC Panel Committee), there should be clarity on the purpose and scope of such work and on the extent of any delegated authority. Where the BSC Panel expands the delegated authority of a Panel Committee, Workgroup, it should either:
- Revise the Panel Committee or Workgroup's Terms of Reference on an enduring basis; or
 - Establish and document specific Terms of Reference and /or clear delegated authority for a defined period.
- 3.2 Such additions need not be extensive, but they should be clear and unambiguous. They should confirm the objective, scope, timescale and success criteria for the work and describe how the work will be monitored.
- 3.3 Consideration should be given as to whether Panel Sponsors should have delegated authority to commission work from their relevant Committee on behalf of the Panel (within certain, specified limits).
- 3.4 **Monitoring work being conducted under delegated authority:** The Panel should establish a robust monitoring framework that provides it with visibility that work is being undertaken by Panel Committees, Workgroups and Officers of the Panel in line with the relevant Terms of Reference and delegated authority. Such monitoring might include regular reports to the Panel. These could be written or verbal and could be presented by the Panel Sponsor or the Committee Chair. It might be that the form and frequency of current reporting from Panel Committees be revised. One possible structure might comprise:
- A monthly paper containing a short submission from each Panel Committee Chair outlining:
 - the extent to which the Panel Committee has delivered against its Terms of Reference for general, or specific aspects of its work (with progress reports on particular matters where relevant);

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- a commentary, with associated recommended action, regarding issues arising in discharging its Terms of Reference and delegated authority;
- a summary of the matters that are anticipated at forthcoming meetings;
- An appendix comprising each Panel Committee's headline reports showing the decisions made at the last meeting;
- An appendix outlining key business indicators falling under each Panel Committee's Terms of Reference.

3.5 **Appropriate Checks and Balances:** When delegating authority to Panel Committees, Workgroups and officers of the Panel, the Panel should be careful to ensure that appropriate checks and balances are in place. For example, where determinations made under delegated authority are not unanimous, there should remain a route for appropriate Panel oversight, either through referral of the matter to the Panel or via a clearly articulated appeal mechanism.

4. Committee/Group-Specific Conclusions

PAB

- 4.1 The PAB's role has been likened to that of an Audit Committee. Its primary role is to provide assurance that energy is allocated and charged for correctly and accurately and to promote competition by ensuring that there is a level playing field for BSC Parties through the monitoring and enforcing of compliance with BSC requirements.
- 4.2 The BSC sets out particular responsibilities for the PAB in maintaining and directing the application of Performance Assurance Techniques. These might be considered to fall into both strategic and operational areas. e.g.:
- Strategic
 - i) Identifying and Prioritise Settlement Risks
 - ii) Setting an approach to mitigating key risks and managing issues arising
 - iii) Highlighting areas of weakness in the design of the BSC that could be amended to reduce inherent Settlement Risk.
 - Operational
 - i) Authorising new participants to operate under the BSC;
 - ii) Tracking and monitor key risks and issues;
 - iii) Approving Peer Comparison and Supplier Charges reports for publication
 - iv) Taking action to resolve underperformance or non-compliance among BSC signatories (and their service providers)
- 4.3 **A Larger Role for the Panel in assessing the industry's Risk Appetite?:** The focus of the PAB is determined by the Risk prioritisation and its Operating Plan. The Panel may wish to take a more active role in reviewing these and retain its right of approval to ensure the industry risk appetite is being properly reflected in the work of the PAB.
- 4.4 **Separation of Strategic and Operational Responsibilities?:** Alternatively, it might be that the strategic matters currently split between the PAB and the Panel (some of which are delegated to the PAB) are reserved for a separate Panel advisory committee (effectively an Assurance Strategy Board or similar). Such a body might meet on a quarterly basis and could be formed from existing PAB Members.

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- 4.5 **Potential business indicators:** The operational aspects of the PAB's work might suggest the following indicators:
- Number of SVA Qualification applications raised, in progress, granted, rejected and outstanding;
 - Number of audit issues being tracked in EFR, number of plans on track, behind schedule;
 - Number of escalations;
 - Number of parties with red/amber/green risk ratings;
 - Total value of Supplier Charges issued and the largest gross and net charges arising for an individual party;
 - Key Industry Performance Indicators drawn from PARMS Serials, Material Error Monitoring or Technical Assurance monitoring data; and
 - Committee Member attendance records.

TDC

- 4.6 The TDC is an operational committee. Its primary purpose is the investigation of potential Settlement Errors and determinations regarding their correction.
- 4.7 **Feedback on Resolution of Underlying Issues:** Where Settlement Errors indicate underlying issues in the arrangements, the TDC may remit the matter to the Panel, the SVG or the ISG to develop a change to improve the arrangements. Similarly, where a Settlement Error (or sequence of errors) indicates an underlying performance issue, the TDC may remit the matter to the PAB for further investigation. However, there is currently no clear feedback loop to TDC to confirm the matter is being addressed. Such feedback should be adopted as good working practice.
- 4.8 **Potential business indicators:** As an operational committee the Panel may wish to ensure that the TDC is conducting its work in a satisfactory way. This could include the rate of determinations and the quality of determinations (i.e. are issues arising that lead to constant referrals). The Panel may wish to understand the materiality of the matters being investigated and the cost of such investigations to help it ensure that Parties are receiving value for money. Potential indicators could be:
- the number of Trading Disputes currently open;
 - the number of Trading Disputes determined;
 - the number of new Trading Disputes raised;
 - the number of referrals to the BSC Panel;
 - the total materiality of outstanding, rejected and upheld Trading Disputes; ; and
 - Committee Member attendance records.

Credit Committee

- 4.9 The Credit Committee fulfils an operational role, keeping parameters under review in light of the fluctuations in market price.
- 4.10 **Potential business indicators:** As an operational committee the Panel may wish to ensure that the Credit Committee is conducting its work in a satisfactory way. This could include the number of determinations made and the quality of determinations (i.e. are issues arising that lead to revisions being required).

ISG

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- 4.11 The ISG has an operational role. It is responsible for overseeing the Imbalance Settlement processes and systems. These processes are associated with the operation of the Central Services Agents (i.e. Balancing Mechanism Reporting Agent (BMRA), Central Data Collection Agent (CDCA), Central Registration Agent, Energy Contract Volume Aggregation Agent (ECVAA), and Settlement Administration Agent (SAA)), Funds Administration Agent (FAA) and the Interconnector Administrator.
- 4.12 However, the Panel may ask the ISG to investigate / monitor detailed technical issues in working towards its overall strategic priorities.
- 4.13 **Potential business indicators:** As an operational committee the Panel may wish to ensure that the ISG is conducting its work in a satisfactory way. This could include:
- High-level information on the number of determinations made and the quality of determinations (i.e. are issues arising that lead to revisions being required);
 - The number of Metering Dispensation applications received, granted, outstanding, in-effect, expired with associated materiality;
 - The number of LLF audits scheduled, completed, number with issues arising;
 - The number of Change Proposals (perhaps by area/system) raised, approved, rejected, in progress; and
 - Committee Member attendance records.

SVG

- 4.14 The SVG has an operational role. It is responsible for overseeing the operation of the Supplier Volume Allocation (SVA) processes and systems. These processes include those associated with the Supplier Volume Allocation Agent, Suppliers, Supplier Agents and the Supplier Meter Registration Service.
- 4.15 However, the Panel may ask the SVG to investigate / monitor detailed technical issues in working towards its overall strategic priorities.
- 4.16 **Potential business indicators:** As an operational committee the Panel may wish to ensure that the SVG is conducting its work in a satisfactory way. This could include:
- High-level information on the number of determinations made and the quality of determinations (i.e. are issues arising that lead to revisions being required);
 - The number of Metering Dispensation applications received, granted, outstanding, in-effect, expired with associated materiality;
 - The number of LLF audits scheduled, completed, number with issues arising;
 - The number of Change Proposals (perhaps by area/system) raised, approved, rejected, in progress; and
 - Committee Member attendance records.

Modification Workgroups

- 4.17 Modification Workgroups are formed to investigate, develop and assess solutions to specific issues.
- 4.18 The Knight Report suggested that the working group and consultation processes provide the opportunity for the industry to be thoroughly involved in all aspects of a Modification. If they work as they should then by the time the final assessment comes to be made by the BSC Panel any outstanding technical issues should have been worked through and clarified - if not, the proposal should be sent back.
- 4.19 **Establishing Terms of Reference:** When establishing Workgroup Terms of Reference (usually via the Initial Written Assessment presented by ELEXON) the Panel should be clear to confirm:

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- The information that it requires in order to be able to make a decision (this might include particular questions to be asked in consultations or analysis to be undertaken);
- Any specific groups that, insofar as may be possible, ELEXON should engage with to secure consultation responses or other such support as the Panel may require;
- The extent to which cross-code impacts should be taken into account (including, the potential establishment of a cross-code Workgroup or assessment process);
- The appointment of a named chair (usually an employee of ELEXON) and formal delegation of authority to the Modification Secretary or appointed Chair for approving accepting members onto the workgroup in line with agreed criteria determined by the BSC Panel;
- Clearly defined outputs (For example, this might include a technical solution; group views; others' views (i.e. consultation/ofgem etc.); and group comments on others' views); and
- Approval of the initial progression plan (i.e. activities, timescales and costs).

4.20 **Robust Assessment:** If it assumed that the remit of Modification Workgroup includes assessment of the viability of the technical solution and general benefits/risks issues it then falls to the Panel to review how the proposed and alternate solution(s) deliver against the Applicable BSC Objectives and the common good. Workgroup assessment activities should be checked to ensure that the working group has covered all aspects, including both technical elements and non-technical aspects such as competition and the interests of smaller BSC parties. The Panel may wish to consider if it should require that the report include impact reports, compiled by ELEXON, on particular non-technical aspects, including a commentary on the potential impact on consumers. There could be an agreed checklist, drawn from the Terms of Reference set by the BSC Panel to ensure all matters have been considered.

4.21 **Purpose of the Report Phase:** It could be that the Report Phase consultation should be a vehicle for the Panel set out its rationale (based on the evidence provided by the Workgroup) and provide a final opportunity for BSC Parties to raise concerns with the Panel's recommendation. Under this approach, it becomes particularly important that the Panel is able to express a view upon receiving the Assessment Report and for the Panel to ensure that the Modification Workgroup has discharged its terms of reference fully and that there are no additional areas that need further consideration.

4.22 **Potential business indicators:** The Panel may wish to ensure that Modification Workgroups are conducting their work in a satisfactory way. This could be monitored via a revised change report which might comprise a short update from each Workgroup Chair with any recommendations for action as required and might include information on:

- Adherence to (or deviation from) the agreed assessment timetable;
- Costs incurred by each workgroup;
- Commentaries on issues arising;
- Number of re-plans to agreed timetables;
- Number of consultations (including consultation periods and number of responses);
- Number of times Panel has sent Modifications back into Assessment;
- Number of Workgroup Members and attendance records.

5. Resolution of Potential Overlaps

5.1 The following areas have been identified as potential overlaps or grey areas in the remit of existing Panel Committees. The BSC Panel may wish to review the allocation of responsibilities for such work:

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Line Loss Factors

- 5.2 The SVG and ISG are responsible for the performance of, and resolution of issues arising from Line Loss Factor Audits. These audits are required to enable the ISG and SVG to approve appropriate LLFs. However, it could be said that audit and compliance activities are better aligned with the remit of the PAB.

Metering Dispensations

- 5.3 Where ISG and SVG review Metering Dispensations, and find they have expired and determine that they should not be extended or that the relevant parties are not making significant progress towards addressing the underlying issue(s), it could be that such non-compliance be overseen by the PAB.

Credit

- 5.4 The ISG is responsible for reviewing some credit-related parameters (such a Credit Assessment Load Factor). There may be a case for such responsibilities to be consolidated under the Credit Committee. Alternatively, it might be that the membership of the Credit Committee be amended to comprise the ISG membership (in a similar manner to the TDC and Q8 Committee) or that the Credit Committee and the ISG be combined.