

PANEL GOVERNANCE REVIEW – INITIAL THOUGHT-PIECE: **OPERATING PRACTICES**

1. Aim

- 1.1 This thought-piece explores and recommends improvements to the operation of BSC Panel meetings and the provisions that surround the day-to-day operation of the BSC Panel. It builds on conclusions set out in other thought-pieces relating to Panel accountability, role and key functions and its approach to delegation.
- 1.2 This document sets out the initial conclusions of the Panel's Governance Review Group for discussion.

2. Summary of Key Conclusions So Far

- 2.1 The review has, so far, documented a number of conclusions and key recommendations that have a bearing on how the Panel should go about its business.

The Panel as Trustees

- 2.2 The BSC Panel is responsible for independently ensuring that the terms of a multi-party contract (the BSC) are given effect and operate fairly and effectively for the benefit of all parties (or prospective parties) to the contract but always in favour of the greater common good in a way which is consistent with achieving the Applicable BSC Objectives in a transparent, economic, efficient and non-discriminatory fashion.
- 2.3 The BSC Panel and Panel Members, as trustees, are collectively and individually accountable to BSC Parties and the wider industry for:
 - i) independently ensuring that the BSC is given effect as a multi-party contract and operates fairly and effectively for the benefit of all; and also
 - ii) independently ensuring that any proposed changes to the contract are robustly assessed in a timely fashion and that parties to the contract comply with its provisions.

Transparency

- 2.4 The Panel should be as transparent as possible in how it conducts its business so as to ensure that those interested parties who are able to (re-)appoint Panel Members from time to time, can do so in an informed way, based on the work of the Panel and the performance of Panel Members as engaged and impartial trustees of the balancing arrangements.
- 2.5 The Annual BSC Meeting provides an opportunity for the Regulator and BSC Parties to consider and discuss the performance of the BSC Panel.

Role and Key Functions

- 2.6 The BSC Panel is the curator of the BSC and its core role is to make decisions regarding the application, amendment and interpretation of the BSC (in consultation with BSC Parties as appropriate).
- 2.7 The four main functions of the BSC Panel can be summarised as:
 - i) **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;
 - ii) **Amending the BSC** to ensure it is robust, fair and continues to facilitate the Applicable BSC Objectives and aligns with the greater common good;
 - iii) **Providing assurance to interested parties** that BSC Parties comply with the terms of the BSC and that identified issues are appropriately resolved; and
 - iv) **Setting the requirements for BSC services**, including those for BSCCo as an independent provider of services to BSC Parties and the BSC Panel.

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A Pro-Active Panel

- 2.8 The review has noted that a proactive Panel should:
- Establish principles to underpin its work;
 - Prioritise issues and risks;
 - Plan and 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.

Officers of the Panel

- 2.9 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 Chairs and Workgroup Members.

Effective Delegation

- 2.10 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.
- 2.11 The Panel should 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.

A client-service provider relationship with BSCCo

- 2.12 The existing BSC provisions set out in the BSC establish BSCCo as a service provider to BSC Parties, operating under the terms of a contract (the BSC) and the terms of the BSC are, in turn, overseen by the BSC Panel in accordance with its purpose. However, BSCCo is required provide its services in a way that is independent from BSC Parties and the BSC Panel.
- 2.13 Viewing the relationship of the BSC Panel and BSCCo from the perspective of a customer and service provider provides some insight into how the BSC Panel and BSCCo should work in partnership with each other. It also places context around those areas being discussed under the review of BSCCo governance.

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

3. Effective Meetings and Decision-Making

Behaviours and Tackling Group-Think

- 3.1 In delivering their responsibilities Panel Members should:
- Exercise their own, independent judgement;
 - Exercise reasonable care, skill and diligence; and
 - Disclose potential and actual direct and indirect conflicts of interest, including any relevant interests such that effective mechanism can be enacted in order to manage such conflicts.
- 3.2 As noted elsewhere in the Panel's review of governance, there would be benefit in ensuring that the existing BSC provisions relating to impartiality and conflict of interest are supported by a policy explaining how Panel Members will observe such requirements.
- 3.3 The Panel's membership draws together experience from a range of areas from within and outwith the energy industry. This is positive since research² indicates that groups composed of individuals with diverse backgrounds conduct wider-ranging deliberations, raise more questions and make fewer factual errors. It is important that behaviours of committee members support this.
- 3.4 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.
- 3.5 It may be advantageous to build on the benefits of the Panel's diverse composition by establishing a policy setting out a commitment to positive behaviours designed to underpin effective decision making.

Pre-Meeting Preparations

- 3.6 The Panel has a broad remit. Consequently, it must consider how it runs its business to ensure it is making robust decisions in as efficient manner as possible. The majority of paperwork is issued a week ahead of each Panel meeting. In the small number of instances where papers will be later, these are clearly highlighted.
- 3.7 It is expected that Panel Members arrive at Panel meetings fully prepared, having read the paperwork ahead of the meeting. However, there may be benefits in exploring if there are additional mechanisms that could be

² <http://www.normanbroadbent.com/AppContent/The%20Psychology%20of%20Effective%20Board%20Decision-Making.pdf>

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put in place to help Panel Members prepare. Timely and efficient ways to help inform and/or brief committee members in advance of the meeting will enable time in the meeting to be better used for effective and robust deliberation. This could include:

- A facility for Panel Members to raise questions on papers (either via e-mail or via speaking directly to the paper author) in advance of the Panel Meeting. This approach has always been encouraged and BSCCo often contacts Panel Members pro-actively to check and answer any questions arising. However, it might be appropriate to extend this mechanism formally and, for transparency and clarity, the questions and responses should be made available to all Panel Members prior to each meeting. Such a facility might entail:
 - Question deadline – Monday (3 days before Panel Meeting)
 - Questions and Responses collated and circulated to all Panel Members via e-mail – Wednesday (day before Panel Meeting)
- Use of zip-files would facilitate a reduction in the number of e-mails that Panel Members receive each month. Posting zip files containing the full set of non-confidential Panel papers on the ELEXON website would enable a single e-mail to be sent to Panel Members containing a link to this zip file with copies of only the confidential Panel papers attached.

3.8 The Panel Review group considered and rejected the following potential changes in approach:

- Electronic reporting packs (designed for Boards and Committees) could be used to facilitate sharing of notes, questions and annotations in respect of Committee business. While costs are associated with such tools, ELEXON could look into the provision of such facilities, which could also:
 - remove the need to issue papers via multiple e-mails;
 - provide notifications when new papers have been published; and
 - enable 'soft paper days' by permitting papers to be made available to Panel Members as soon as they are ready (but no later than the standard paper day).
- Reducing the size of papers and addressing duplication: The volume of paperwork could be reduced by making better use of electronic links within documents. The current working practice is to append relevant documents to the various Panel Papers. This can lead to lengthy and cumbersome reports comprising multiple appendices. Previously, it has been felt that such an approach makes it easier for Panel Members to refer to the relevant documentation. Moving towards a more electronic approach and making use of links to previously published information would reduce duplication and enable paper-packs to be reduced in size. However, the review group felt the convenience of having relevant papers to hand outweighed the disadvantages of duplication. Nevertheless, the group agreed that shorter, more concise papers should be encouraged.
- Circulation of confidential papers only: An alternative approach to reducing the volume of e-mails received by Panel Members in advance of a Panel Meeting would be to circulate only the confidential paperwork. The remaining, open session papers are available on the ELEXON website and could be downloaded at any point following publication as required by Panel Members. This approach could be extended further by implementing a password protected area for storing confidential Panel papers for Panel Members to download. There was little appetite for password protected areas, however, the review group felt that better use of zip-files may facilitate a similar solution as noted above.
- Enhanced meeting facilities: Additional benefits may be offered by providing personal screens (e.g. tablets) pre-loaded with Panel paperwork in the Panel meeting room at each meeting. This would remove the need for Panel Members to carry large bundles of paperwork and, combined with electronic

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reporting packs, would enable Panel Members to have access to their annotated papers. The review group considered that this proposal was unlikely to yield significant benefits and that most Panel Members would prefer to use their own tablets/laptops.

Meeting Duration

- 3.9 Meetings themselves should allow sufficient time to discuss important matters thoroughly. Good working practice suggests that deliberations become less effective as meeting fatigue sets in. Guidance from the Institute of Directors suggests that effective meetings should be no longer than two to four hours in length.
- 3.10 Consequently, it should be the exception that Panel meetings extend beyond four hours and working practice should perhaps work to an average of approximately 3 hours with an upper limit of 5 hours for meetings. Adopting this approach might necessitate that, from time to time, business is re-prioritised or deferred or that additional Panel meetings are held in busy months.
- 3.11 Improving pre-meeting facilities and improving the efficiency of Panel presentations could mitigate the risk of lengthy Panel meetings extending beyond four hours (see below).

Supporting Effective Deliberations

- 3.12 The Panel's deliberations are supported by presentations (usually, but not always, from ELEXON) of the relevant matters set out in the accompanying paperwork. It should be assumed that Panel Members have read the paperwork in advance of Panel Meetings.
- 3.13 Further, provision of appropriate pre-meeting support (see above), should ensure that Panel Members arrive at the Panel meeting fully prepared. Some Panel Members, however, have noted that presentations on each agenda item can help focus and structure the resulting debate.
- 3.14 Consequently, it could be that such structure is provided in a more efficient manner by setting out the agenda item in a short presentation (5 minutes) that:
- Confirms the purpose of the paper in plain English;
 - Outlines the required decisions in plain English;
 - Provides prompts (e.g. suggested areas for debate as a mini-agenda) to help structure the resulting discussion and, where required, offer a framework to help Panel Members express their rationale in a consistent manner.
- 3.15 Such an introduction could be supplemented with slides containing pictures/graphs/new information arising since the paper was drafted if required.
- 3.16 The presentation should conclude with a set of clear recommendations as current custom and practice. Wherever possible, recommendations should be broken down into simple propositions that can be agreed with or disagreed with. Complex, multi-part decisions may need to be distilled into their component parts. Such formulation makes decisions via a show of hands straightforward.
- 3.17 Late papers may require more detailed presentation, but this should be the exception.

4. Meeting Attendance and Use of Panel Alternates

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- 4.1 Panel Members³ should endeavour to attend every Panel Meeting. This provides for consistency of approach and decision-making. The BSC supports this good working practice but also provides for the appointment of Alternates. The use of Alternates is explored elsewhere in this thought-piece.
- 4.2 For the purposes of transparency, Panel Member attendance should be set out clearly in the minutes of Panel Meetings (as now) and summarised in the Annual BSC Report (along with similar attendance summaries for the Panel's Committees).

Decision-making by teleconference

- 4.3 The Panel should hold face to face meetings wherever possible. Face to face meetings engender the best engagement and support the Panel's obligations regarding transparency. However, the Panel should not require face-to face meetings at the expense of missing key expertise and insight from otherwise absent members.
- 4.4 The policy, therefore, should be that Panel Members attend Panel Meetings in person. However, such a policy should provide for meetings to be held by teleconference (or video-conference) by exception. All Panel business should be able to be discussed via teleconference, but only subject to the agreement of the Chairman, and no objections from Panel Members.
- 4.5 A Modification to the BSC would be required to permit Modification business to be transacted via teleconference or similar. This was previously considered (and rejected) by the BSC Panel as [Modification P287](#), despite unanimous support from industry.

Decision-making via correspondence:

- 4.6 The BSC Panel currently makes a small number of decisions by correspondence (usually e-mail). Such determinations should be resisted. Where they are employed, decisions should be simple and straightforward and usually of the form where the relevant deliberations have been made at a Panel Meeting and the final determination is subject to the receipt of further information (and where that further information has been clearly defined).
- 4.7 Such conditional determinations remain appropriate, provided clear checks and balances are in place to enable Panel Members to object to such a determination (thereby leading to an ad-hoc Panel meeting or deferral of the matter to the next scheduled meeting).

Appointment of Alternates

- 4.8 The BSC clearly envisages a one to one relationship between a Panel Member and a Panel Alternate. However, since alternates are obliged to act impartially (rather than under the instruction of the Panel Member that appointed them) the need for such a one to one relationship appears not to be required. Indeed, custom and practice has seen Panel Members appoint other Panel Members' alternates as their alternates where the need has arisen (See Appendix 1). Such an approach moves close towards the appointed alternates being treated as a pool of alternates.
 - Operating a pool of Panel Alternates: Operating a pool of alternates would be more efficient than the current arrangements. It would avoid the need to continually appoint and de-appoint alternates and would further emphasise the need for impartiality on the part of alternates. It might be that a pool arrangement would have to be divided in a similar manner to the composition of the Panel. Such a model may require the existing BSC provisions be modified to clarify this working practice. Revised arrangements might require that:

³ And any officers of the Panel who are required to attend each Panel Meeting.

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- Each Panel Member can appoint an alternate in the existing fashion, however, once appointed, alternates are allocated to an appropriate pool (i.e. Industry Alternates, Consumer Alternates, Independent Alternates)⁴.
- Once appointed, any Panel Member could request any alternate from the relevant pool attend the BSC Panel as their alternate (even if they had not appointed the alternate into the pool themselves);
- The Panel Member that appointed the alternate could remove that alternate from the available pool and the existing provisions relating to the removal of alternates set out in BSC Section 2.10.7 would continue to apply.

Alternatively, it could be that the pool of Industry Panel Members comprises those nominated candidates from the previous Industry Panel Member election who were not elected but who received the most votes. It should be expected that the pool would be no more than five strong (consistent with the number of Panel Members appointed via election). The low number of candidates nominated to stand in previous Panel elections would suggest that such a system would not provide sufficient alternates. However, introducing such a system might encourage more candidates to stand in the election. Further work would be needed to determine the details of such a system.

- Deadline for notice of attendance: Alternate Members must be allowed sufficient time to read through the paperwork ahead of a Panel meeting. Non-Confidential paperwork is published on the ELEXON website on Panel paper day (7 days ahead of the meeting). However, Panel alternates will not be issued with paperwork directly unless ELEXON is notified by a Panel Member that they will be attending. This limits the distribution of confidential paperwork which is (otherwise) only distributed to Panel Members. To enable alternates to participate fully, it is important that they be able to receive materials and pre-meeting support (as contemplated elsewhere in this thought-piece) in the same manner as Panel Members. Consequently, a policy or BSC provision should be introduced to require that Panel Members confirm the use of an appointed alternate by a given date⁵ (e.g. at least 5 days before a meeting).

Attendance and voting by Alternates

- 4.9 The BSC makes it clear that each alternate may cast one vote for each Panel Member by whom they were appointed, in addition (where they are a Panel Member themselves) to their own vote⁶. However, the BSC is ambiguous regarding whether alternates attending on behalf of more than one Panel Member can count towards a quorum multiple times. Appendix 1 illustrates how these provisions can interact to undermine good governance.
- 4.10 To preserve good working practice, the BSC should be clarified such that:
- A quorum is based on the number of individuals in attendance (whether Panel Members or alternate Members); and
 - Alternate Members should only ever receive one vote, regardless of however many Panel Members requested that they attend the Panel Meeting.

5. Delivery of key functions

⁴ The pool concept would not apply to the Transmission Company Appointed Panel Member since there is only one Panel Member appointed in this way. This alternate would remain appointed on a one to one basis (effectively a pool of one).

⁵ Any prescribed deadline should be able to be waived in the event of an Urgent or ad-hoc Panel Meeting being called.

⁶ BSC Section B2.10.6(b)

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The following sections consider how the BSC Panel might be more pro-active in delivering its key functions. Appendix 2 suggests how the Panel might incorporate the delivery of these functions in its meetings.

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

- Establishing a Parameter Review Framework: The Panel should document and maintain a programme for the regular reviews of the various settlement parameters it must set as required by the BSC. This parameter review guide should make clear:
 - Which Panel Committee has delegated authority to monitor and review the settlement parameter;
 - The purpose and, expected outcomes associated with application of the parameter (perhaps by reference to key settlement outcomes that can be used as measures);
 - The key settlement outcomes/measures (and associated tolerances) that the Panel believes should be used in determining if the parameter needs amending;
- A Monitoring Regime: Ongoing monitoring of these parameters and (more generally) the 'health of settlement' under the BSC should be monitored using such key settlement outcomes/measures. Such monitoring could be delivered via the Trading Operations Report (and the associated BSC Operations Headline Report).
 - It might be anticipated that the month-to month monitoring would be delegated by the Panel to an appropriate Panel Committee (e.g. the ISG) and that recommendations for action would be raised (by that Panel Committee) for the consideration of the Panel by exception. Such actions might include the Panel commissioning investigation then progressing appropriate changes and/or compliance action in order to resolve issues arising.
 - The BSC Panel should be clear about the expected outcomes when commissioning such work in line with the approach to delegation set out in the companion thought-piece on delegation.

Amending the BSC to ensure it is robust, fair and continues to facilitate the Applicable BSC Objectives and aligns with the greater common good

- Establishing a Change Programme: The Panel should document, maintain and actively manage a programme of BSC change that takes account of wider industry change. Such a programme would enable the BSC Panel to provide input to industry initiatives, regulatory programmes and likely changes within the industry and direct action and analysis to support the timely co-ordination of change both under the BSC and across the industry. This is supported by the new Code Administration Code of Practice Principle 13 relating to cross—code co-ordination. A revised Change Report to the Panel could be used to underpin such deliberations and decision-making.
- Exploring Potential Improvements: The BSC Panel should consider the creation of a standing issues group or the use of existing committees to explore solutions to known issues. The Panel has already taken steps towards this approach by creating the Settlement Review Advisory Group (SRAG) which has a defined programme of work to review a series of matters over a twelve month period. Directing studies or commissioning expert insight from Panel Committees and/or BSCCo in this way would support the assessment of potential impacts on or improvements to the BSC, and enable BSC Parties (or the BSC Panel if it felt it appropriate) to raise changes to improve the settlement arrangements?
- Post Implementation Reviews: The Panel should determine, when making a recommendation regarding a BSC Modification, whether the change is significant enough to warrant a post implementation review. Modification Reports should set out the case (or otherwise) for performing a post implementation review.

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When setting out such a review the BSC Panel should establish a clear Terms of Reference for the review with a clear schedule and appropriate delegated authority. It should be made clear whether the review is focused on:

- whether the change (if implemented) delivered the anticipated outcomes; and/or
- whether there are lessons to be learned from the assessment and/or implementation of the change.

Providing assurance to interested parties that BSC Parties comply with the terms of the BSC and that identified issues are appropriately resolved

- Reviewing and prioritising Settlement Risks according to BSC Parties' Risk Appetite: The Performance Assurance Board (PAB) is responsible for the administration of Performance Assurance Techniques. It also has a more strategic function that encompasses the establishment and maintenance of a Risk Evaluation Methodology, a Risk Evaluation Register and a Risk Operating Plan. This risk framework guides the application of Performance Assurance Techniques by the PAB. The Panel has delegated much of its defined role for overseeing this risk framework to the PAB. The Panel could provide enhanced support by delivering these strategic functions, which include:
 - Setting and publishing the Annual Performance Assurance Timetable each year (BSC Section Z5.2);
 - Undertaking regular reviews of the published list of Performance Assurance Techniques to ensure they remain relevant, appropriate and that no new provisions are required (BSC Section Z5.3);
 - Providing formal input to the development of the Risk Evaluation Methodology by the PAB (BSC Section Z5.4);
 - Reviewing and approving the prioritisation of risks as set out in the Risk Evaluation Register produced by PAB each year (BSC Section Z5.5);
 - Reviewing and approving the PAB's Risk Operating Plan (which sets out how the PAB will provide assurance in respect of key risks and the associated costs (BSC Section Z5.6)).

Setting the requirements for BSC services, including those for BSCCo as an independent provider of services to BSC Parties and the BSC Panel, as set out in the BSC

- Setting the agenda for BSC Services: The BSC Panel Strategy is a significant document. It outlines the strategic priorities for the BSC Panel and the areas in which it will focus its work for the forthcoming period. As a service provider to BSC Parties (under the BSC), BSCCo's own strategy should outline how it will support the BSC Panel in delivering its strategy. The BSC Panel should continue to produce a strategy that is timed so that the BSCCo can utilise the Panel Strategy when developing the BSCCo strategy. The BSC Panel should continue to produce a work programme outlining the roadmap of key strategic activities that it, its Panel Committees and BSCCo are supporting. This should continue to be monitored on a quarterly basis by the Panel (either directly or via a Panel sub-group – e.g. Panel Sponsors – operating under delegated authority) so as to continually review and prioritise its work.

6. Panel Reporting

- 6.1 A range of reports are provided to and issued by (or on behalf of) the BSC Panel. The table below summarises the current reporting and notes potential improvements for discussion. The proposed changes build on considerations set out elsewhere in this review regarding the role and requirements of a pro-active Panel.

Annual BSC Report

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<p>From: BSC Panel</p> <p>To: All BSC Parties & GEMA</p> <p>Frequency: Annual</p> <p>Obligation: BSC Section B6.1</p>	<p><u>Purpose</u></p> <p>Summary of the implementation of the BSC, the activity of the Panel and its Committees. Must include:</p> <ul style="list-style-type: none"> i) Review of operations and general BSC implementation ii) Review of Modifications and Modification procedures iii) Report on BSC Agent and MIDP Performance iv) Review of BSCCo delivery against the Strategy/Budget v) Report on performance of SMRS, compliance with BSC requirements in MRA and review of arrangements between BSC Parties and MRA Parties 	<p><u>Commentary</u></p> <p>The Report must be accompanied by the Annual Report and Accounts of BSCCo, the most recent BSC Audit and BM Audit Reports and the Business Strategy and Annual Budget adopted by BSCCo for the current BSC year.</p>
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Quarterly Reports

<p>From: BSCCo</p> <p>To: BSC Panel, All BSC Parties & GEMA</p> <p>Frequency: Quarterly</p> <p>Obligation: BSC Section C3.9.1</p>	<p><u>Purpose</u></p> <p>Summary of the implementation of the BSC, the activity of the Panel and its Committees as per the Annual BSC Report.</p>	<p><u>Commentary</u></p> <p>These reports are to be set out at a level of detail as agreed between BSCCo and the BSC Panel.</p> <p>It is not clear that there is significant appetite for these reports among BSC Parties or Panel Members.</p> <p>It could be said that some overlap exists between these quarterly updates and the Panel’s own quarterly updates to its Work Programme (see below).</p> <p>It is not clear why BSCCo, rather than the Panel, is required to produce quarterly reports equivalent to the Panel’s annual report.</p> <p>There may be an opportunity to combine the Quarterly Report with the Panel’s Work Programme updates by amending and consolidating the appropriate BSC requirements.</p>
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Quarterly Review of the Panel’s Strategic Work Programme

<p>From:</p>	<p><u>Purpose</u></p>	<p><u>Commentary</u></p>
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<p>BSC Panel Sponsors and Panel Committee Chairs</p> <p>To: BSC Panel</p> <p>Frequency: Quarterly</p> <p>Obligation: None</p>	<p>To provide the BSC Panel with an update on progress against (and the opportunity to approve or reject changes to) its agreed programme of work to deliver against its Strategic Priorities.</p>	<p>The Strategic Work-plan affords a vehicle for the Panel to prioritise the various activities being delivered by its Committees and by BSCCo on its behalf.</p> <p>There may be some overlap with the Quarterly Reports produced by BSCCo under BSC Section C3.9.1. Some considerations should be given as to how these reports could/should work together.</p>
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Monthly Headline Report and Meeting Minutes

From:	<u>Purpose</u>	<u>Commentary</u>
<p>BSC Panel</p> <p>To: BSC Panel, All BSC Parties and GEMA</p> <p>Frequency: Monthly</p> <p>Obligation: BSC Section B4.2.5</p>	<p><i>Headline Report:</i> To provide BSC Panel Members, BSC Parties, GEMA (and any other interested stakeholders) with a record of the BSC Panel's decisions as soon as possible after each Panel Meeting.</p> <p><i>Meeting Minutes:</i> To provide BSC Panel Members, BSC Parties, GEMA (and any other interested stakeholders) with a record of the BSC Panel's deliberations and decisions following each Panel Meeting.</p>	<p>The Headline Report is reviewed by the Panel Chairman and published on the ELEXON website within 3 Working Days of the relevant Panel Meeting. The report sets out decisions only and, where possible, records decisions taken in closed session, where those decisions can be expressed in non-confidential terms.</p> <p>Confidential Meeting Minutes are produced for review by Panel Members within 10 Working Days of the Panel Meeting. The minutes are approved at the next scheduled meeting of the Panel.</p> <p>A non-confidential version of the approved minutes is published on the ELEXON website within 3 Working Days of approval. This version includes the full set of open-session minutes and records the closed session decisions only, where these can be expressed in a non-confidential manner, consistent with the Headline Report.</p>

Monthly Progress Report (Change Report)

From:	<u>Purpose</u>	<u>Commentary</u>
<p>BSC Panel</p> <p>To: GEMA</p> <p>Frequency: Monthly</p>	<p>To provide the Authority with an update on the current status of Modifications (as set out in the published Modification Register) and, in particular:</p> <p>i) The Panel's prioritisation,</p>	<p>The Change Report is currently provided to the BSC Panel for information. Given that this report is the vehicle for discharging the obligations set out under BSC Section F1.4, it may be more correct for the Panel to approve the report for publication.</p> <p>Further, the obligations relating to prioritisation,</p>

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<p>Obligation: BSC Section F1.4</p>	<p>scheduling and timetabling of Modifications; and</p> <p>ii) Decisions relating to progression and implementation of Modifications.</p>	<p>scheduling and timetabling align with conclusions elsewhere regarding the Panel’s role and its desire to be more pro-active in managing its work and in co-ordinating change both under the BSC and outside the BSC.</p> <p>It could be that the BSC Panel should take more time each month to reviewing the progress of change as part of its work reviewing the Change Report. This is also the vehicle for the Panel to receive updates on the work of its time-bound Workgroups.</p> <p>Lower-level change is overseen by standing Panel Committees (in particular the ISG and SVG). Consequently, there may be some overlap between the Change Report and the reports from these Committees (see below). Consideration should be given to how this potential duplication could be minimised.</p>
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ELEXON Report

<p>From: BSCCo</p> <p>To: BSC Panel</p> <p>Frequency: Monthly</p> <p>Obligation: None</p>	<p><u>Purpose</u></p> <p>To provide the BSC Panel with an overview of activities and developments within ELEXON and the balancing and settlement arrangements (including summarises the business of Panel Committees) and other relevant industry news that may impact the work of the BSC Panel.</p>	<p><u>Commentary</u></p> <p>The ELEXON report fulfils a number of different roles. It also includes an appendix of measures which encompass both Key Performance Indicators regarding the delivery of BSC services, and overviews of business for certain BSC functions.</p> <p>There may be merit in better focusing the report on a singular purpose – e.g. a report from the BSCCo CEO regarding the delivery of BSC services.</p> <p>An overview of the work and performance of the Panel’s committees could be reported separately, by Panel Committee Chairs, focusing on those areas as outlined in the companion thought-piece on delegation.</p> <p>Finally, to help appropriately focus discussion, it could be more appropriate to move the reporting on relevant industry news that may impact the work of the BSC Panel to the Monthly Progress Report on Change, or provide this separately as a monthly Settlement Design and Development report that also captures updates on relevant activities being progressed under other industry codes.</p>
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PANEL GOVERNANCE REVIEW – INITIAL THOUGHT-PIECE: OPERATING PRACTICES

BSC Operations Headline Report (Trading Operations Report)		
From:	Purpose	Commentary
BSCCo	To provide the BSC Panel with a commentary on BSC market operation, identification of key events and reporting of key data.	This report is provided for information only. It should be expected that the Panel's Committees (in particular the ISG) could play an active role in monitoring the detailed performance of Settlement.
To:		
BSC Panel		
Frequency:		
Monthly	The report is supplemented by a comprehensive Trading Operations Report which shows key market data graphically, giving a performance indicator for the Balancing and Settlement arrangements.	The Panel could use this report (or delegate authority to a Panel Committee such as the ISG to use this report) for the purposes of ensuring that its desired outcomes (for Settlement) are being met. It might then, as appropriate, commission work to investigate anomalies and propose changes where such objectives are not being delivered or where key measures move outside Panel-defined tolerances as per conclusions elsewhere regarding the responsibilities of a pro-active Panel.
Obligation:		
None	The graphs and backing data are available in Excel format on the ELEXON website.	

Summary of Potential Revised Reporting

- **Annual BSC Report** – as now, per BSC Section B6.1
- **Quarterly Reports** – Remove (this may require a Modification to the BSC) and replace with quarterly summaries provided as appendices to the relevant reports (i.e. The ELEXON Report, The Change Report and the Panel Committees report (see below)) every three months.
- **Quarterly Review of the Panel's Strategic Work Programme** – retain as currently operated.
- **Monthly Reporting** (to include consolidated quarterly updates as noted above):
 - **Change Report (*REVISED*):**
 - Prepared for Panel approval by the Modification Secretary on behalf of the Panel for the benefit of the Authority (and BSC Parties).
 - Supplement existing reporting (including CACoP KPIs) with additional commentary on prioritisation and co-ordination of cross-code change against a change plan.
 - Include short progress updates from Workgroup Chairs / Modification Secretary in relation to relevant Modifications and, by exception, Change Proposals.
 - Change Report to be approved (rather than noted) by the Panel each month.
 - **ELEXON Report (*RE-FOCUSED*):**
 - Prepared for information by ELEXON for the benefit of the BSC Panel (and BSC Parties).
 - Suggest revising to focus on delivery of BSC services by ELEXON and BSC Agents including a commentary from the CEO on the activities undertaken by ELEXON each month in delivering the BSC.

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- **Panel Committee Report (NEW):**
 - Prepared for information (and for decision as required by exception) by the Panel Secretary on behalf of Panel Committee Chairs for the benefit of the BSC Panel (and BSC Parties).
 - 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) and 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;
 - Appendices comprising each Panel Committee’s headline reports showing the decisions made at the last meeting and key business indicators falling under each Panel Committee’s Terms of Reference.
- **Industry Development Report (NEW):**
 - Prepared for information by ELEXON for the benefit of the BSC Panel (and BSC Parties).
 - Updates on relevant activities being progressed under European or domestic programmes (including Significant Code Reviews) and under other industry codes that are relevant to or may impact the work of the BSC Panel and the design of the balancing and settlement arrangements.
 - Relevant reports from non-BSC groups and committees (e.g. update from Grid Code Review Panel Rep, JESG reporting, forthcoming industry committee meetings etc.)
 - This Report provides context for decisions regarding change prioritisation and co-ordination in relation to the Change Report.
- **BSC Operations Headline Report (MINOR REVISION):**
 - Prepared for information (and for decision as required by exception) by ELEXON for the benefit of the BSC Panel (and BSC Parties).
 - Headlines to key variations in the Panel’s agreed Settlement indicators (including where such indicators move outside Panel-defined tolerances and, as appropriate, propose work to investigate anomalies and/or develop changes to address issues arising).
- **BSC Panel Headline Report and Panel Minutes (REVISED):**
 - The Headline Report is a useful mechanism to offer swift BSC Parties with insight to the Panel’s determinations following a meeting. It should remain in place and be prepared by the Panel Secretary following each meeting for approval by the Chairman for the benefit of BSC Panel Members, BSC Parties, GEMA and other interested stakeholders.
 - The Panel Minutes could be revised to better provide for transparency in accordance with the findings set out in the earlier thought-piece regarding Panel Accountability. Such transparency of Panel deliberations could be enhanced by either:
 - a) replacing the current minutes (which outline the Panel’s broad deliberations) with an enhanced headline report that records the Panel’s decisions, including the votes of individual Panel Members (as now) and the actions arising;
 - b) retaining the current approach, capturing the Panel’s broad deliberations, but attributing views expressed to Panel Members; or

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- c) replacing the current minutes with a transcript of the Panel Meeting. Such a transcript could be appended to the Headline Report as the minutes of the meeting (subject to approval at the next scheduled Panel Meeting as per current practice). However, while transcripts offer a complete record of deliberations, they do not capture a summary of the rationale for particular decisions and can be cumbersome to reference. Another concern previously expressed by Panel Members is that transcripts would need to be carefully reviewed (and potentially redacted) to avoid inadvertently divulging confidential or commercially sensitive information which would then be available in the published record of the meeting. Such concerns may ultimately curtail debate.
- Increasing transparency and attributing comments and voting must be carefully balanced with any concern that such transparency might stifle debate. These concerns have led to the current custom and practice where comments are not directly attributed to individual Panel Members. Such an approach is based on the Chatham House Rule⁷. The Rule is designed to increase openness of discussion as it allows people to express and discuss controversial opinions and arguments without suffering the risk of dismissal from their job, and with a clear separation from the opinion and the view of their employer. It allows people to speak as individuals and to express views that may not be those of their employer, and therefore, encourages free discussion. Consequently, it may be that the current approach to the recording of Panel minutes is felt to provide an appropriate balance between transparency, accountability and open debate.
- In all cases, where the transparency of Panel minutes includes referencing the names of Panel Members, and consistent with the Panel’s approved policy for holding meetings by webinar, they should contain a statement confirming Panel Member obligations to act impartially. Such a statement might read:

"It should be noted that Panel members are bound by the provisions of the BSC, in particular, that they must act impartially and not be representative of any one Party or class of Parties. Consequently, the views expressed by Panel members are their own, and should not be interpreted as the views of their employer or any affiliated person or persons."
- On balance, the review group concluded that the current approach to Panel minutes should be retained. That is, capturing the Panel’s broad deliberations, but attributing views expressed to Panel Members by exception and only where individual Panel Members express a desire/do not object to be identified through the review process. Where decisions are not unanimous, individual votes cast should continue to be recorded.

Adam Richardson
Senior Market Advisor
31 July 2015

⁷ At a meeting held under the Chatham House Rule, anyone who comes to the meeting is free to use information from the discussion, but is not allowed ever to reveal the identity, employer or political party of the person making a comment.

Appendix 1 – Panel Alternates

Appointment

The BSC provides for BSC Panel Members to appoint alternates to attend Panel meetings in the event that the Panel Members is unable to attend a Panel meeting themselves. Alternates must meet the same criteria for appointment as applies to the Panel Member for whom they are the alternate.

Importantly, the BSC makes it clear that an alternate is not a representative of the Panel Member that appointed them. Once appointed, an alternate can exercise and discharge all the functions, duties and powers of the Panel Member by whom he or she was appointed. The alternate must do this in an informed manner after giving due consideration to all relevant information available in relation to an issue. Thus it is not appropriate for an alternate to act under the direction of an absent Panel Member.

Where an alternate role is being filled by an existing Panel Member, that person may only be counted once towards the quorum. Where the alternate is a non-Panel Member that person is counted towards the quorum as if he or she were actually the (absent) Panel Member.

Section B2.10 of the BSC governs the process for the appointment and removal of an alternate. In summary, when a member advises the Panel Secretary in writing that they wish to appoint a person as an alternate, the Chairman must decide whether the circumstances warrant the appointment of an alternate. If the Chairman agrees, the appointment goes ahead and the Panel Secretary notifies all Panel Members of the appointment of the alternate.

It is not permissible for an individual Panel Member to appoint more than one alternate at any one time and the appointment remains valid and effective until written notification is received from the appointing Panel Member that the alternate's appointment is terminated⁸. Custom and practice has been to treat the appointment of an alternate to indicate the automatic termination of any previously appointed alternate.

Voting

Since alternates do not represent the Panel Member(s) that appointed them, any votes that are cast by an alternate should be cast uniformly. For example, it would be incompatible with the provisions relating to impartiality for an alternate casting two votes to cast the first vote in favour of a proposal and the second vote against the proposal.

However, these provisions can unduly concentrate power in an individual and undermine the rules relating to quorum and robust decision-making. For example, at the extreme, a quorate meeting (of 7 members, including the chair) could carry a decision supported by a single member. The table below illustrates how this might work where five Members object to a proposal, one alternate Member (appointed by 6 absent Members) supports the proposal and one Member – the chair – gets no vote. This gives an overall result that supports the proposal where five of the six voting members in attendance actually voted to reject to the proposal.

⁸ BSC Section B2.10.4

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Member	Appointed Alternate	Attending	Vote to Support	Votes to Reject	No Vote
A (Chair)	B	A			1
B (Vice Chair)	Alpha	B		1	
C	Beta	C		1	
D	Gamma	D		1	
E	Delta	E		1	
F	Epsilon	F		1	
G	Tau	Tau	1		
H	Tau	Tau	1		
I	Tau	Tau	1		
J	Tau	Tau	1		
K	Tau	Tau	1		
L	Tau	Tau	1		
Total Votes			6	5	1

Further, the BSC is ambiguous regarding whether alternates attending on behalf of more than one Panel Member can count towards a quorum multiple times. The drafting of BSC Section B4.3.2 states that a quorum shall be determined based on the number of Panel Members present in person or by their alternates. An extreme interpretation of this provision suggests that a quorum could be reached by the Chairman and single voting alternate (attending and voting on behalf of six Panel Members). This appears counterintuitive to good governance and that a quorum should be based on the number of individuals in attendance (whether Panel Members or alternate Members).

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Appendix 2 – A Panel Meeting Cycle

The proposed adjustments to approach and working practice considered in this review suggest that the Panel Agenda might be amended to better allow the Panel to consider its business across the year. Strategic matters might be focused upon once a year, with tactical reviews being undertaken between two and four times a year around the Panel’s operational, demand-driven business. For example:

Strategic Matters 1-3year outlook, reviewed annually	Tactical Reviews 3-12month outlook, considered 2-4 times/year	Operational Business Monthly/Demand-driven work
<ul style="list-style-type: none"> ○ Setting the Panel Strategy ○ Setting acceptable market performance tolerances ○ Identifying key Settlement measures to monitor ○ Documenting a programme for regular review of the various settlement parameters ○ Prioritising Settlement Risks and Establishing Risk Appetite ○ Reviewing Panel policies 	<ul style="list-style-type: none"> ○ Prioritising work via Panel Work programme ○ Setting and tracking action to resolve deviations in key Settlement measures, including directing studies or commissioning expert insight from Panel Committees and/or BSCCo to support the assessment of potential impacts on or improvements to the BSC ○ Actively monitoring a wider change programme and providing input to industry initiatives, regulatory programmes and likely changes within the industry and directing action and analysis to support the timely co-ordination of change both under the BSC and across the industry ○ Reviewing BSC Panel Committee performance 	<ul style="list-style-type: none"> ○ Modification and Change Business (operational decision-making) ○ Actively monitoring a BSC change plan ○ Monitoring the Health of Balancing and Settlement ○ Considering project reports / updates relating to work being progressed by Panel Committees or ELEXON at the request of the Panel ○ Receiving BSC operations and BSC services updates ○ Receiving BSC Panel Committee reporting (ensuring Terms of Reference are being discharged)

The strategic and tactical areas noted above should be staggered across the year according to an agreed programme so as to prevent meetings from becoming too long.

Business requiring decisions should be, wherever possible, loaded towards the front of the Panel meeting.

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Meetings of the BSC Panel should cover:

Industry Code Design (Open Session)

Operational Business

FOR DECISION:

- BSC Modification Business (e.g. New Modifications, Assessment Reports, Final Modification Reports etc.)
- BSC Change Business (e.g. Establishing or amending Code Subsidiary Documents)
- BSC Change Report (including change plan)

PRESENTED FOR COMMENT / ACTION:

- Update from Ofgem Representative (verbal update)
- Update from the Transmission Company Panel Member (verbal update)
- Update from Distribution Representative (verbal update)

TABLED FOR INFORMATION:

- Industry Development Report (provides context for change plan approval)

Tactical Reviews

PRESENTED FOR COMMENT / ACTION:

- Quarterly Review of the wider industry Change Programme as set out in the Industry Development Report to:
 - agree input to industry initiatives, regulatory programmes and likely changes; and
 - direct action and analysis to support the timely co-ordination of change both under the BSC and across the industry.
- Considering reports and updates from Panel Committees or ELEXON relating to change and industry code design work that is being progressed at the request of the Panel.

Settlement Operations and Assurance (Open Session)

Operational Business

FOR DECISION:

- Setting Various Settlement Parameters (in line with the agreed review programme)

PRESENTED FOR COMMENT / ACTION:

- Panel Committees Report (incorporating updates from PAB, TDC< ISG, SVG etc.)

TABLED FOR INFORMATION:

- BSC Operations Headline Report

Tactical Reviews

PRESENTED FOR COMMENT / ACTION:

- Quarterly Review of the Trading Operations Report to:

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- track action to resolve deviations in key Settlement measures; and
- commission studies or expert insight from Panel Committees or BSCCo to support the assessment of potential impacts on or improvements to the BSC.
- Considering reports and updates from Panel Committees or ELEXON relating to settlement performance that is being progressed at the request of the Panel.

Strategic Matters

FOR DECISION:

- Identifying key Settlement measures to monitor
- Setting acceptable market performance tolerances
- Documenting a programme for regular review of the various settlement parameters
- Setting an Annual Performance Assurance Timetable
- Prioritising Settlement Risks and Establishing Risk Appetite (via the Risk Evaluation Methodology and Register and the Risk Operating Plan)
- Setting the scope of the BSC Audit
- Receiving the reports of the BSC Auditor, the BM Auditor, the Technical Assurance Agent and the Annual Performance Assurance Report

BSCCo Operations (Open Session)

Operational Business

PRESENTED FOR COMMENT / ACTION:

- ELEXON Report - Receiving operational reports and updates on services from BSCCo executive and senior management on matters of BSCCo services

Strategic Matters

FOR DECISION:

- Providing input to the BSCCo strategy, based on the Panel Strategy and Work Programme

BSC Panel Operations (Open Session)

Operational Business

FOR DECISION:

- Approving Panel Meeting Minutes

PRESENTED FOR COMMENT / ACTION:

- Reviewing the status of outstanding and completed Actions

Tactical Reviews

FOR DECISION:

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- Prioritising work via Panel Work Programme

PRESENTED FOR COMMENT / ACTION:

- Reviewing the Performance of BSC Panel Committees

Strategic Matters

FOR DECISION:

- Setting the Panel Strategy
- Reviewing Panel policies (including Panel Committee Terms of Reference)
- Approving the Annual BSC Report

(Closed Session)

Closed session business covers the BSC Panel responsibilities relating to the Panel's duties where the Panel is considering issues that may have commercial or contractual implications for Parties or ELEXON, including:

Operational Business

FOR DECISION:

- Making Determinations on referred Trading Disputes
- Making Determinations in respect of Defaulting Parties
- Appointment / Removal of Committee Members

Tactical Reviews

PRESENTED FOR COMMENT / ACTION:

- Overseeing tender exercises in line with the BSC (e.g. by acting as the tender framework committee)