BSC Modification Proposal Form	At what stage is this document in the process?
# Mod Title: Amendment to BSC Section E to allow more flexibility in procurement of BSC Agents	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification:

In order to support the transition to Market-Wide Half-Hourly Settlement (MHHS), Elexon must enter into BSC Agent contracts for operation of new services, including the Load Shaping Service (LSS), Market-Wide Data Service (MDS) and Volume Allocation Service (VAS). This Modification seeks to allow more flexibility in the requirements for procurement of BSC Agents, to allow the option of having these systems operated by the service provider who developed them (at least for the duration of the transition period), while the currently-appointed Supplier Volume Allocation Agent (SVAA) continues to operate legacy processes.

Is this Modification likely to impact any of the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions held within the BSC?

☐ Yes ☒ No

	Elexon recommends that this Modification should: • be raised by the Panel in accordance with provisions of Section F 2.1.1(d)(i); • not be a Self-Governance Modification Proposal; and • be assessed by a Workgroup and submitted into the Assessment Procedure. Elexon will present this Modification to the BSC Panel on 11 April 2024. The Panel will consider whether to raise the Modification in accordance with BSC Section F 2.1.1(d)(i) and determine how best to progress the Modification.
	High Impact: None
	Medium Impact: Elexon, BSC Agents
	Low Impact: Suppliers

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Timetable

The Proposer recommends the following timetable:

Initial consideration by Workgroup	W/C 06 May 2024
Assessment Procedure Consultation	03 June 2024 - 21 June 2024
Workgroup Report presented to Panel	11 July 2024
Report Phase Consultation	15 July 2024 - 26 July 2024
Draft Modification Report presented to Panel	08 August 2024
Final Modification Report submitted to Authority	14 August 2024

Any questions?

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1 Why Change?

What is the issue?

BSC Section E requires that Elexon appoint a single company (a "**BSC Agent**") to deliver each BSC Service Description. For example, Elexon must appoint a Supplier Volume Allocation Agent (SVAA) to deliver the Supplier Volume Allocation Service, and a Settlement Administration Agent (SAA) to deliver the Settlement Administration Service. It also sets out the process that Elexon must follow when procuring BSC Agents, and specifies certain conditions that any contract with a BSC Agent must meet.

These requirements are not well suited to the specific circumstances of the transition to MHHS, which will significantly increase the complexity of the Supplier Volume Allocation service. The new SVAA processes and requirements are set out in the BSC Service Description for BSC Central Services for Migrated Market-wide Half-Hourly Metering Systems, and must be fully implemented prior to the start of MHHS transition in March 2025. There has never previously been such a large increase in the scope of an existing BSC Agent service (including requirements to operate several entirely new IT systems).

In order to reduce any risk of delay to the start of MHHS transition, Elexon's preferred approach to implementation of this Service Description (subject to the outcome of commercial negotiation with the service providers involved) would be to leverage the existing knowledge and resources of already-appointed service providers, so that:

- Existing 'legacy' elements of the SVAA service would continue to be operated by the existing BSC Agent, for the duration of the existing contracts (which run until 2026);
- New systems (such as LSS, MDS and VAS) would be operated by the parties who developed them (for a limited period of time, but at least for the duration of the MHHS transition period); and
- Activities required to coordinate the effective delivery of the service (such as operating an online service desk for parties, and overall coordination of incident response services) would be carried out by Elexon.

This preferred model is inconsistent with the current provisions of Section E, which requires that:

- Any appointment of a BSC Agent should be subject to competitive procurement. As explained above, Elexon's preferred approach to MHHS Transition is to negotiate changes to the existing contracts for development and testing of the new systems (such as LSS, MDS and VAS), which were themselves competitively procured, so that they also cover operation during the transition period (becoming BSC Agent contracts); and
- A single BSC Agent should be appointed to deliver each BSC Service Description. As explained above, Elexon's preferred approach is to split the delivery of the BSC Service Description for BSC Central Services for Migrated Market-wide Half-Hourly Metering Systems between more than one existing service provider.

Desired outcomes

The desired outcome is that Elexon (with appropriate oversight from the BSC Panel) is empowered to:

- Appoint a BSC Agent without going through a competitive procurement, where that offers value for money and the most appropriate outcomes for Parties (in this case, a reduced risk of delay to MHHS); and
- Appoint more than one BSC Agent to deliver a BSC Service Description; and

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- Perform necessary activities (e.g. management of service desk and incident response) to ensure effective coordination of service providers delivering a BSC Service Description.

Although the specific issues requiring this Modification Proposal to be raised relate to MHHS transition and the Supplier Volume Allocation service, we believe these outcomes could provide value elsewhere as well (e.g. opening up the option of splitting the data retrieval and data processing elements of the Central Data Collection Service when it is next re-procured).

We also note that significant changes to the role of Elexon and the BSC Panel in the procurement of BSC Agents are likely to be required due to energy code reform (see the Ofgem consultation on implementation of energy code reform). The changes proposed by this Modification Proposal should therefore be seen as relatively tactical and short-term in nature, pending the outcome of the code reform process.

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2 Solution

Proposed Solution

As described above, the proposed solution is to:

- Remove the requirement for BSC Agents to be competitively procured in all circumstances, providing Elexon the flexibility to take other approaches where appropriate (e.g. in the context of MHHS transition); and
- Provide Elexon with the flexibility to appoint multiple service providers to deliver a single BSC Agent service
- As a consequence of the above:
    - allow Elexon to reconfigure Service Descriptions to reflect the allocation of responsibilities between multiple service providers without having to go through the process currently envisaged by Section E for the reconfiguration of BSC Service Descriptions;
    - require Elexon to specify, in the relevant BSC Agent Contract, other Code or CSD obligations that may not be reflected in the Service Description

Other Related Modifications

BSC Modification P456 ('Enable Elexon to procure ancillary Technology Services for use by BSC Agents') was implemented on 9 November 2023, and allows Elexon to procure Technology Services Providers required to deliver BSC Services (but, unlike this Modification Proposal, would not allow multiple providers to deliver the BSC Service itself).

Elexon are also progressing a Modification Proposal to remove or amend the Section E requirement that BSC Parties should be able to take action directly against BSC Agents. Elexon believe those issues are only loosely related to this Modification Proposal, and best considered as a separate proposal (albeit in similar timescales).

Benefits

The preparation for MHHS transition is already a complex and high-risk activity. Being required to undergo competitive procurements for the operation of new systems (e.g. MDS, LSS and VAS) prior to the start of transition would very likely cause delay to the MHHS Programme, increasing costs and uncertainty for Suppliers and other parties.

Allowing existing service providers to operate these systems during and after the transition period (subject to satisfactory conclusion of commercial negotiations) will reduce costs for parties (and ultimately consumers), and reduce any risk of delay to the benefits that the MHHS Programme will bring.

There may also be secondary benefits to subsequent BSC Agent procurements (e.g. opening up the possibility of separately procuring the data retrieval and data processing elements of the Central Data Collection service).

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3 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	**Positive**
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

The primary benefit of this Modification Proposal is a positive impact on BSC Objective (d), in that it will allow timely and efficient implementation of the new elements of the Supplier Volume Allocation service required for MHHS.

There is also an indirect benefit against Objective (c), as this Modification Proposal safeguards timely delivery of MHHS, which will increase effective competition in the electricity supply market. As it is indirect, we believe the overall impact on Objective (c) is neutral.

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4 Potential Impacts

Impacts on Core Industry Documents

Impacted Core Industry Documents			
☐Ancillary Services Document	☐Connection and Use of System Code	☐Data Transfer Services Agreement	☐Use of Interconnector Agreement
☐Retail Energy Code	☐ Transmission License	☐System Operator Transmission Owner Code	☐Supplemental Agreements
☐Distribution Code	☐Grid Code	☐ Other (please specify)	

No impact on Core Industry Documents.

Impacts on BSC Systems

Impacted Systems				
☐CRA	☐CDCA	☐PARMS	☐SAA	☐BMRS
☐EAC/AA	☐FAA	☐TAAMT	☐NHHDA	☐SVAA
☐ECVAA	☐ECVAA Web Service	☐Elexon Portal	☐Other (Please specify)	

No impact on BSC Systems.

Impacts on BSC Parties

Impacted Parties			
☒Supplier	☐Interconnector User	☐Non Physical Trader	☐Generator
☐Licensed Distribution System Operator	☐National Electricity Transmission System Operator	☐Virtual Lead Party	☐Other (Please specify)

This Modification does not directly impact Suppliers, but there is an indirect impact, because in the absence of this Modification Proposal there would be a high risk of delay to MHHS (which would significantly impact Suppliers).

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Impacts on consumers and the environment

Impact of the Modification on consumer benefit areas:	
Consumer benefit area	Identified impact
Improved safety and reliability	Neutral
Lower bills than would otherwise be the case ***This Modification does not directly impact consumers, but there is an indirect impact, because in the absence of this Modification Proposal there would be a high risk of delay to MHHS (which would increase costs for consumers).***	**Positive**
Reduced environmental damage	Neutral
Improved quality of service	Neutral
Benefits for society as a whole	Neutral

Legal Text Changes

This Modification impacts Section E of the BSC. Draft legal text is attached (intended as a starting point for discussion with a Workgroup). This draft legal text allows but does not require Elexon to split a BSC Service Description into different documents (one per BSC Agent). In the context of MHHS transition, it would therefore be consistent with either of the following approaches to the BSC Service Description for BSC Central Services for Migrated Market-wide Half-Hourly Metering Systems:

- The Service Description is kept as a single document, with the details of which BSC Agent delivers which parts of it document elsewhere; or
- The Service Description is split into multiple documents, one per BSC Agent (subject to discussion with the MHHS Programme on when and how to implement this change).

The changes in the draft legal are as follows:

- Amend Section E1.2.1 to allow multiple BSC Agents to be appointed to deliver a single BSC Service Description;
- Remove BSC Service Description names from the table in Section E1.2.5 (to allow for the option of having multiple BSC Service Descriptions with different names describing a single BSC Agent Service);
- Amend Section E1.2.6 (which currently has very specific legacy provisions allowing two different BSC Agents to perform the Technical Assurance Agent role) to allow multiple persons to perform a BSC Agent role, and require Elexon to reconfigure or divide the associated BSC Service Descriptions so that Parties have visibility of how obligations have been allocated between different BSC Agents;
- Amend Section E1.3.1 to recognise that multiple BSC Agents may deliver a BSC Service Description, and be less prescriptive about the required content of a BSC Service Description;

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- Amend Section E1.5 to empower Elexon to reconfigure or divide BSC Service Descriptions without requiring industry consultation or Panel approval. This will allow Elexon to agree an appropriate split of responsibilities between the service providers delivering MHHS transition in an agile and timely way;
- Delete E2.1.7 (which relates to the initial contracts in place when the BSC was implemented, and is therefore no longer used);
- Amend E2.7 to remove the requirement for BSC Agent contracts to be competitively procured in all cases.

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5 Governance

Self-Governance

☒ **Not Self-Governance –** A Modification that, if implemented:	
☒ materially impacts the Code's governance or modification procedures	☐ materially impacts sustainable development, safety or security of supply, or management of market or network emergencies
☐ materially impacts competition	☐ materially impacts existing or future electricity consumers
☐ materially impacts the operation of national electricity Transmission System	☐ is likely to discriminate between different classes of Parties
☐ involves any amendments to the EBGL Article 18 Terms and Conditions related to Balancing; except to the extent required to correct an error or as a result of a factual change	
☐ **Self-Governance –** A Modification that, if implemented:	
Does not materially impact on any of the Self-Governance criteria provided above	

This Modification does materially impact the Code's governance procedures relating to procurement of BSC Agents.

Progression route

☒ **Submit to assessment by a Workgroup** –:A Modification Proposal which:	
does not meet any criteria to progress via any other route.	
☐ **Direct to Report Phase** – A Modification Proposal whose solution is typically:	
☐ of a minor or inconsequential nature	☐ deemed self-evident
☐ **Fast Track Self-Governance** – A Modification Proposal which meets the Self-Governance Criteria and:	
is required to correct an error in the Code as a result of a factual change including but not limited to:	
☐ updating names or addresses listed in the Code	☐ correcting minor typographical errors
☐ correcting formatting and consistency errors, such as paragraph numbering	☐ updating out of date references to other documents or paragraphs
☐ **Urgent –** A Modification Proposal which is linked to an imminent issue or current issue that if not urgently addressed may cause:	
☐ a significant commercial impact on Parties, Consumers or stakeholder(s)	☐ a Party to be in breach of any relevant legal requirements.
☐ a significant impact on the safety and security of the electricity and/or gas systems	

We believe this Modification needs to be progressed relatively quickly but would benefit from consideration by an industry Workgroup. Ideally an Ofgem decision by September 2024 would allow

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adequate time for negotiation of BSC Agent contracts ahead of MHHS transition starting. However this should still allow time for a Workgroup to discuss the Proposal prior to consultation with Parties.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification does not directly impact an SCR (although its primary objective is to remove a possible obstacle to delivery of MHHS, which is itself being implemented through an SCR).

Does this modification impact the code drafting and system development for Market wide Half Hourly Settlement (MHHS), if so, how?

This Modification does not impact the code drafting or system development for MHHS, although it will impact the contractual provisions with new BSC Agents required to put MHHS systems into live operation. These contractual arrangements are the responsibility of Elexon (as a market participant), not the MHHS Programme.

Does this Modification impact any of the EBGL Article 18 Terms and Conditions held within the BSC?

No, we do not believe this Modification will impact EBGL and will validate this once the legal text is finalised.

Implementation approach

This is a documentation-only change with no significant implementation costs. It should be implemented promptly following an Ofgem decision to avoid any delay to agreement of BSC Agent contracts required for MHHS transition.

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