

ASSESSMENT REPORT for Modification Proposal P197 'SVA Qualifications Processes Review'

Prepared by: P197 Modification Group

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This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.¹

Proposed Modification P197 seeks to create a new improved SVA Qualification process to replace the existing Certification and Entry Processes. The new SVA Qualification process is intended to be more efficient and relevant to the developing market than the current processes. This is the recommendation that was developed by the SVA Qualification Review Group and the Supplier Volume Allocation Group following the review of SVA Qualification processes.

Alternative Modification P197 seeks to refine the solution defined in the Proposed Modification to ensure that it is flexible to all the requirements of new entrants. It also excludes any requirement for Suppliers to re-Qualify and it removes the concept of Qualification limits.

MODIFICATION GROUP'S RECOMMENDATIONS

The P197 Modification Group invites the Panel to:

- **AGREE that Proposed Modification P197 should not be made;**
- **AGREE that Alternative Modification P197 should be made;**
- **AGREE a provisional Implementation Date for the Proposed and Alternative Modifications P197 of 01 November 2007 if an Authority decision is received on or before 28 September 2006, or 28 February 2008 if the Authority decision is received after 28 September 2006 but on or before 25 January 2007;**
- **AGREE the draft legal text for Proposed and Alternative Modifications P197;**
- **AGREE that Modification Proposal P197 be submitted to the Report Phase; and**
- **AGREE that the P197 draft Modification Report be issued for consultation and submitted to the Panel for consideration at its meeting of 8 June 2006.**

¹ The current version of the Code can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>.

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as the Modification Group has been able to assess, the following parties/documents would be impacted by P197.

Please note that this table represents a summary of the full impact assessment results contained in [Appendix 4](#).

| Parties | | Sections of the BSC | | Code Subsidiary Documents | |
|-----------------------------------|-------------------------------------|---------------------|-------------------------------------|---|-------------------------------------|
| Distribution System Operators | <input checked="" type="checkbox"/> | A | <input type="checkbox"/> | BSC Procedures | <input checked="" type="checkbox"/> |
| Generators | <input type="checkbox"/> | B | <input checked="" type="checkbox"/> | Codes of Practice | <input type="checkbox"/> |
| Interconnectors | <input type="checkbox"/> | C | <input type="checkbox"/> | BSC Service Descriptions | <input checked="" type="checkbox"/> |
| Licence Exemptable Generators | <input type="checkbox"/> | D | <input checked="" type="checkbox"/> | Party Service Lines | <input checked="" type="checkbox"/> |
| Non-Physical Traders | <input type="checkbox"/> | E | <input checked="" type="checkbox"/> | Data Catalogues | <input type="checkbox"/> |
| Suppliers | <input checked="" type="checkbox"/> | F | <input type="checkbox"/> | Communication Requirements Documents | <input checked="" type="checkbox"/> |
| Transmission Company | <input type="checkbox"/> | G | <input type="checkbox"/> | Reporting Catalogue | <input type="checkbox"/> |
| Party Agents | | H | <input checked="" type="checkbox"/> | Core Industry Documents | |
| Data Aggregators | <input checked="" type="checkbox"/> | I | <input type="checkbox"/> | Ancillary Services Agreement | <input type="checkbox"/> |
| Data Collectors | <input checked="" type="checkbox"/> | J | <input checked="" type="checkbox"/> | British Grid Systems Agreement | <input type="checkbox"/> |
| Meter Administrators | <input checked="" type="checkbox"/> | K | <input checked="" type="checkbox"/> | Data Transfer Services Agreement | <input type="checkbox"/> |
| Meter Operator Agents | <input checked="" type="checkbox"/> | L | <input type="checkbox"/> | Distribution Codes | <input type="checkbox"/> |
| ECVNA | <input type="checkbox"/> | M | <input type="checkbox"/> | Distribution Connection Agreements | <input type="checkbox"/> |
| MVRNA | <input type="checkbox"/> | N | <input type="checkbox"/> | Distribution Use of System Agreements | <input type="checkbox"/> |
| BSC Agents | | O | <input checked="" type="checkbox"/> | Grid Code | <input type="checkbox"/> |
| SAA | <input type="checkbox"/> | P | <input type="checkbox"/> | Master Registration Agreement | <input checked="" type="checkbox"/> |
| FAA | <input type="checkbox"/> | Q | <input type="checkbox"/> | Supplemental Agreements | <input type="checkbox"/> |
| BMRA | <input type="checkbox"/> | R | <input type="checkbox"/> | Use of Interconnector Agreement | <input type="checkbox"/> |
| ECVAA | <input type="checkbox"/> | S | <input checked="" type="checkbox"/> | BSCCo | |
| CDCA | <input type="checkbox"/> | T | <input type="checkbox"/> | Internal Working Procedures | <input checked="" type="checkbox"/> |
| TAA | <input type="checkbox"/> | U | <input type="checkbox"/> | BSC Panel/Panel Committees | |
| CRA | <input type="checkbox"/> | V | <input type="checkbox"/> | Working Practices | <input checked="" type="checkbox"/> |
| SVAA | <input type="checkbox"/> | W | <input type="checkbox"/> | Other | |
| Teleswitch Agent | <input type="checkbox"/> | X | <input checked="" type="checkbox"/> | Market Index Data Provider | <input type="checkbox"/> |
| BSC Auditor | <input type="checkbox"/> | | | Market Index Definition Statement | <input type="checkbox"/> |
| Profile Administrator | <input type="checkbox"/> | | | System Operator-Transmission Owner Code | <input type="checkbox"/> |
| Certification Agent | <input checked="" type="checkbox"/> | | | Transmission Licence | <input type="checkbox"/> |
| Other Agents | | | | Entry Process Coordinator | <input checked="" type="checkbox"/> |
| Supplier Meter Registration Agent | <input checked="" type="checkbox"/> | | | | |
| Unmetered Supplies Operator | <input checked="" type="checkbox"/> | | | | |
| Data Transfer Service Provider | <input checked="" type="checkbox"/> | | | | |

1 EXECUTIVE SUMMARY

The key conclusions of the P197 Modification Group ('the Group') are outlined below.

The Group:

- **AGREED** that the Proposed Modification would not better facilitate the achievement of Applicable BSC Objective (c) unanimously;
- **AGREED** that an Alternative Modification should be developed along the same lines as the Proposed Modification but this should be more flexible than the Proposed Modification;
- **AGREED** that the Alternative Modification would better facilitate the achievement of Applicable BSC Objective (c) by majority;
- **NOTED** that the ELEXON implementation costs for the Proposed and Alternative Modifications are £203,500 but the operation costs could not be determined at this stage due to a procurement being required;
- **AGREED** an Implementation Date for the Proposed and Alternative Modifications of 01 November 2007 if an Authority decision is received on or before 28 September 2006, or 28 February 2008 if the Authority decision is received after 28 September 2006 but on or before 25 January 2007;
- **AGREED** that the draft legal text delivers the intended solution for the Proposed and Alternative Modifications;
- **AGREED** the detail of the new Qualification process;
- **AGREED** that it would be desirable in the implementation of P197 to develop synergies with the corresponding process under the MRA, but **AGREED** that there would be no equivalence arrangements;
- **AGREED** that there is an interaction between P197 and the Performance Assurance Framework (PAF) review but **AGREED** that the P197 requirements are consistent with the current direction of the PAF review;
- **AGREED** the re-Qualification process and the scope of the participants involved in this process, by majority;
- **AGREED** that the new process is flexible to suit the needs of new participants;
- **AGREED** the new requirements in the removal of Qualification process;
- **AGREED** that Technical Assurance checks of new participants should be carried out at the discretion of the Performance Assurance Board or the body that is approving Qualifications; and
- **AGREED** that if the new service is procured, that this should be undertaken by a service provider as opposed to a BSC Agent.

A description of the P197 solution is provided in Section 2. Further information regarding the Group's discussions of the areas set out in the P197 Modification Group's Terms of Reference is contained in Section 3, including details of the Group's recommended implementation approach.

A summary of the Group's views regarding the merits of the Proposed Modification and Alternative Modification can be found in Section 4. A copy of the Group's full Terms of Reference can be found in [Appendix 2](#), whilst a summary of the responses to the Assessment Procedure consultations and impact assessment can be found in [Appendix 3](#) and [Appendix 4](#) respectively.

2 DESCRIPTION OF MODIFICATION

This section outlines the solution for the Proposed Modification and Alternative Modification, as developed by the Group.

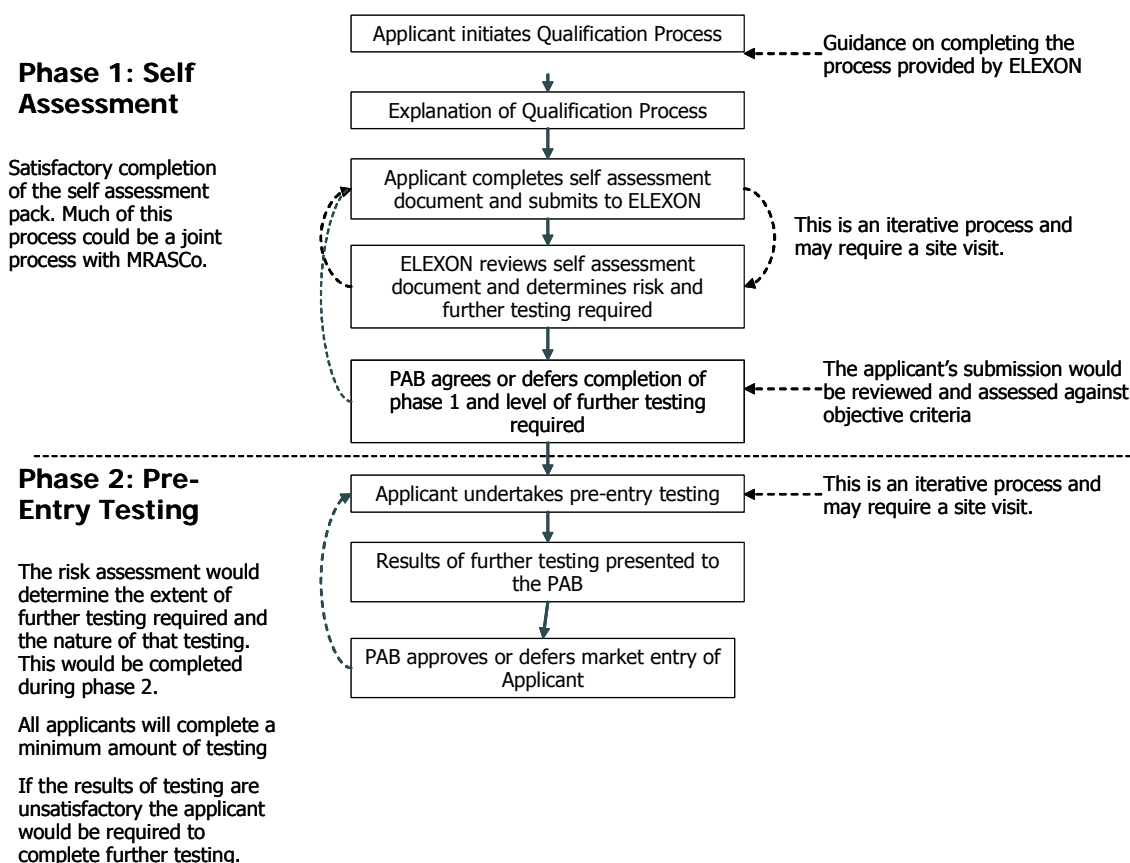
For a full description of the original Modification Proposal as submitted by Laing Energy ('the Proposer') and a description of the current process, please refer to the P197 Initial Written Assessment (IWA).

2.1 Proposed Modification

For a full description of the original Modification Proposal as submitted by Laing Energy ('the Proposer'), please refer to the P197 Initial Written Assessment (IWA).

The current arrangements of Certification, Accreditation and Entry Processes² were designed to meet the market risks associated with the opening of the market to domestic competition in 1998. The level of risk now is different to that of 1998. This different level of risk was recognised by the SVA Qualification process Review Group in 2005. The Proposed and Alternative Modification are therefore not simple replacements for current practices, but are designed to address the level of risk that now exists from Applicants entering the market.

2.1.1 Process Diagram



² Certification, Accreditation and Entry Processes are described in the P197 IWA

2.1.2 Overview

The new SVA Qualification process would have the following parts:

Phase 1: Self Assessment

- Initiation of the process by new Party/Party Agent;
- Explanation of Qualification process by ELEXON or its agent and if appropriate MRASCo;
- Completion and submission of Self Assessment Document by Applicant (which may be an iterative process);
- Review of Self Assessment Document and evidence (by ELEXON or its agent) to determine the risk of the new entrant (which may be an iterative process); and
- Level of further testing required agreed by the PAB.

Phase 2: Pre-Entry Testing

- Applicant undertakes pre entry testing;
- Results of further testing presented to the PAB;
- Application agreed or deferred by the PAB; and
- Right of appeal by Applicant.

In addition the following processes may take place once an Applicant has entered the market:

- Technical Assurance checks;
- Re-Qualification; and
- Removal of Qualification (not applicable to Suppliers).

2.1.3 Scope of the Solution

The following participants would be required to use this process:

- Suppliers;
- Licenced Distribution Systems Operators (LDSOs) when acting in their capacity as Unmetered Supplies Operators (UMSOs)³;
- Supplier Meter Registration Agents (SMRAs);
- CVA and SVA Meter Operator Agents;
- Data Collectors;
- Data Aggregators; and
- Meter Administrators.

LDSOs would be subject to the Qualification process only when acting in their capacity as UMSOs. In accordance with their Distribution Licence, LDSO's are required to procure and contract with Accredited Persons. Under P197, it would be the responsibility of the LDSO to ensure that its UMSO and procured SMRA have been Qualified. If an LDSO's UMSO and procured SMRA functions are not Qualified, the LDSO would be in breach of the Code.

³ UMSO is not currently a Party Agent in its own right, although it is a role performed by the LDSO.

The Data Transfer Service Provider (DTSP) is required to be Accredited and Certified under the current arrangements. Under the P197 Qualification process, the DTSP would not be required to be Qualified (and therefore would not be required to re-Qualify).

2.1.4 Phase 1 – Self Assessment

2.1.4.1 Applicant initiates process

The Qualification process would be initiated by the Applicant contacting ELEXON or its agent. This could be via a letter or a phone call. For Party Agents and SMRAs, the submission of the Qualification letter binding them to particular sections of the Code could initiate the Qualification process. ELEXON would contact Suppliers and LDSOs regarding the Qualification Requirements following receipt of an Accession Letter, as the Group agreed that Suppliers and LDSOs can accede to the BSC before becoming Qualified. ELEXON would notify Master Registration Agreement Service Company (MRASCo) if a Supplier or SMRA had entered into the Qualification process and, if ELEXON is notified by MRASCo that a Supplier or SMRA had entered into Master Registration Agreement (MRA) Entry Processes, ELEXON would contact that participant in order to advise them of the BSC Qualification Requirements. If the Applicant wishes, it may contact ELEXON to discuss the Qualification process in order to gain an understanding of it prior to formally initiating the process. The application by phone or by letter should include a minimum of the following information:

- Proposed Market Role e.g. Supplier, Data Collector;
- Current role(s); and
- Their expectations on how long it would take to enter the market.

2.1.4.2 Explanation of Qualification Process by ELEXON

Once the process has been initiated, ELEXON or its agent would provide the Applicant with an information pack and a Self Assessment Document. An example of which is provided in [Appendix 5](#). ELEXON would also ask that any Party Agents or SMRAs sign the Qualification letter to bind them into the appropriate sections of the Code, if this has not already occurred, and before proceeding with the Qualification process further. ELEXON or its agent would meet with the Applicant at this stage to discuss the Applicant's business, development and project plans and give the Applicant an overview of the Qualification process (if they had not already done so previously). This meeting could be combined with the equivalent body if the Applicant is also required to accede to the MRA. During this meeting, the following subjects would be discussed (although, this list is not necessarily definitive);

- Introduction of the key staff at ELEXON or its agent and the Applicant;
- Applicant's overview of the systems and processes that are to be Qualified;
- Overview of the Qualification process;
- Overview of the Self Assessment and Pre-Entry Testing requirements;
- Agreement of a timetable for completion of the Qualification process including key deliverable dates; and
- Explanation of the risk assessment process by ELEXON or its agent.

2.1.4.3 Completion and Submission of Self Assessment Document

The Applicant would be required to complete the Self Assessment Document which describes how it intends to meet its obligations under the BSC.

Structure of Self Assessment Document

The Self Assessment Document would contain separate sections including but not limited to:

- Entry Timetable;
- Project Management and System Development;
- Testing (System Testing, User Acceptance Testing, Operational Acceptance Testing);
- Operational Procedures;
- Data Population and/or Data Migration;
- Management Controls (Physical and Logical Security, Change Management, Risk Management, Disaster Recovery);
- Management (resourcing, organisation structures, training); and
- The Business Scenarios relevant to the Applicant type.

As far as is possible, this document would not duplicate questions in the MRA document set.

Change control of Self Assessment Document

The Self Assessment Document would be an appendix to the Qualification Balance and Settlement Code Procedure (BSCP) and would be subject to change control under BSCP40 'Change Management'.

Completion of Self Assessment Document

The Applicant would have to describe how it would meet its obligations under the BSC and the evidence that it could provide if requested to support its answers. The Applicant may complete the entire Self Assessment Document before submitting it to ELEXON or its Agent for review and guidance (if necessary). Alternatively, the Applicant could draft a response to each section separately and then submit it to ELEXON or its Agent for review and guidance (if necessary) prior to drafting a response to the next section. Regardless of how the Applicant approaches the completion of the Self Assessment Document, ELEXON or its Agent would be available for general support and problem resolution throughout, however the Applicant has to manage its application for Qualification. It should also be noted that submission of draft versions of the Self Assessment Document would not be subject to full reviews by ELEXON or its Agent but instead ELEXON or its Agent would carry out high level checks to ensure that the responses are being prepared to a reasonable standard. ELEXON or its Agent would provide guidance, education and clarification to the Applicant.

The key questions the Applicant must consider during the completion of the Self Assessment Document are:

- Does the response answer all of the points raised in the question?
- Has evidence been cited to support the response?
- Are there any areas that cannot be completed at the current time, for example if a tender process for services is being undertaken, and if so, when these areas would be completed?

The Applicant could cite the following as evidence that would be available for submission to ELEXON or its agent:

- The existence and application of management processes including problem resolution, change management, configuration control, release management and test management;
- The results of the internal testing that has been completed by the Applicant; and
- Local working instructions that the Applicant has developed that detail how the Applicant intends to meet its BSC obligations.

ELEXON or its Agent would produce 'storyboards', an example of which is provided in [Appendix 6](#) to aid the Applicant in the development of its business process testing. The storyboards would be provided as guidance, and would therefore not be maintained under BSCP40.

2.1.4.4 *Review of Self Assessment Document and determination of risk carried out by ELEXON*

ELEXON or its agent would carry out a full review of the Self Assessment Document once the completed version is submitted. Following the review of the Self Assessment Document, ELEXON or its agent would determine what evidence (from the evidence that the Applicant has cited as available) is required to be submitted for verification. The evidence required would be requested on a sample basis. The level of evidence required would be determined by ELEXON or its agent based on the amount and quality of information provided within the Self Assessment Document. However, the amount of evidence required and depth of verification may increase or decrease dependent on the review of the initial evidence provided. The verification of the evidence may be on or off site. The review of the Self Assessment Document and associated evidence may be an iterative process. ELEXON or its agent would contact the Applicant to discuss any areas of the Self Assessment Document or associated evidence that it feels needs further work.

The Group agreed that ELEXON or its Agent would develop an internal process during the implementation of P197 to determine how they would review the Self Assessment Document and how they would determine the level of evidence they require in relation to the completed Self Assessment Document.

When ELEXON or its agent and/or the Applicant believes that the Self Assessment Document has been completed, ELEXON would present a recommendation to the PAB as to whether it believes the Applicant is ready to move onto Phase 2 of the Qualification process. Note that ELEXON would not make a recommendation to the PAB until it felt that the Applicant had completed Phase 1 of the Qualification process. However, if an Applicant believes that it has completed Phase 1 before ELEXON or its agent does, the Applicant can ask that the application be presented to the PAB in any event. The Applicant may attend the PAB meeting to explain why it thinks that it is ready to move onto Phase 2⁴.

ELEXON's recommendation to the PAB would also contain a view on the risk posed by the Applicant, determined by the review of the Self Assessment Document and associated evidence and therefore it would recommend the level of pre entry testing (if any) that should be carried out in Phase 2 by the Applicant. The level of pre-entry testing is wholly dependent on the outcome of the review of the Self Assessment Document by ELEXON or its Agent, and if the evidence submitted to the Self Assessment Document is clear and comprehensive, there may not be any need for any testing.

2.1.4.5 *Level of Further Testing Required Agreed by the PAB*

ELEXON Initiates Discussion with the PAB

Where ELEXON or its agent feels that the Applicant is ready to move onto Phase 2 of the process, it would make its recommendation to the PAB.

The PAB could defer its decision if it believes that more evidence is required to be provided by the Applicant in Phase 1. If the PAB defers its decision, it would provide the Applicant with guidance detailing what further evidence is required before the successful completion of Phase 1 would be granted (this guidance would be presented to the Applicant in writing following the PAB meeting).

When the PAB agrees that the Applicant has completed Phase 1, it would also approve the level of pre entry testing (based on the recommendation of ELEXON or its agent) that the Applicant would need to carry out in Phase 2 of the Qualification process. The level of testing is contingent on responses to the Self Assessment Document and the evidence provided by the Applicant. If it is deemed satisfactory then the level of testing could be as low as zero. The PAB would also determine whether any testing would need to be witnessed by ELEXON or its agent, or whether the Applicant would simply be required to submit the results of the testing to ELEXON or its agent. This would again be based on a recommendation by ELEXON or its agent depending on the risk posed by the Applicant.

⁴ It should be noted that the Code / PAB's Term of Reference currently allow attendance at a PAB meeting at the discretion of the Chairman. The Code / PAB's Terms of Reference could however be amended as part of P197 to allow any Applicant to attend the section of the PAB meeting where the PAB considers the Applicant's entry, without the agreement of the PAB Chairman.

Applicant Initiates Discussion with the PAB

As described in section 2.1.4.4, the Applicant may request that its application be presented to the PAB. The PAB would then determine whether the Applicant is ready to move onto Phase 2 based on the recommendation of ELEXON or its agent and the written justification provided by the Applicant as well as any verbal justification in the situation where the Applicant has attended the PAB meeting. If the PAB defers its decision, it would provide the Applicant with guidance detailing what further evidence is required before the successful completion of Phase 1 would be granted. This guidance would be presented to the Applicant in writing following the PAB meeting.

When the PAB agrees that the Applicant has completed Phase 1, it would also approve the level of pre entry testing (based on relevant objective criteria) that the Applicant would need to carry out in Phase 2 of the Qualification process. The level of testing is contingent on responses to the Self Assessment Document and the evidence provided by the Applicant. If it is deemed satisfactory then the level of testing could be as low as zero. The PAB would also determine whether this testing would need to be witnessed by ELEXON or its agent, or whether the Applicant would simply be required to submit the results of the testing to ELEXON or its agent.

2.1.5 Phase 2 – Pre Entry Testing

2.1.5.1 Applicant Undertakes Pre Entry Testing

Following the agreement by the PAB of the amount of further testing required, the Applicant would undertake this testing. This testing could range from no testing to a maximum range of testing including exception handling and business as usual situations. The testing would have to be carried out by the operational staff using completed systems and it is envisaged that most testing would be completed in real time. Unlike the current process ELEXON would not provide test scripts to the Applicant for this testing. The Applicant would write their own test scripts. ELEXON or its agent would review the results of the testing or witness the testing, as determined by the PAB. The Group agreed that ELEXON or its Agent would develop a process during the implementation of P197 to determining how they would review the results of this testing. The separate Qualification requirements of ELEXON and those of the equivalent body under the MRA would be coordinated (where possible) in order to avoid the same tests being carried out twice by the Applicant. Both ELEXON and equivalent body under the MRA would work together to determine the degree of overlap from the differing regimes. Where it is deemed by PAB that tests should be witnessed by ELEXON or its agent and there is a degree of overlap with similar testing requirements under the MRA, ELEXON or its agent may witness this in conjunction with the equivalent body under the MRA if possible.

2.1.5.2 Application Agreed or Deferred by PAB

ELEXON Initiates Discussion with the PAB

When ELEXON or its agent believes that the Applicant has completed the further tests and that sufficient evidence of this has been provided, ELEXON would present a recommendation to the PAB as to whether it believes the Applicant has completed the Qualification process. The Applicant would be informed of ELEXON's recommendation prior to the PAB meeting.

At the meeting the PAB would decide, on the basis of the information provided, whether the Applicant is ready to enter the market. If the PAB agrees that the Applicant is ready to enter the market, it would approve the Qualification of the Applicant. For SMRAs and Party Agents (excluding Meter Administrators), PAB also approves their Qualification limit in terms of number of Metering Systems. The PAB may also impose certain conditions on the Applicant, for example it may state that the Applicant should undergo a Technical Assurance check after 6 months.

If the Applicant had failed to complete some minor aspects of the Qualification process, the PAB may still agree the Qualification of the Applicant. The minor non-compliances would then be managed by other Performance Assurance Framework (PAF) techniques e.g. Technical Assurance checks. Note, it is not

expected that the PAB would approve an Applicant in this fashion if the non-compliance could instantly trigger the Removal of Qualification process. An example of a minor non-compliance where the PAB may agree the qualification of a new entrant is where the Applicant has Disaster Recovery plans in place that have not been tested prior to the PAB meeting. This would replace the current process whereby the PAB approves Certification applications 'subject to' minor issues being resolved within certain timeframes.

If the PAB does not believe that the Applicant is ready to enter the market, the Applicant would be informed in writing of the areas where the PAB requires further testing or evidence to be provided. ELEXON would be available to assist the Applicant in ensuring that the further requirements of the PAB are met. Qualification of the Applicant would be deferred until the Applicant can satisfy the PAB that it is ready to enter the market.

Applicant Initiates Discussion with the PAB

If the Applicant is of the view that it has completed the further tests (requested by the PAB) and provided evidence of the same earlier than which ELEXON or its agent does then it may ask that its application be presented to the PAB. The Applicant may attend the PAB meeting to explain why it thinks that it has completed the further tests⁵.

At the meeting the PAB would decide, on the basis of the information provided, whether the Applicant is ready to enter the market. If the PAB agrees that the Applicant is ready to enter the market, it would approve the Qualification of the Applicant, and for SMRAs and Party Agents (excluding Meter Administrators), their Qualification limit in terms of number of Metering Systems. The PAB may also impose certain conditions on the Applicant, for example it may state that the Applicant should undergo a Technical Assurance check after 6 months. As described in section 3.1.5.2 the PAB may agree the Qualification if the Applicant has failed to complete some minor aspects of the Qualification process.

If the PAB does not believe that the Applicant is ready to enter the market, the Applicant would be informed in writing of the areas where the PAB requires further testing or evidence to be provided. ELEXON would be available to assist the Applicant in ensuring that the further requirements of the PAB are met. Qualification of the Applicant would be deferred until the Applicant can satisfy the PAB that it is ready to enter the market.

2.1.5.3 Right of Appeal

If the Applicant disagrees with the decision of the PAB (including if it disagrees with a decision to defer approval), it would have the right to appeal that decision to the Authority. As is currently the case for Accreditation and Certification, there would be limited grounds on which an appeal could be made (as set out in section J3.7.2 of the Code, being that the PAB has not followed the procedures set out in the appropriate Code sections and Code Subsidiary Documents; the PAB has given undue weight to particular evidence submitted or lack of particular evidence; the PAB has misinterpreted all or some of the evidence submitted in connection with such application; or the PAB should not have taken into account the failure to satisfy one or more specified Accreditation or Certification requirements), and any such appeal would have to be made in writing by the Applicant within 10 days of receipt of the PAB letter setting out the reasons for its decision.

2.1.5.4 Accreditation

Currently, Party Agents and SMRAs have to be Accredited and have Certified systems. Accreditation is the simple process by which Party Agents and SMRAs are bound to certain sections of the Code, including the requirement that they have Certified systems and processes. The legal text for both the Proposed and Alternative Modification has been drafted in such a way as to incorporate aspects of both Accreditation and Certification requirements within the Qualification process, i.e. an Applicant is only required to complete the

⁵ It should be noted that the Code / PAB's Term of Reference only allow attendance at a PAB meeting at the discretion of the Chairman. The Code / PAB's Terms of Reference could however be amended as part of P197 to allow any Applicant to attend the section of the PAB meeting where the PAB considers the Applicant's entry, without the agreement of the PAB Chairman.

Qualification process. The Group agreed that there would be a continued requirement for a Party Agent or SMRA to complete a letter (equivalent to the Accreditation letter) to bind them into certain relevant sections of the Code. The Group agreed that the Party Agent or SMRA would have to sign this letter at the start of the Qualification process⁶. The Group agreed that a Qualified Person would forever remain Qualified provided that they continue to meet the Qualification Requirements, unless that Qualified Person requested the voluntary removal of their Qualification.

2.1.6 Testing of Supplier Hubs

It should be noted that under the Qualification process, it would be the responsibility of the Supplier to ensure that it manages its Supplier hubs and that the Supplier hub can communicate with other members of the hub and with any existing or new SMRA. It is however expected that the Applicant (Supplier) would provide the appropriate evidence, as part of the Self Assessment Document that it is able to interoperate with its agents. There would be no requirement for each individual Supplier hub to be qualified. There would also be no prescribed testing to ensure that the Supplier hub can communicate with the SMRA but the Applicant would need to provide evidence that it can.

2.1.7 Re-Qualification

Market participants would be required to re-Qualify if:

- They decide to implement any Material Change to their systems and processes; or
- They decide to increase the number of Metering Systems that they are responsible for, to above the limit set when they qualify or subsequently increase this limit (Party Agents and SMRAs only).

A Material Change would be defined as a change to a participant's systems or processes which is of such a type or magnitude as to raise the reasonable expectation of an impact on that participant's ability to meet its obligations under the BSC if the change was not implemented correctly. The Group discussed some generic trigger events that would indicate a Material Change, based on equivalent work undertaken by MRASCo in their review of MAP05 (MRA Agreed procedures for Entry Processes and re-Qualification). Examples of these trigger events are included in [Appendix 7](#).

The re-Qualification process would not just apply to Accredited Party Agents and SMRAs; all market participants who have to Qualify would also have to re-Qualify if and when the circumstances arose. Therefore the following participants would be included within the scope of the re-Qualification process:

- Suppliers;
- LDSOs when acting in their capacity as UMSOs;
- SMRAs;
- CVA and SVA Meter Operator Agents;
- Data Collectors;
- Data Aggregators; and
- Meter Administrators.

It should be noted, however, that Suppliers would not (and have not) qualified up to a specified number of Metering Systems. Therefore there would not be a requirement for Suppliers to re-Qualify at any particular threshold of Metering Systems. The Group noted that UMSOs and Meter Administrators would not be qualified to set numbers of Metering Systems as the concept of Metering Systems does not apply for Unmetered Supplies.

⁶ Suppliers and LDSOs would not be required to submit a letter as they will have signed up to the Framework Agreement before they Qualification process is initiated, as described in section 2.1.4.2.

2.1.7.1 Process

The relevant participant would be responsible for initiating the re-Qualification process in sufficient time, prior to a Material Change taking place. The participant would therefore need to have a business as usual process in place for assessing the risk posed by planned changes. The participant would need to submit a Self Assessment Document containing information regarding why the participant wishes to re-Qualify; including brief details of the new intended scale of operation, and the systems and processes that are impacted. The participant would then complete the relevant sections of the Self Assessment Document relating to the systems and processes that are impacted by the planned change and would provide the required evidence to ELEXON or its agent. As with the Qualification process, this may be an iterative process and when ready, ELEXON would present a recommendation to the PAB about the participant's completion of Phase 1 of the process. Once the PAB has agreed that the participant has completed Phase 1 of the process, the PAB would determine the level of testing (based on the recommendation of ELEXON), if any, the participant has to complete in Phase 2 of the process. The PAB may agree at the end of Phase 1 that no further testing in Phase 2 is required, and if so, the participant would undertake Phase 1 and Phase 2 concurrently. When the participant has completed any required testing, as with the Qualification process (which again could be an iterative process), ELEXON would present the outcome of the testing to the PAB and ask that the application be approved. Participants would also have the right to appeal the decision of the PAB (as discussed in section 2.5.3 above).

2.1.7.2 Submission of Annual Return

Party Agents and SMRAs are currently required to annually send in a statement (signed by a company director or appropriately authorised person) stating that no Material Changes have been made to systems and processes, including that they have not increased their intended scale of operation or if they have, that the appropriate re-Certification has been approved. Under the Qualification process, all participants that have to Qualify (including Suppliers, SMRAs and LDSOs when operating as an UMSOs) would be required to do this.

2.1.8 Payment for Qualification and Re-Qualification

The Group agreed that there should be a provision for an Applicant to be required to pay for the Qualification and re-Qualification Service. The Group, however, felt that this cost should initially be set at zero.

The Group agreed that it may not be appropriate to charge Applicants who need more assistance a higher price than others.

2.1.9 Technical Assurance Checks

Under the Qualification process, the Technical Assurance process would change in its remit so as to include LDSOs when operating in their capacity as an UMSOs, SMRAs and Meter Administrators, not just Suppliers and Supplier Agents⁷.

Currently all new Supplier Agents undergo a Technical Assurance check 6 months after they commence operations in the market. In addition to this, the PAB are able to initiate Technical Assurance checks as they deem necessary.

Under P197 Technical Assurance checks would only be carried out when the PAB deem it necessary i.e. there would be no requirement for all new Qualified Persons to undergo a check after 6 months. In addition, the PAB may determine that a Qualified Person undergo more than one Technical Assurance check.

When the PAB approve a new entrant to the market, or a re-Qualification, it may choose to require that a Technical Assurance check be carried out after a certain amount of time. For example, the PAB may accept

⁷ A Supplier Agent is a Data Collector, Data Aggregator, Meter Operator Agent or Meter Administrator.

an Applicant's entry into the market, but may feel that the Applicant presents a particular risk to Settlement and so would recommend that a Technical Assurance check be carried out. The PAB would need to be clear when agreeing that a Technical Assurance check should be undertaken on a new entrant as to the purpose of this check. The purpose could be to check that the new entrant's processes worked as claimed or to confirm that particular issues have been addressed.

It should be noted that the PAB, when deciding whether to request a Technical Assurance check would also consider whether the participant would be subject to review as part of the annual BSC Audit. It is envisaged that if a recently Qualified participant is subject to a BSC Audit site visit then reliance would be placed on the results of that particular audit.

2.1.10 Removal of Qualification

Under P197, a Removal of Qualification process would replace the current Removal of Accreditation processes. The Removal of Qualification process would not apply to Suppliers or LDSOs acting in their capacity as UMSOs as they are subject to the Default provisions already set out in Section H3 of the Code.

The Removal of Qualification process would be initiated when a Qualified Person demonstrates severe under performance (non-compliance) in the same way as it is triggered currently. The PAB would be granted the ability to notify Parties when a Qualified Person's performance has led to the removal of Qualification process being initiated. This notification would take place during the process as well as at the end of the process when Qualified status has actually been removed. Information on why the process was initiated and the actions being taken to address the non-compliance would also be provided to Parties.

The process for the removal of Qualification would be clearly set out in the Code or Code Subsidiary Document and would have the following steps:

- PAB and the Qualified Person would agree a plan for the participant to improve its performance during the probation period with specific milestones. The PAB and the Qualified Person would also determine which of these milestones are material;
- If a Qualified Person did not, or was unwilling to agree a reasonable rectification plan, the PAB would advise the participant that if this was not completed within a reasonable period of time then it would notify the industry (via an ELEXON Circular) that the Qualified Person was within the removal of Qualification process and further that its associated Suppliers might be advised that they would be in material breach of the Code due to the Qualified Person's non-compliance;
- The PAB would monitor the Qualified Person's performance against the plan (on a monthly basis);
- If all relevant material milestones have not been met for two consecutive months, the PAB would notify the Qualified Person, in writing, that it intends to inform the rest of the Industry (via an ELEXON circular) that the Qualified Person is in the Removal of Qualification process and that their ability to take on new Metering Systems would be restricted if the milestone at the end of the third month was not met; and
- If all relevant material milestones have still not been met by the end of the third month, the PAB would notify the industry that the Qualified Person was in the Removal of Qualification process and that the number of Metering Systems that they can take on has been restricted; or
- If the Qualified Person meets the milestone at the end of the third month, the PAB would not notify the industry that they are in the Removal of Qualification process. The Qualified Person would have to fail to meet its milestones for a further two months before PAB could again notify them that it would inform the rest of the industry that they are in the Removal of Qualification process.
- The Qualified Person could appeal the PAB decision (see appeal process set out in section 3.1.5.3 above).

Currently, if the PAB determines that a participant's Accreditation is to be removed, they give the Accredited Person and the industry a Notice Period (three months) before the Accreditation is removed to allow the industry to make preparations for the exit of the Accredited Party. Under P197 this Notice Period and notification would remain.

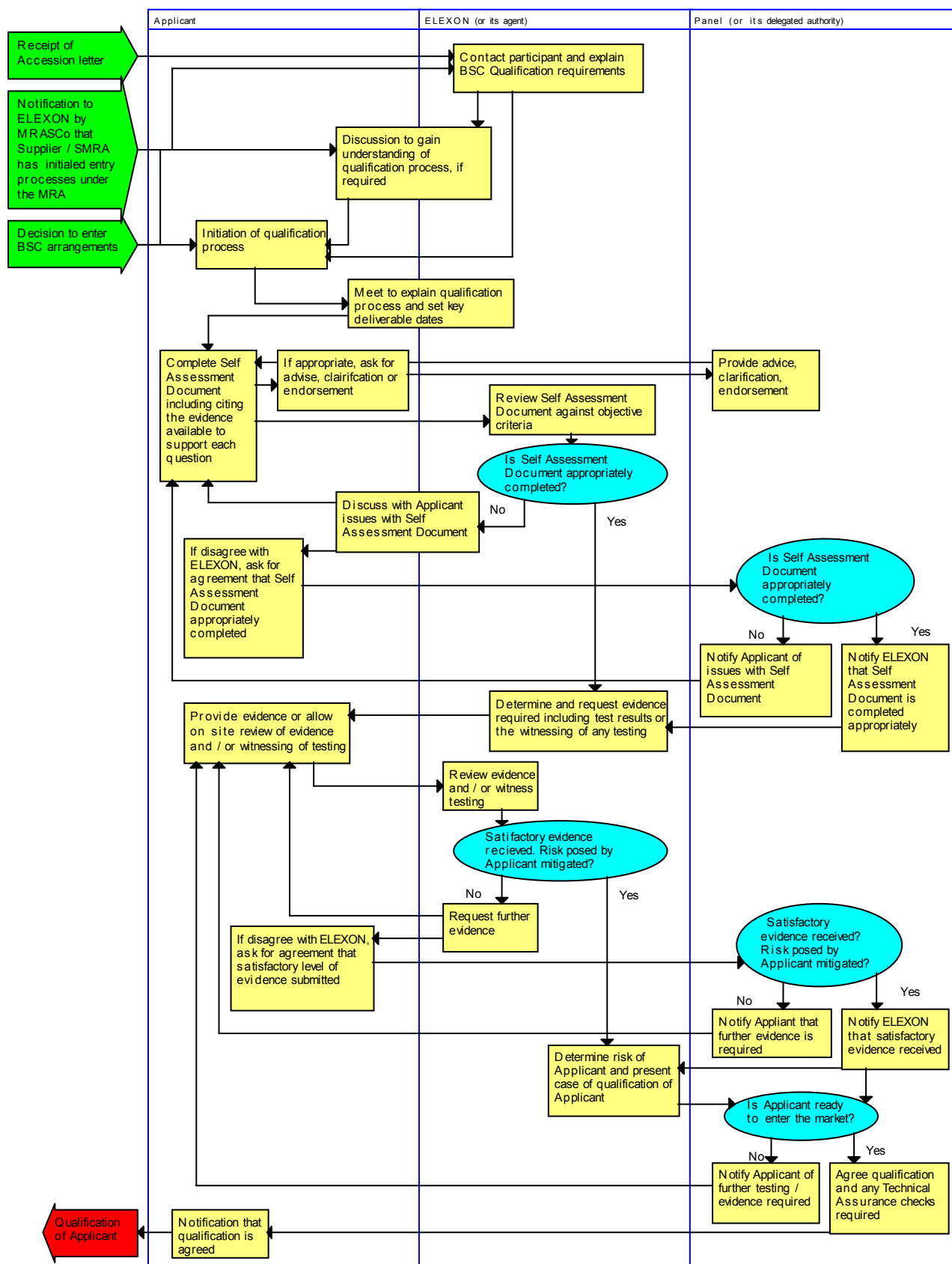
2.1.11 Surrender of Qualification

Currently, if an Agent wishes to leave the market, they must request that the PAB removes their Accredited status. This forces the Suppliers that use the agent to change agents. It would be appropriate in this scenario for an agent to be able to voluntarily withdrawal from the market (in the same way as a Party can voluntarily withdraw from the Code). In order to facilitate this withdrawal the Group agreed that there should be a surrender of Qualification process.

The agent would notify ELEXON that they wish to surrender their Qualified status. For Data aggregators, the PAB would not withdraw their Qualified status until they have completed processing for all Settlement runs for all Metering Systems that they are appointed to. For all other Qualified Persons, their Qualified status would be withdrawn on the date agreed between the Qualified Person and the PAB.

2.2 Alternative Modification

2.2.1 Process Diagram



2.2.2 Overview

The Group developed the Alternative Modification following the discussion of a number of options. The main differences between the Alternative Modification and the Proposed Modification are as follows:

- The responsibility would lie with the Panel to approve Qualification applications, however it would be expected that the Panel delegate this responsibility to a Panel Committee such as the PAB, the SVG or ISG or a new Panel Committee as described in Section 3.10.1;
- Phases 1 and 2 of the Qualification process would be merged as described in Section 3.10.2;
- The Applicant would have the ability to go to the Panel or its delegated Authority at any point in the process as described in Section 3.10.3;
- Suppliers would not be required to re-Qualify as described in Section 3.10.5; and
- There would be no Qualification limit for any participant as described in Section 3.10.6.

2.2.3 Scope of the Solution

The P197 Alternative Modification Qualification Requirements would apply to the same participants as the Proposed Modification See 2.1.3)

2.2.4 Qualification Process

2.2.4.1 *Applicant initiates process*

The Applicant would initiate the Qualification process in the same way as described in the Proposed Modification.

2.2.4.2 *Explanation of Qualification Process by ELEXON*

ELEXON or its agent would meet with the participant in the same way as described in the Proposed Modification to discuss the Qualification process. If appropriate, ELEXON or its agent may discuss and agree with the Applicant the potential areas that may require witness testing. This would mean that the Applicant can contact ELEXON or its agent when they are ready to test these areas to confirm whether witness testing is required. This would not preclude ELEXON or its agent requiring witness testing in other areas further into the process.

2.2.4.3 *Completion and Submission of Self Assessment document*

The Self Assessment Document would have the same structure and change control as described in the Proposed Modification. The Applicant would complete the Self Assessment Document and send it to ELEXON or its agent for review. As described in the Proposed Modification, the Applicant may wish to send the Self Assessment Document to ELEXON or its agent section by section to obtain feedback and guidance on how it has completed each section. The Applicant may intend to carry out its internal tests concurrently with completing the Self Assessment Document in areas that ELEXON or its agent highlighted during the explanation of the process may require witness testing. If this is the case, the Applicant should contact ELEXON or its agent to confirm whether these should be witness tested. Should the Applicant wish to, it can go to the Panel or its delegated authority at any time during the drafting of the Self Assessment Document for advice, clarification or endorsement of its plans.

2.2.4.4 *Review of Self Assessment Document and Determination of Risk Carried out by ELEXON*

As described under the Proposed Modification, once ELEXON or its agent receives the completed Self Assessment Document, ELEXON or its agent would review the document. ELEXON or its agent would then determine, from the evidence that the Applicant has cited as available, what evidence it wishes to review. At this stage, ELEXON or its agent may determine that they wish to review evidence on site or witness some

of the Applicant's testing. As described in the Proposed Modification, the amount of evidence and witness testing that ELEXON or its agent wishes to review may increase or decrease dependent on the review of the initial evidence provided. The review of the Self Assessment Document and associated evidence and witness testing may be an iterative process. Should the Applicant wish to, it can go to the Panel or its delegated authority at any time during the drafting of the Self Assessment Document for advice, clarification or endorsement of its plans, or if it disagrees with the level of evidence or witness testing that ELEXON or its agent wishes to review.

2.2.4.5 Application Agreed or Deferred by the Panel or its delegated authority **ELEXON Initiates Discussion with the Panel or its delegated authority**

When ELEXON or its agent feels that the Self Assessment Document has been completed to an appropriate standard and it has seen appropriate evidence or witnessed testing to confirm the statements in the Self Assessment Document, it would recommend to the Panel or its delegated authority that the Applicant should be Qualified. The Panel or its delegated authority would then determine whether the Applicant should be Qualified.

At the meeting the Panel or its delegated authority would determine, based on the information provided, whether the Applicant is ready to enter the market. If the Panel or its delegated authority agrees that the Applicant is ready to enter the market, it would approve the Qualification of the Applicant. The Panel or its delegated authority may also impose certain conditions on the Applicant, for example, it may state that the Applicant should undergo a Technical Assurance check after six months.

As with the Proposed Modification, if the Applicant has failed to complete some minor aspects of the Qualification process, the Panel or its delegated authority may still agree the Qualification of the Applicant.

If the Panel or its delegated authority does not believe that the Applicant is ready to enter the market, the Applicant would be informed in writing of the areas where the Panel or its delegated authority requires further testing or evidence to be provided. ELEXON or its agent would be available to assist the Applicant in ensuring that the further requirements of the Panel or its delegated authority are met. Qualification of the Applicant would be deferred until the Applicant can satisfy the Panel or its delegated authority that it is ready to enter the market. The role of the Panel or its delegated authority in this scenario is described in Section 3.10.1.

Applicant Initiates Discussion with the Panel or its delegated authority

If the Applicant is of the view that it has completed the Qualification process earlier than ELEXON or its agent does, then it may ask that its application be presented to the Panel or its delegated authority. The Applicant may attend the meeting of the Panel or its delegated authority to explain why it thinks that it is ready to enter the market.

At the meeting the Panel or its delegated authority would decide, on the basis of the information provided, whether the Applicant is ready to enter the market. If the Panel or its delegated authority agrees that the Applicant is ready to enter the market, it would approve the Qualification of the Applicant. The Panel or its delegated authority may also impose certain conditions on the Applicant, for example it may state that the Applicant should undergo a Technical Assurance check after 6 months. As described above, the Panel or its delegated authority may agree the Qualification if the Applicant has failed to complete some minor aspects of the Qualification process.

If the Panel or its delegated authority does not believe that the Applicant is ready to enter the market, the Applicant would be informed in writing of the areas where the Panel or its delegated authority requires further testing or evidence to be provided. ELEXON would be available to assist the Applicant in ensuring that the further requirements of the Panel or its delegated authority are met. Qualification of the Applicant would be deferred until the Applicant can satisfy the Panel or its delegated authority that it is ready to enter the market.

2.2.4.6 Notification of Qualification to the PAB

ELEXON would notify the PAB when an Applicant becomes Qualified (if this has been agreed by a body other than the PAB) and any recommendation for Technical Assurance checks.

2.2.4.7 Right of Appeal

The Applicant would have the right to appeal the decision of the Panel or its delegated authority to the Authority, as described in the Proposed Modification.

2.2.4.8 Accreditation

As described in the Proposed Modification, a Party Agent or SMRA would be required to complete a Qualification letter at the start of the Qualification process to bind it into the appropriate sections of the Code.

2.2.5 Testing of Supplier Hubs

As in the Proposed Modification, there would not be any testing of Supplier hubs.

2.2.6 Re-Qualification

Under the Alternative Modification, the following Participants would need to re-Qualify when making a Material Change to their systems and processes (examples of the types of activities that could trigger a Material Change are included in [Appendix 7](#)):

- LDSOs when acting in their capacity as UMSOs;
- SMRAs;
- CVA and SVA Meter Operators;
- Data Collectors;
- Data Aggregators; and
- Meter Administrators.

Material Change would have the same definition as in the Proposed Modification in terms of changes to systems and processes. However under the Alternative Modification, there would not be a requirement for a participant to re-qualify when it reached a particular limit in terms of numbers of Metering Systems. Instead, a step change in the numbers of Metering Systems could be included in the definition of Material Change.

2.2.6.1 Process

The re-Qualification process would be based on the Qualification process. The relevant participant would be responsible for initiating the re-Qualification process in sufficient time, prior to a Material Change (examples of the types of activities that could trigger a Material Change are included in [Appendix 7](#)) taking place. The participant would therefore need to have a business as usual process in place for assessing the risk posed by planned changes. The participant would need to notify ELEXON or its agent when wanting to re-Qualify. The participant would then complete the relevant sections of the Self Assessment Document relating to the systems or processes that are impacted by the planned change for which the participant is seeking re-Qualification and would provide the required evidence to ELEXON or its agent. This may include ELEXON or its agent witnessing testing. As with the Qualification process, this would be an iterative process and when ready, ELEXON or its agent would present a recommendation to the Panel or its delegated authority to recommend the re-Qualification of the participant. Participants would also have the right to appeal the decision of the Panel or its delegated authority (as discussed in section 2.2.4.7).

2.2.6.2 *Submission of Annual Return*

As described in the Proposed Modification, all participants that are required to re-Qualify would be required to annually submit a form to ELEXON stating that they have not made any Material Changes to their systems and processes. If they have made Material Changes, they should confirm that they have completed the re-Qualification process.

2.2.7 Payment for Qualification and re-Qualification

As with the Proposed Modification, there would be provision in the Code to charge participants for the Qualification and re-Qualification process, but initially this cost would be set to zero.

2.2.8 Technical Assurance Checks

Technical Assurance checks would be carried out in the same circumstances as described in the Proposed Modification.

2.2.9 Removal of Qualification

The removal of Qualification process would be carried out in the same way as described in the Proposed Modification.

2.2.10 Surrender of Qualification

The process for the voluntary surrender of Qualification would be the same under the Alternative Modification as it is under the Proposed Modification.

3 AREAS RAISED BY THE TERMS OF REFERENCE

This section outlines the conclusions of the Group regarding the areas set out in the P197 Terms of Reference.

3.1 The Detailed Process Proposed by P197

3.1.1 Modification Group's Initial Discussions

3.1.1.1 The scope of the self assessment

The Group agreed that the new Qualification process should be based on the Applicant demonstrating that they are ready to enter the market. To this end, the Group felt that the main focus of the process would be the Applicant's completion of a Self Assessment Document. The Group initially believed that this should be a high level document, asking Applicants to explain how they would carry out the key processes for their role, plus some generic questions. However after further discussion, the Group agreed that the document would either have to contain guidance, or there would be a separate guidance document to explain the level of detail required in the Self Assessment Document. The Group felt that without this guidance, it would be too difficult for an Applicant to determine what is expected of them and therefore this is likely to lead to more reviews of the Self Assessment Document being performed than is necessary.

The Group discussed whether the inherent risk of an Applicant should be determined at the start of the process (based on their intended scale of operation, the systems that they intend to use and the operational experience of the Applicant) and whether this should feed into the level of detail that the Applicant is required to complete the Self Assessment Document in. The Group agreed that an Applicant's inherent risk should not be determined at the start of the process as the determination of the Applicant's risk should be performed throughout the whole of the Qualification process.

The Group agreed that all Applicants would have to complete the Self Assessment Document to an acceptable standard, however the level of detail expected in response to questions would depend on how the Applicant intends to run its business. For example, if an Applicant wanted to enter the market as a Non-Half Hourly Data Collector, the detail required in response to a question relating to how it intended to calculate EACs and AAs would depend on whether the Applicant intended to use the standard EAC/AA calculator, or whether it intended to develop its own EAC/AA calculator. The Group discussed whether any exemptions should be applied to the Applicant if they were running standard industry software, however the Group agreed that exemptions would not be necessary, as the level of detail in the completion of the Self Assessment Document would be dependent on whether standard industry software would be used.

The Group have developed the Self Assessment Document at a high level detailing the main generic and role specific questions, as contained in [Appendix 5](#). The Group agreed that the further development of this document would be undertaken by ELEXON or its agent as part of the implementation of P197.

3.1.1.2 The process and criteria used for conducting the risk assessment

The Group discussed how ELEXON or its agent would conduct the review of the Self Assessment Document, thereby determining the level of evidence that it needs to see in respect of the Self Assessment Document and the risk assessment of the Applicant. The Group agreed that the processes of how the Self Assessment Document is reviewed including the objective criteria that it would be reviewed against, the level of evidence requested to support the Self Assessment Document and the determination of the risk of the Applicant would be developed by ELEXON or its agent during the implementation of P197.

3.1.1.3 The level and type of testing required and how this would link to the risk assessment

The Group discussed the level of further testing that the Applicant would have to carry out in Phase 2 of the process. The Group agreed that an Applicant should be fully testing their systems and processes prior to entering the market and therefore felt that the new process should not contain any scripted tests. Instead, the Group agreed that the implementation of P197 should include the development of 'storyboards' as guidance documents which would describe typical scenarios that the Applicant could find themselves in, an example of which is contained in [Appendix 6](#). The Group felt that these storyboards could be used by the Applicant at any stage of the Qualification process to help them develop appropriate tests.

The Group agreed that ELEXON or its agent would develop the process to determine the level of further testing that would need to be carried out in Phase 2 of the process as part of the implementation of P197. The Group agreed that if the Applicant provided sufficient evidence of its testing (including the results of this testing) in Phase 1 of the process, the Applicant may not have to complete any further testing in Phase 2. Alternatively, if ELEXON or its agent had to provide a lot of guidance to the Applicant in the completion of Phase 1 of the process, then ELEXON or its agent may want to request that the Applicant carries out further testing in Phase 2 to confirm that the Applicant fully understands and can carry out their obligations under the BSC. The Group agreed that the Applicant attendance the section of a PAB meeting where its application is being considered if required.

3.1.1.4 The process for appealing decisions

The Group agreed that the process for appealing any decisions of the PAB would be equivalent to the current process whereby an Applicant (currently Party Agents and SMRAs only) can appeal any Accreditation and Certification decisions made by PAB to the Authority. The process for appealing decisions is set out in section 3.1.5.3.

3.1.1.5 Testing of Supplier Hubs

The Group discussed whether P197 would have any impact on the ability of the Supplier Volume Allocation Agent (SVAA) to ensure that the data it receives from a Data Aggregator has been received from an active Supplier hub. There is a difference between 'valid' Supplier hubs, being those that have been through the current Entry Process requirements and 'active' Supplier hubs, being ones that the Supplier has registered

with the SVAA as active. Under the current arrangements, the SVAA checks that the data it receives relates to an active Supplier hub (Supplier and Data Aggregator (DA)) combination and additionally that the Supplier and DA part of the Supplier hub combination has been through Entry Processes and so is valid. Suppliers are required to register active Supplier hub combinations with the SVAA in accordance with BSCP507 'Supplier Volume Allocation Standing Data Changes'. Also, following the recent implementation of CP1093⁸, the SVAA sends each Supplier a list of data once a month where the SVAA believes that it has received data from an inactive associated Supplier hub. The Supplier reviews this data, and notifies the SVAA whether the Supplier Hub is active or not. Under P197, whilst there would be no requirement for the Supplier to go through Entry Processes every time that it creates a new Supplier hub, the requirement for the Supplier to register any new active Supplier hubs with the SVAA would remain. The Group therefore concluded that P197 would not have an impact on the ability of the SVAA to ensure that the data it receives from a Data Aggregator has been received from an active Supplier hub, however the SVAA would no longer also check that the Supplier hub is a valid one that has been through Entry Processes. The Group noted that if they wanted to remove the requirement for a Supplier to register active Supplier hubs, so, for example all combinations of Suppliers and agents are valid in the SVAA systems, then this would be outside of the scope of P197. This change to BSCP507 and the SVAA software could be processed separately as a Change Proposal.

3.1.1.6 *Payment for the Qualification Process*

The current Certification Service contains provision for charges to be applied for each Certification application undertaken (currently there is only a fee set for high risk Certifications applications, all other fees are set to zero). The Group discussed whether the cost of the Qualification and re-Qualification process should be paid for by Applicants, or whether these costs should be recovered centrally. The Group agreed that there should be a provision for an Applicant to be required to pay for the Qualification and re-Qualification Service, however, felt that this cost should initially be set at zero.

The Group discussed whether there should be a cap on the level of assistance that ELEXON or its agent provides to an Applicant so as to prevent Applicants using the service provided by ELEXON as a free consultancy service. The Group felt that whilst it may be desirable to introduce a cap, it would be very difficult to set the level of a cap. The Group noted that some Applicants would apply for Qualification earlier in their internal development than others. The Group discussed whether as an alternative to introducing caps on the level of assistance provided by ELEXON or its agent, that ELEXON could notify the PAB if it felt that the Applicant required too much support. The Group noted that this would only have an effect if the PAB could act on this information. The Group agreed that realistic expectations on the timescales required for the Applicant to progress through the Qualification process and the role of ELEXON or its agent (i.e. to provide reasonable education, guidance and clarification) should be discussed at the start of the process. The Group also noted that if an Applicant takes longer to progress through the process than they expect, that this would have a negative commercial impact on them, and so it is in their interest to keep to their proposed timescales.

3.1.2 *Views of Respondents to Second Assessment Procedure Consultation*

One respondent stated that the Qualification process is to manage risks for all Parties and without robust processes these risks could increase which could lead to problems for existing Parties. This respondent felt that P197 may not be a robust solution.

One respondent noted that the P197 suggested that the Qualification letter should be sent by Party Agents and SMRAs to ELEXON towards the end of the Qualification process. This respondent felt that since the Qualification Letter is the paperwork that binds non-Parties to the rules governing the arrangements, then it should be required at the beginning of the process as opposed to close to the end of the process. Concerns were also voiced with regards to the detail of the process not being defined.

⁸ CP1093 'Failure of Suppliers to Submit Valid Standing Data Relationships'

3.1.3 Modification Group's Conclusions

The majority of the Group felt that the first respondent had assumed that the new process is not a robust process. The majority of the Group disagreed with this and believed the new process to be robust. These members of the Group felt that the process proposed by P197 would not reduce the level of assurance, but make assurance more appropriate to individual new entrants. One Group member felt that it was not possible to determine whether the proposed process would be robust without seeing more detail related to the process. The majority of the Group believed that this detail should be developed as part of the implementation of P197.

The Group noted the concerns relating to the timing of the submission of the Qualification letter and agreed that this should be submitted by Party Agents and SMRAs at the start of the Qualification process.

One Group member felt that the PAB should have the right to hold a confidential discussion regarding an Applicant without that Applicant being present once it had presented any relevant views to the PAB. The Group agreed that whilst the Applicant should have the right to attend the PAB whilst the PAB is considering its application, the PAB could have a confidential discussion about the Applicant at the PAB's discretion.

3.2 The interaction with the MRA

3.2.1 Modification Group's Initial Discussions

The Group discussed the levels of interaction between the Qualification process proposed under P197 and the MRA Entry Processes (contained within MRA Agreed Procedure (MAP) 05). The Group agreed that the BSC and MRA should not have 'equivalence' provisions (i.e. if a participant completes the MRA entry process requirements, this does not automatically mean that they are Qualified under the BSC). The Group felt that the requirements under the BSC and MRA are substantially different and so it would not be appropriate for Qualification under one body to lead to automatic Qualification under the other. The Group did feel that the BSC Qualification process could take account of any testing under the MRA or any other types of Qualification that a participant may have, and consider this as evidence (if appropriate) in relation to any test evidence required under the BSC.

The Group did agree that as far as possible, there would be co-ordination between the two bodies and any duplication and overlap aligned. The Group agreed that if witness testing was required, it would be useful if the BSC and MRA testing could occur at the same time. The Group felt that it would be ideal if an Applicant could go through a single process to meet both sets of requirements, and that any testing could be undertaken by the same agent on behalf of the BSC and MRA, however it was noted that this would be an implementation issue, as opposed to a requirement for the Modification.

3.2.2 Views of Respondents to the Second Assessment Procedure Consultation

A number of respondents noted that there is a potential for improved efficiency in the Qualification of new Suppliers and SMRAs through greater co-ordination of the BSC and MRA processes in terms of definition, co-ordination, timing, joint overview documentation and reduction in duplication. One respondent noted that the achievement of this co-ordination would be outside the scope of the Modification. Respondents stated that without the change to the process proposed by P197; this opportunity would not present itself.

Another respondent stated that the cost savings that should result from a more aligned process between the BSC and MRA have not been highlighted.

3.2.3 Modification Group's Conclusions

The Group agreed that the Panel could not take into account benefits relating to synergies with the MRA process, but Ofgem can take this into account when making its determination about the Modification as part of its wider statutory duties.

The Group noted that central cost savings could be achieved if one body was to undertake testing for both the MRA and BSC requirements. The Group felt that under the Alternative Modification it would be possible for one body to undertake this testing, but a joint testing body is not a requirement of the Modification, more something that it may be possible to achieve in the implementation of the Modification. The Group noted that the Proposed Modification would not align as closely with the proposed MRA process and so it would be more difficult for one body to undertake the testing if the Proposed Modification was agreed. In any case, there should be efficiency savings for parties if tests are witnessed at the same time regardless of whether one or two agents are witnessing the test.

The Group noted that the MRA entry process requirements are also under review by the MAP05 review group. The MAP05 review group changes have reconsidered the MRA entry process requirements and propose that the MRA entry process requirements should align with the P197 Alternative Modification. The aim is that the MAP05 changes would undergo a pre-assessment phase in May 2006 and a final set of changes would be presented to the MRA Development Board (MDB) in June 2006. Ofgem would therefore be in a position to see whether the MAP05 changes have been agreed by MDB when they make a determination on P197.

3.3 Interaction with the Performance Assurance Framework Review

3.3.1 Modification Group's Discussions

A number of Group members felt that there is interaction between P197 and the Performance Assurance Framework (PAF) review. Some members of the Group questioned whether it was appropriate for the Group to consider P197 before the conclusion of the PAF review. The Group noted that the Modification had been raised and as such, it was the role of the Group to assess it. It was also noted that it is likely that any conclusions of the PAF review would require a Modification to be raised, and so there is no guarantee that any of the conclusions of the PAF review would be taken forwards. Finally, one of the aims of P197 is to bring about a greater level of co-ordination in market entry with the MRA. P197 may help to facilitate this by introducing a process that is similar to the one proposed for the MRA, and so other members of the Group felt that it is timely to consider P197 now.

The Group agreed that it would be desirable to extend the timetable for P197 by three months to closer align the timetable for P197 to that of the PAF review. A request for a three month extension to the P197 Assessment Procedure was rejected by the Panel on the grounds that P197 should not be contingent on a review that would require Modification(s) to be raised to implement its recommendations. The Panel also noted that the PAF review was underway when P197 was raised and P197 looks to introduce benefits to the current arrangements including the ability to closer align the process with the entry process arrangements under the MRA. The Panel granted a one month extension to the Assessment Procedure in order to allow for the development of the P197 solution.

The PAF review has considered the implications of a risk-based assurance regime. A risk-based approach provides assurance that a set of agreed objectives are being satisfied. For example, an assurance regime could be designed in order to provide assurance that:

- The allocation of energy between Suppliers is efficient and equitable, to an acceptable level of accuracy, reflecting the aggregated consumption at Metering Systems for which each Supplier is responsible; and
- Participants are acting as good stewards of Metering System data and are enabling its efficient and effective transfer between Suppliers and hubs and to support the equitable allocation of energy.

Such an assurance regime would identify and manage risks that may arise to these objectives under the BSC. The PAF review has recognised that each participant operating under the BSC would contribute to each identified risk to varying degrees. A risk-based assurance regime would enable the flexible deployment of assurance activities in proportion to the identified risk.

Some members of the Group felt that if certain elements of the PAF are removed or weakened as part of P197 (for example removal of Qualification limit) then other PAF techniques may need to be strengthened in compensation. Other members of the Group noted that the revised arrangements (based on an assessment of the risk posed by an Applicant), would be consistent with a risk-based assurance regime that would enable the flexible deployment of assurance activities in proportion to an identified risk. P197 was raised on the basis that the risk posed by Applicants now is different to the risk of new entrants entering the market in 1998 when the Entry Process and Certification arrangements were devised.

3.3.2 Views of Respondents to Second Assessment Procedure Consultation

No comments relating to the interaction of P197 with the PAF review were received as part of the second P197 consultation, although one respondent stated that options for Alternative Modifications for P197 may emerge from the PAF review. This point is discussed further in section 3.10.7.

3.4 Re-Qualification

3.4.1 Modification Group's Initial Discussions

3.4.1.1 Scope of Parties required to re-Qualify

The Group agreed that the re-Qualification process should mirror the Qualification process. The Proposed Modification stated that the re-Qualification process should be expanded to include Suppliers and LDSOs. As with the scope of the Qualification process, the Group agreed that there is no need to include LDSOs in this process as the LDSO functions of the SMRA and UMSO are considered separately.

The Proposed Modification suggests that the re-Qualification process should be expanded to include Suppliers. It should be noted that there is currently the provision for Entry Process testing of current Suppliers following major industry changes, for example all Suppliers had to complete Entry Process testing following the implementation of P62⁹, however Suppliers are not currently required to complete Entry Process testing every time they make a Material Change to their systems and processes, in the same way as existing Accredited Persons.

3.4.1.2 Qualification Limit

The Group discussed whether participants should be Qualified up to a maximum number of Metering Systems. It was noted that most Party Agents do currently have these limits (Certification Maximum Volume Limits)¹⁰. These limits are set by the participant when they Certify and their Certification response and its review is tailored to be appropriate to these limits. If the participant wants to increase the number of Metering Systems for which they are responsible above these limits then they have to apply to the PAB for an increase in their limit. Where a Party Agent is not making any changes to their systems and processes the PAB will often increase their limit without requiring the Party Agent to complete the re-Certification process.

3.4.1.3 Definition of Material Change

The Group agreed that the definition of Material Change should mirror the definition of Material Change included in the MRA.

⁹ P62 'Changes to Facilitate Competitive Supply On The Networks Of New Licensed Distributors'

¹⁰ Meter Administrators do not currently have Certification Maximum Volume Limits set

3.4.2 Views of Respondents to the Initial Assessment Procedure Consultation

3.4.2.1 *Scope of Parties required to re-Qualify*

The first P197 consultation asked for views on whether Suppliers should be required to re-Qualify following a Material Change to their systems and processes. Respondent's views were split on whether this should be a requirement.

3.4.2.2 *Qualification Limit*

The first P197 consultation asked for views on whether Qualified Persons should be Qualified up to a set number of Metering Systems. Respondent's views were split on whether this should be the case.

3.4.3 Modification Group views after initial consultation

3.4.3.1 *Scope of Parties required to re-Qualify*

The majority of the Group felt that the re-Qualification requirements under P197 should not be expanded to include the re-Qualification of Suppliers' systems processes as there did not seem to be any strong justification to do this. Some members of the Group felt that P197 should retain the requirement for Suppliers to re-Qualify following a major industry change, however other members of the Group did not believe that this would be necessary. These members of the Group felt that a major industry change could only be brought about by a Modification, and therefore felt that should there be a Modification that resulted in a major industry change for which it was felt that all Suppliers should be required to re-Qualify, this could be included in that Modification. This would mean that the circumstances in which a Supplier would be required to re-Qualify would be clear and transparent.

The Group noted that the Proposed Modification is based on the model developed by the SVA Qualification processes review group and that this included the requirement for Suppliers to re-Qualify when they are intending to make a major change to their systems and processes. The majority of the Group therefore agreed to exclude Suppliers from the requirement to re-Qualify as part of the Alternative Modification.

The Group agreed that all other participants that are required to Qualify should also be required to re-Qualify (i.e. LDSOs when acting in their capacity as UMSOs, SMRAs, CVA and SVA Meter Operator Agents, Data Collectors, Data Aggregators, and Meter Administrators) following a Material Change to their systems and processes.

3.4.3.2 *Qualification Limit*

The majority of members of the Group felt that there is no need to set these Qualification limits when an Applicant Qualifies. These members felt that there would be no real change to the participants systems and processes to move from, say 999 Metering Systems to 1001 and so did not feel that re-Qualification in this scenario had any value. These members of the Group felt that if a participant had to make a significant change to their systems and processes due to an increase in the number of Metering Systems that they were responsible for, then this would require re-Qualification under the definition of Material Change to systems and processes. These members of the Group also felt that if there was a large step change in the numbers of Metering Systems that a participant was responsible for (i.e. a large increase in number of Metering Systems in a short period of time), then this may constitute a Material Change and may trigger re-Qualification. Other members of the Group felt that it would be difficult to define what a large step change is and therefore felt that it is easier to retain the concept of a Qualification limit and have a simple process in place to increase this limit.

A minority of the Group felt that without the concept of a Qualification limit, there is the risk that a participant needs to make changes to their systems and processes to cope with an increased number of Metering Systems but does not do so. These members of the Group felt that the Qualification limit would be a good trigger for participants to assess (and PAB to agree) whether changes to their systems and processes are required to cope with an increase in the numbers of Metering systems for which they are responsible.

The Group noted that the Proposed Modification is based on the model developed by the SVA Qualification processes review group and that this included the requirement for re-Qualification at a set number of Metering Systems. The majority of the Group therefore agreed to remove the requirement for a Qualified Person to re-Qualify at a set number of Metering Systems, but include step change in the definition of Material change as a re-Qualification trigger.

The Group discussed what would happen to those Party Agents that PAB has Certified based on a low Certification limit, if this limit was removed. It was suggested that the PAB might not previously have approved some Applicants if there had not been a limit on the number of Metering Systems that they would handle. The majority of the Group agreed that in this scenario, these participants would only have to re-Qualify if they made a Material Change to their systems and processes, including if they made a step change to the numbers of Metering Systems for which they are responsible.

3.4.4 Views of Respondents to Second Assessment Procedure Consultation

3.4.4.1 Definition of Material Change

One respondent felt that the proposed guidance to be provided to help participants define whether they were going to make a Material Change (as described in [Appendix 7](#)) should only include those things that should or may be a trigger for re-Qualification, not those things that would not require a re-Qualification.

3.4.5 Modification Group's Conclusions

3.4.5.1 Qualification Limit

The Group noted that the Certification Agent had raised concerns in their Impact Assessment response relating to the removal of the Qualification limit as the Certification Agent stated that the review of processes and controls is considered against this limit. The majority of the Group however believed that the Qualification limit should be removed in the Alternative Modification.

3.4.5.2 Definition of Material Change

The Group noted that the only person that can decide whether or not a re-Qualification is required is a Qualified Person as ELEXON would not have the information available to make this decision. The Group however agreed that the guidance on trigger events for re-Qualification could be developed over time with experience. The Group also noted that the BSC Audit may pick up instances where a re-Qualification was required but not carried out.

The Group agreed that the guidance provided in relation to Material Change should only include those things that are likely or highly likely to trigger a re-Qualification.

The Group noted that currently the annual submission that Party Agents are required to send to ELEXON stating that they have not made any Material Changes to their systems and processes must be signed by a company director or its delegated authority. The Group agreed that under P197, this submission could continue to be signed off by a delegated authority. The Group noted that it may be appropriate for BSCP38 'Authorisations' to include a category for authorised signatures for this form.

3.5 Impact on Different Types of Party

3.5.1 Modification Group's Discussions

An impact assessment of P197 was carried out via CPC00564. Eight responses were received to this Impact Assessment. The responses received to the Impact Assessment are included in Appendix 3. The Group noted that all respondents were current market participants and so these participants would only be affected by the re-Qualification aspects of P197. A number of respondents felt that P197 would introduce a different approach to Qualification and re-Qualification but were unsure as to whether it would actually reduce the

costs of Qualification and re-Qualification. Respondents quoted a range of 3 to 6 months lead time to implement the Modification.

Respondents raised a number of points that were discussed by the Group as follows:

- One respondent questioned whether LDSOs when acting in their capacity as UMSOs would all have to undergo Qualification if P197 was implemented as they were not subject to formal entrance testing in 1998, unlike other participants. The Group agreed that existing LDSOs operating as UMSOs would not have to undergo Qualification, but would be deemed to be Qualified under P197. The LDSO when acting in its capacity as an UMSO would have to undergo re-Qualification if it made any Material Changes to its systems and processes.
- One respondent stated that the requirements under P197 are additional to the existing requirements. Currently Suppliers have to undergo testing and Party Agents and SMRAs complete a Self Assessment Document. Under P197 Suppliers, LDSOs when acting in their capacity as UMSOs, SMRAs and Party Agents would have to complete a Self Assessment Document and undergo testing. The Group agreed that if all necessary evidence and testing was completed in Phase 1 of the process, then no further testing would be required in Phase 2. Therefore the Group felt that the process under P197 would not be more onerous than the current process, in ensuring that participants have the required capability, knowledge and business readiness prior to operating in the market.
- A number of respondents stated that they felt that there was insufficient information provided in the Requirements Specification to assess the impact of the Modification on their business, particularly as there were a number of options for an Alternative Modification at this stage. The Group discussed a number of aspects of the Modification Proposal to clarify the requirements. The detailed process for P197 is included in section 2 of this document. The Group felt that a number of the detailed documents required for the process would be developed by ELEXON or its agent as part of the implementation of P197.
- One respondent stated that they would not know until the end of Phase 1 how much testing they would be required to do and therefore felt that it would be problematic to plan the appropriate level of resources. The respondent felt that this could be very costly if the level of testing determined by the PAB was more than was predicted by the participant. A number of members of the Group were in agreement with this concern. Therefore the Group has developed the Alternative Modification which merges the two phases of the process.
- One respondent stated that there would be a significant impact on Suppliers if P197 was taken forwards due to the extension of the requirement to re-Qualify following a Material Change to Suppliers. This respondent stated that the extension of re-Qualification to Suppliers could cost in excess of £100,000; however noted that these costs would only be incurred if a re-Qualification had to take place, which would be a rare event. A number of members of the Group agreed with this concern and particularly felt that there is no justification for Suppliers to re-Qualify following a Material Change. Therefore the Group has developed the Alternative Modification which excludes Suppliers from the re-Qualification requirements.

The Group discussed the impact of P197 on a number of other participants as follows:

- **The Data Transfer Service Provider (DTSP):** The Group discussed whether the DTSP should fall under the P197 arrangements. The Group noted that there is a Distribution Licence condition on LDSOs to ensure that a DTSP is in place. Assurance surrounding the management and any re-procurement of the DTSP is provided by Electralink and there is a user group which includes Suppliers overseeing changes to the service. Therefore the Group felt that any changes or reprocurement of the DTSP would be managed by Electralink and the user group, who would resolve any issues in this process. The Group therefore felt that there would be no real benefit in

having extra assurance provided by a BSC Qualification process and therefore agreed that the DTSP should not have to be Qualified under P197.

- **Licensed Distribution Systems Operators (LDSOs):** The Proposed Modification suggested that LDSOs should fall into the P197 Qualification and re-Qualification processes. However the Group have identified the only the UMSO and SMRA functions are required to follow the P197 processes. The Group thought that once the UMSO and SMRA functions had been removed from the LDSO's role, there is very little that it can do that would affect Settlement and interoperability. The Group also noted that the LDSO function is currently not required to go through any Entry Process, Certification or re-Certification processes and felt that there is no real justification for additionally requiring the LDSO function to be Qualified. The Group felt that it was valid to exclude the remaining functions of the LDSO role from the P197 requirements as part of the Proposed Modification and as such only the SMRA and LDSO when acting in its capacity as an UMSO is required to Qualify or re-Qualify under P197.
- **Suppliers:** As discussed in section 3.4, Suppliers would be required to re-Qualify when making a Material Change under the Proposed Modification. The Modification Proposal also suggested that new Suppliers would set a threshold when they Qualify, and would have to re-Qualify should they want to increase the number of Metering Systems that they are responsible for above that threshold. The Group noted that Suppliers that are currently in the market do not have thresholds. It would be discriminatory to introduce the concept of thresholds for new Suppliers whilst allowing existing Suppliers to grow in size without carrying out a re-Qualification. The Group therefore agreed that under the Proposed Modification, a threshold would not be set for newly Qualified Suppliers, meaning that all Suppliers could grow to any size without having to undergo re-Qualification for the number of Metering Systems for which they are responsible.
- **CVA Meter Operators:** The Group discussed whether CVA Meter Operators should be included in the scope of the Qualification Process. The Group agreed that since CVA Meter Operators are a Party Agent responsible for Metering systems recording large amounts of energy, that these should be included in the scope of the Qualification process. As with other participants, the questions that a CVA Meter Operator has to answer would be tailored to their role.

3.5.2 Views of Respondents to Second Assessment Procedure Consultation

No responses were received to the Second consultation relating to the impact on different types of Party.

3.6 Removal of Accreditation

3.6.1 Modification Group's Discussions

The Group agreed that the Removal of Accreditation process should be renamed the Removal of Qualification process as the concept of Accreditation would be removed from the Code with the implementation of P197.

The Group agreed that the industry should be notified some way in advance of a Qualified Person losing its Qualified status. The Group felt that if Parties knew in advance that their agents are likely to lose their Qualified status, they may be able to help those agents improve their performance. If the Party cannot help their agents improve their performance, then knowing in advance that they are going to lose their Qualified status means that the Party can better manage the change of agent process to move away from that agent to a different agent. The Group agreed that the industry should not be told that a Qualified Person is in the removal of Qualification process immediately; however there would be a set process that the PAB would have to follow (that would be described in a BSCP) prior to the industry being told that the Qualified Person is in the removal of Qualification process. This is set out in section 3.1.9.

3.6.2 Views of Respondents to Second Assessment Procedure Consultation

No responses were received to the second consultation relating to the Removal of Accreditation requirements.

3.7 Technical Assurance Checks of New Participants

3.7.1 Modification Group's Discussions

The Group noted that currently all Supplier Agents have to undergo Technical Assurance checks six months after entering the market. The Modification Proposal suggested that this should be expanded to all participants who have to Qualify. The Group felt that it would be useful for the PAB to have the ability to carry out Technical Assurance checks on all categories of participant following their Qualification, however questioned whether it is appropriate that this should be carried out after six months for all participants. The Group felt that PAB may think that it is appropriate to carry out Technical Assurance checks on some new entrants sooner than six months after they entered the market; alternatively, the PAB may think that it is unnecessary to carry out a Technical Assurance check on the new entrant, and may want to leave it to the annual BSC Audit visit to pick up any issues. Therefore the Group agreed that the requirement to carry out a Technical Assurance check on new Supplier Agents after six months should be removed and instead, when the PAB agree that an Applicant can enter the market, they can agree whether one or more Technical Assurance checks would be carried out after a specific period of time. The Group noted that they would not expect the PAB to approve an Applicant because there is a provision to carry out a Technical Assurance check soon after entry. The need for a Technical Assurance check would be based on the risk of the Applicant.

3.7.2 Views of Respondents to Assessment Procedure Consultation

No responses were received to the second consultation relating to the Technical Assurance checks of new Parties.

3.8 Current Roles

3.8.1 Modification Group's Discussions

The Group noted that ELEXON is likely to procure all or part of the Qualification service as opposed to providing the service in house. The Group discussed whether the role should be defined as a BSC Agent, or whether it should be undertaken by a service provider. The Group noted that the main difference is that if the role was defined in the Code as a BSC Agent, ELEXON would not be able to deliver this role in any part. The Group agreed that this role should be provided by a service provider as they felt this would give more flexibility. It would mean that, if appropriate ELEXON could undertake all or part of the role, and it may make any joint procurement of a service provider with the MRA easier. The Group also noted that it may be appropriate to procure two service providers to deliver the Qualification process. The first could undertake the review of the Self Assessment Document and associated evidence and the second could be responsible for the witnessing of any on site testing.

The Group noted the requirement for the PAB's decision to be based on objective criteria. The Group felt that in order for the process to be flexible, the criteria should not be rigid (e.g. based solely on the intended size of the participant or the systems that it intends to use); however the Group felt that there could be objective criteria set against each question in the Self Assessment Document, and that question would only be deemed to have been answered satisfactorily if all required points had been covered. This is similar to how the current Self Assessment Certification Return (SACR) is reviewed, although the review of the SACR does not consider the risk of an Applicant.

3.8.2 Views of Respondents to Assessment Procedure Consultation

No responses were received to the second consultation relating to current roles.

3.9 Costs and Benefits

3.9.1 Modification Group's Initial Discussions

The Group noted that it would not be possible for ELEXON to obtain the central costs of operating the new process during the Assessment Procedure, as the costs would be dependent on the procurement of service providers. It is felt that the benefits of the change would be more apparent for Applicants, who would be able to go through a more streamlined process, including the closer working with the MRA.

3.9.2 Views of Respondents to Assessment Procedure Consultation

No responses were received to the second consultation relating to costs and benefits.

3.9.3 Modification Group's Conclusions

The Group noted that it would not be possible to estimate the operational costs of P197 as a procurement would need to take place for P197 to be delivered. The Group noted the current operational costs and figures in relation to Entry Processes and Certification / re-Certification as follows:

3.9.3.1 Entry Process

- Monthly Cost: £21,000.
- Witnessing: £10,450 per new Party / Party Agent / SMRA (average).
- 31 new Parties / Party Agents / SMRA initiated Entry Processes between April 2005 and January 2006.
- Overall average time to complete Entry Processes was approximately 10 weeks but this depends on role.
- Average can be anything between 2 and 13 weeks dependent on role:

| Role | Duration (weeks) |
|--------------------------------------|------------------|
| Half Hourly Supplier | 2-3 |
| Non-Half Hourly Supplier | 6-8 |
| Half Hourly Meter Operator Agent | 4-6 |
| Non-Half Hourly Meter Operator Agent | 4-6 |
| Half Hourly Data Collector | 8-10 |
| Non-Half Hourly Data Collector | 11-13 |
| Half Hourly Data Aggregator | 8-10 |
| Non-Half Hourly Data Aggregator | 11-13 |
| Supplier Meter Registration Service | 3-4 |

3.9.3.2 Certification

- Monthly cost: £0.
- Certification: £5,000 per new Party Agent (average).
- Re-Certification: £3,000 per Party Agent (average).
- 6 Certifications and 12 re-Certifications were carried out in the last year (Total £65,000).

- £7,628 recovered from one participant as costs recovered from Applicants who are required to complete the high risk Certification process.

3.9.3.3 ELEXON Operational Costs

- Between ½ and 1 full time employee to run the administration of both the Certification and Entry Process arrangements.

3.10 Potential Alternative Modifications

The Group initially developed six options that could form part of an Alternative Modification. These options were consulted on in the first consultation in order to determine which should be included as part of the Alternative Modification.

3.10.1 Option 1 for Alternative Modification – Qualification Board

3.10.1.1 Modification Group's Initial Discussions

The majority of the Group felt that a new Panel Committee under the BSC could be formed to be responsible for approving that an Applicant has completed Phase 1 of the Qualification process and for approving the Applicant's entry into the market (as set out in detail in sections 2.1.4.5 and 2.1.5.2) as opposed to the PAB. Under this option, the scope of what any Qualification Board has to do would be the same as the scope of what the PAB has to do as described in the Proposed Modification and it may be that the membership of the Qualification Board would be the same as the membership of the PAB. It is suggested that the activities of the Qualification Board would be co-ordinated, where possible, with the activities carried out by the equivalent body under the MRA.

The members of the Group who felt that it would be useful to form a new Panel Committee for this purpose felt that:

- There could be greater co-ordination between the activities of this board and an equivalent board under the MRA. This may allow one set of people to carry out the activities under both the BSC and MRA, provided the requirements under the separate governance regimes are met;
- The Qualification Board would operate without being constrained by what the PAB is allowed to do under the current BSC and the PAB would continue to exercise its other duties as currently described in the BSC; and
- The role of the PAB would be confined to compliance of existing participants and the Qualification Board would judge new entrants and re-Qualifications. This would give a distinction between providing help and guidance to enter the market, and assessing compliance to the arrangements once a participant has entered the market.

Other members of the Group felt that this role could be undertaken by the PAB and felt that the creation of a Qualification Board may create more bureaucracy. Some members of the Group felt that the PAB have been agreeing Certifications and Entry Process approvals to date, and so have experience of a similar process, and have an audit trail of similar decisions.

3.10.1.2 Views of Respondents to the first Assessment Procedure Consultation

Views of respondents were split as to whether this role should be performed by the PAB or a Qualification Board. The following arguments were cited as to the advantages of creating a Qualification Board as opposed to the PAB carrying out this role:

- This board would help Applicants into the market as opposed to testing them once they are in the market;

- The Board would be able to have distinct Terms of Reference and vires for Qualification purposes that are different to those the PAB currently has or which it is prevented from having; and
- The creation of a Qualification Board would enable greater co-operation with the MRA entry processes.

The following arguments were cited as to the disadvantages of creating a Qualification Board:

- The PAB can benefit from using their experience and knowledge of issues arising from live operations when considering an application;
- The creation of a Qualification Board may increase complexity with a distinction being created between ongoing market compliance and Qualification / re-Qualification;
- There would potentially be divided accountability for the PAB and the Qualification Board; and
- It would be simpler if the PAB could amend its practices to allow it to take on a Qualification Board role, and convene meetings when appropriate for Applicants.

One respondent also suggested that the role of a Qualification Board could rest with the Imbalance Settlement Group (ISG) or Supplier volume Allocation Group (SVG), as appropriate to the Applicant.

3.10.1.3 Modification Group's Conclusions Following the First Consultation

The Group noted some members concerns that there could be complications in terms of accountabilities for the PAB and the Qualification Board if one body was responsible for the Qualification process whilst another was responsible for the removal of Qualification process.

The Group discussed what extra obligations would need to sit in the Code over and above the obligations of the PAB for a Qualification Board. The Group noted that Section J, Annex J-1 contains specific responsibilities of the PAB in the process of Certification and Accreditation. The Group felt that this section could be amended as part of P197 to include any specific requirements of the PAB in terms of Qualification and re-Qualification. The Group therefore felt that it may not be necessary for a new body to approve Qualifications and re-Qualifications.

The Group noted that a respondent suggested that the approval of Qualifications and re-Qualifications could rest with the ISG or SVG as appropriate to the Applicant. The Group therefore concluded that the responsibility for the approval of Qualifications and re-Qualifications should lie with the Panel, noting that the Panel could delegate the responsibility for this to the PAB, SVG or ISG or a new body, as it felt to be appropriate as part of the Alternative Modification.

3.10.1.4 Views of Respondents to the Second Assessment Procedure Consultation

A number of respondents to the second Assessment Procedure stated that they were in support of the approval of Qualifications and re-Qualifications lying with the Panel who would be able to delegate this role as appropriate. Some respondents to the second Assessment Procedure Consultation stated that they continued to believe that this responsibility should lie with the PAB in its own right.

One respondent stated that they had concerns if the Panel delegated the responsibility for Qualification to a separate body that potentially had ambiguous accountability under the BSC and MRA.

3.10.1.5 Modification Group's Final Conclusions

The Group agreed that under P197, there is no intention for any Panel committee undertaking this role to have accountability to both the Panel and the relevant body under the MRA. Under P197, the body that considers Qualifications and re-Qualifications would only look at BSC requirements and report to the Panel.

The majority of the Group agreed that, as part of the Alternative Modification, the approval of Qualifications and re-Qualifications should lie with the Panel, noting that the Panel could delegate this responsibly to a Panel Committee.

The majority of the Group agreed that the advantages of this role lying with the Panel (or its delegated authority) as opposed to the PAB are:

- This would be more consistent with the new process;
- This would be more flexible; and
- This would be more future proof, as in the future, the PAB may not exist.

3.10.2 Option 2 for Alternative Modification – Merge Phase 1 and Phase 2

3.10.2.1 Modification Group's Initial Discussions

A majority of the Group felt that there was no need for the two phased approach set out in the Proposed Modification (described in detail in sections 2.1.4 and 2.1.5), as the Applicant may wish to carry out all required testing including exception testing in Phase 1. There would not be a reduction in the amount of testing required compared to the Proposed Modification; however if the Applicant could satisfy ELEXON or its agent and the PAB that had carried out all the necessary testing in Phase 1, then they could ask for the approval of their entry to the market at the end of Phase 1.

Some members of the Group felt that if an Applicant had carried out the maximum level of testing in Phase 1, there is no need for the Applicant to repeat this testing in Phase 2. Other members of the Group felt that the testing carried out in Phase 1 may be carried out by consultants. Therefore, the benefit of having a minimum level of additional testing in Phase 2 is to ensure that the operational staff can carry out key Settlement processes using completed systems in real time. These members also believed that it is important the Applicant can demonstrate that it can handle common exceptions. Some members of the Group felt that this could all be demonstrated by the Applicant in Phase 1.

3.10.2.2 Views of Respondents to the First Assessment Procedure Consultation

Views of respondents to the consultation were split as to whether Phase 1 and Phase 2 should be merged. The following arguments were cited as advantages of merging the two phases:

- Where an Applicant has carried out extensive testing in Phase 1, there seems little pointing making the Applicant repeat this in Phase 2; and
- To allow the process to be flexible, it should be allowable for Phase 1 and Phase 2 to be merged at the Applicant's discretion;

The following arguments were cited as disadvantages to merging the two phases:

- Entry Process tests are designed to scrutinize the ability of the people to operate the process. This could not be achieved without the two phase approach, and
- There is scope within the process for testing to be carried out under unsupervised conditions, and so fall below the required standard.

3.10.2.3 Modification Group's Conclusions following the first consultation

The Group felt that the merger of Phases 1 and 2 would not mean that the Applicant did any less testing, including witnessed testing, but felt that it would be appropriate to allow the Applicant the ability to merge the phases if they wanted to, to prevent the Applicant having to duplicate or resubmit test evidence. The Group therefore agreed to allow the merger of the two phases at the Applicant's discretion as part of the Alternative Modification.

3.10.2.4 Views of Respondents to the second Assessment Procedure Consultation

A number of respondents re-iterated that they were in support of the merger of Phases 1 and 2 of the Qualification process.

3.10.2.5 *Modification Group's final conclusions*

The Group concluded that the merger of Phases 1 and 2 of the process would be included in the Alternative Modification.

3.10.3 Option 3 for Alternative Modification – Optional visit to the PAB between Phase 1 and Phase 2

3.10.3.1 *Modification Group's Initial Discussions*

Some Group members felt that there was no need for the PAB to agree that an Applicant had appropriately completed Phase 1 (as set out in section 2.1.4.5) and that they could move onto Phase 2 where ELEXON or its agent were recommending that the Applicant moves onto Phase 2. These members of the Group felt that there would need to be PAB involvement if ELEXON or its agent did not think that the Applicant was ready to move onto Phase 2, but the Applicant felt that it was ready, or where the Applicant wanted extra assurance from the PAB that it could move into Phase 2.

Members of the Group who felt that no visit to the PAB was necessary between Phases 1 and 2 felt that since ELEXON or its agent had been working with the Applicant up to that point, ELEXON or its agent would be in a better position than the PAB to identify whether the Applicant was ready to move onto Phase 2 of the process and the level of testing that would be required in Phase 2. These Group members felt that the PAB would be 'rubber stamping' ELEXON or its agent's decision at this stage.

Other members of the Group felt that it is important to have the involvement of the PAB at this stage. These members felt that if ELEXON or its agent was providing guidance to the Applicant for the completion of the Self Assessment Document, then another body (i.e. the PAB) should be responsible for agreeing that the Self Assessment Document had been appropriately completed. These members also felt that since the PAB would finally approve the Applicant's entry into the market, that it is useful for the Applicant to obtain feedback from the PAB part way through the process. This would ensure that there were no surprises when the Applicant goes to the PAB for final approval such as additional tests that PAB feel should have been witnessed but have not been identified as such.

3.10.3.2 *Views of Respondents to the first Assessment Procedure Consultation*

Respondent's views were split as to whether the visit to the PAB between phases 1 and 2 should be made optional. Some respondent's views were caveated that if the two phases were to be merged as described in Option 2, then a visit to the PAB between the two phases would naturally not be necessary.

The following arguments were cited as to why a visit to the PAB between Phase 1 and Phase 2 should not be necessary:

- Since the PAB is required to approve the application at the end of the process, requiring the PAB to agree that the participant has completed the first phase seems unnecessary and it could become unmanageable and decrease efficiency.

The following arguments were cited as to why a visit to the PAB between Phase 1 and Phase 2 should be necessary:

- The visit to the PAB between the two phases would give the PAB visibility of the Applicant and decisions surrounding any key principles and issues before the Applicant commits to Phase 2; and
- The decision of the PAB to ratify ELEXON's decision on the recommended level of witness testing is desirable and should be included to ensure that there is a level of consistency in the application of the Qualification process.

One respondent stated that the Applicant should be able to go to the PAB at any time and as many times as they wanted during the process for the following reasons:

- That the Applicant wishes to obtain endorsement from the PAB about their progress to date;

- ELEXON want to obtain endorsement or clarification from the PAB about the Applicant's plans or progress; or
- There is a difference of opinion between the Applicant and ELEXON.

3.10.3.3 Modification Group's Conclusions following the first consultation

The Group noted that as they had agreed that Phases 1 and 2 should be merged as part of the Alternative Modification, there would be no requirement for the PAB to agree that an Applicant had completed Phase 1. The Group agreed with the respondent that stated that the Applicant should be able to go to the PAB at any time during the process and agreed to include this as part of the Alternative Modification.

3.10.3.4 Views of Respondents to the second Assessment Procedure Consultation

One respondent stated that they continued to believe that there should be no requirement for the Applicant to obtain approval from the PAB at the end of Phase 1 of the Proposed Modification that they are ready to move onto Phase 2 where the Applicant and ELEXON both believe that Phase 1 has been completed.

3.10.3.5 Modification Group's final conclusions

The Group noted that the visit to the PAB between Phases 1 and 2 was part of the Proposed Modification. The Group agreed that since Phases 1 and 2 are merged as part of the Alternative Modification, there would be no requirement for the visit to the PAB between the two phases.

3.10.4 Option 4 for Alternative Modification – All Testing in Phase 2 should be Witnessed

3.10.4.1 Modification Group's Initial Discussions

Under the Proposed Modification, the PAB would agree whether the testing carried out in Phase 2 should be witnessed, or whether the Applicant would have to provide evidence that the testing had been undertaken to ELEXON or its agent (as set out in section 2.1.5). A minority of Group members felt that all testing in Phase 2 should be witnessed.

3.10.4.2 Views of Respondents to the first Assessment Procedure Consultation

The majority of respondents to the consultation believed that it was not necessary for all testing in Phase 2 to be witnessed. The following arguments were cited as reasons why all testing should be witnessed:

- It is imperative that an Applicant can demonstrably provide assurance to the market through formal witnessed testing.

The following arguments were cited as why it is not necessary for all testing in Phase 2 to be witnessed:

- As long as evidence of the relevant testing can be supplied, there is no reason for all testing to be witnessed.
- This would be too prescriptive and not take into account the risks associated with the Applicant. The amount of witnessed testing required should be dependent on the risk of the Applicant.

One respondent felt that the testing should not be witnessed, but ELEXON or its agent should be on site to provide guidance to the Applicant.

3.10.4.3 Modification Group's Conclusions following the first consultation

The Group noted that since they had decided to merge Phase 1 and 2 as part of the Alternative Modification, it would not be necessary to include this requirement. The Group agreed that if the Applicant had demonstrated an acceptable level of testing in the Self Assessment Document there may not be a requirement for any witness testing.

3.10.4.4 Views of Respondents to the second Assessment Procedure Consultation

Two respondents to the Second Assessment Procedure Consultation stated that they still believed that there should be some mandatory witnessed testing in the Qualification process.

3.10.4.5 Modification Group's final conclusions

The majority of the Group agreed that the level of witness testing required would depend on the risk posed by the Applicant. This may mean that no witnessed testing is required for some Applicants.

3.10.5 Option 5 for Alternative Modification – Re-Qualification to Exclude Suppliers

3.10.5.1 Modification Group's Initial Discussions

The majority of the Group felt that Suppliers should not be included in the scope of the re-Qualification process (as set out in section 2.1.7). Therefore the scope of those participants needing to re-Qualify if they wanted to make a Material Change to their systems and processes, or increase their intended scale of operation would be as follows:

- LDSOs when operating in their capacity as an UMSOs;
- SMRAs;
- CVA and SVA Meter Operator Agents;
- Data Collectors;
- Data Aggregators; and
- Meter Administrators.

These members of the Group felt that although Suppliers had been highlighted in the Proposed Modification as needing to re-Qualify when making changes to their systems and processes, there was no real justification for this. Suppliers are currently only required to repeat Entry Processes following a major change to industry arrangements and so the requirement for them to re-Qualify as described in the Proposed Modification would be more onerous on Suppliers than the current arrangements. These members of the Group felt that the systems and processes that Suppliers carry out do not have a big impact on Settlement and therefore felt that the suggestion to include Suppliers in the re-Qualification process needed the clear evidence and justification of the market risk that their inclusion would mitigate. These members of the Group felt that there was no justification or evidence of the risk that the inclusion of Suppliers in the re-Qualification process would mitigate and therefore felt that it is not appropriate to include Suppliers in the re-Qualification process. Other members of the Group disagreed with this view, and felt that the processes carried out or initiated by Suppliers such as energisation, change of Supplier and submission of customer readings into Settlement are key Settlement processes which have related BSC Audit issues and felt that if Suppliers changed their systems or the way that they carried out these processes, this would have an impact on Settlement. Other members of the Group felt that other Performance Assurance Framework (PAF) techniques would be better at identifying and resolving these issues than requiring Suppliers to re-Qualify. Some Group members felt that the advantage of requiring Suppliers to re-Qualify as opposed to relying on another PAF technique would be that the issues would be picked up before the new systems and processes are used in live operation.

3.10.5.2 Views of Respondents to the first Assessment Procedure Consultation

Respondents were split as to whether the re-Qualification requirements should include Suppliers. Arguments cited for excluding Suppliers from the re-Qualification requirements were as follows:

- The PAB would identify any under-performing Supplier through other PAF techniques;
- The Supplier has every incentive to perform well to ensure that it stays in business;

Arguments cited for including Suppliers in the re-Qualification requirements were as follows:

- Suppliers play a significant role in Settlement and any failure of their systems or processes would have a significant impact. For example, incomplete registrations, which can arise when the agent appointment fails, may result in consumption not being submitted to Settlement.

3.10.5.3 Modification Group's Conclusions following the first consultation

The majority of the Group concluded that Suppliers should not be included in the re-Qualification requirements under the Alternative Modification. The Group's discussions around this point are included in section 3.4.

3.10.5.4 Views of Respondents to the second Assessment Procedure Consultation

A majority of respondents stated that they believed that Suppliers should not be included in the scope of re-Qualification as they felt that the Alternative Modification would better facilitate achievement of the Applicable BSC Objectives than the Proposed Modification. A minority of respondents stated that they continued to believe that Suppliers should be included in the scope of re-Qualification. One respondent stated that the arrangements are based on the Supplier Hub principle, and so the omission of Suppliers from re-Qualification takes out a key part of the process. Another respondent noted that Suppliers are in the scope of the re-Qualification requirements under the MRA.

One respondent stated that they agreed with the Alternative Modification provided that Suppliers had to undergo re-Qualification as part of a major industry change.

3.10.5.5 Modification Group's final conclusions

One Group member felt that since Suppliers are responsible for more data transfer these days than they have been in the past, they should be included in the scope of the re-Qualification process. This Group member also noted that Suppliers currently are required to go through Entry Processes if there is a major industry change that warrants this. The majority of the Group agreed that under Alternative Modification P197, Suppliers should be excluded from re-Qualification as there is no real justification for including Suppliers in the re-Qualification requirements.

The majority of the Group agreed that if a major industry change was proposed that required a re-Qualification of Suppliers, then the Modification that proposed it would also have to include this re-Qualification requirement.

The Group noted that the current view of the MAP05 review group is that Suppliers should also be excluded from re-Qualification under the MRA.

The Group noted that the PAB can currently request that Accredited Persons undergo a re-Certification. The Group discussed whether this should be extended to Suppliers but the majority agreed that this requirement should only remain for Party Agents, SMRAs and the LDSO when operating in the capacity of an UMSO as there would be no justification for the PAB asking for Suppliers to re-Qualify.

3.10.6 Option 6 for Alternative Modification – No Qualification Limit

3.10.6.1 Modification Group's Initial Discussions

A majority of members of the Group felt there should be no Qualification limit set for new entrants or current participants. This would mean that a participant would not need to re-Qualify if they became close to a certain number of Metering Systems (as set out in section 2.1.7.1).

Some members of the Group proposed that if this option for an Alternative Modification was taken forwards, the definition of Material Change may need to include where there is a significant step change increase (e.g. 10-20%) in the numbers of Metering Systems managed by the participant in a short period of time. Therefore the participant would be expected to re-Qualify in this scenario. Alternatively, the definition of

Material Change could be limited to changes to systems and processes and not include any details relating to the size of the participant. Some members of the Group felt that it would not be possible to predict a step change in numbers of Metering Systems and so felt that this would be difficult to implement in practise.

The members of the Group that felt that a participant would not need to re-Qualify if the number of Metering Systems that they were responsible for went above a set limit felt that in this scenario, there would be no real change to the participants systems and processes and so did not feel that re-Qualification in this scenario had any value. These members of the Group felt that if a participant had to make a significant change to their systems and processes due to an increase in the number of Metering Systems that they were responsible for, then this would require re-Qualification under the definition of Material Change. These members of the Group also felt that if there was a large step change in the numbers of Metering Systems that a participant was responsible for, and then this should trigger re-Qualification. .

Other members of the Group felt that participants should be required to re-Qualify when the number of Metering Systems that they were responsible for reached a particular limit as these members of the Group felt that continued small increases in numbers on Metering Systems puts strains on systems and processes. If participants have to re-Qualify in this scenario, it increases awareness of whether their systems and processes are able to cope with the increase in numbers of Metering Systems.

3.10.6.2 Views of Respondents to the first Assessment Procedure Consultation

Views of respondents were split as to whether a Qualification limit should be applied to Qualified Persons (excluding Suppliers). Arguments cited by respondents for removing the Qualification limit were as follows:

- There is a significant amount of administration surrounding the current process for both Party Agents and ELEXON; however this actually adds little value when the increase in numbers of Metering Systems is minimal.

Arguments cited by respondents against removing the Qualification limit were as follows:

- This is a potentially important control. The process of changing the limit could be essentially administrative, with assurance provided by the participant that their systems and processes are able to handle the increased number of Metering Systems.

3.10.6.3 Modification Group's Conclusions following the first consultation

The majority of the Group agreed that there should not be a Qualification limit on Qualified Persons as part of the Alternative Modification. Instead the Group agreed that the definition of Material Change which may trigger a re-Qualification should include where there is to be a step change in the numbers of Metering Systems that a Qualified Person (excluding Suppliers) is responsible for. The Group's discussions in this area are included in section 3.4.

3.10.6.4 Views of Respondents to the Second Assessment Procedure Consultation

The majority of respondents to the consultation stated that they felt that it is appropriate to remove the concept of a Qualification limit as they felt that the Alternative Modification would better facilitate achievement of the Applicable BSC Objectives than the Proposed Modification. A minority of respondents felt that it would not be appropriate to remove the Qualification limit as a participant may need to make changes to systems and processes as they expand, but may not do so without this limit.

One respondent stated that the re-Qualification process could be tailored to identify where a limit should be increased due to a gradual change in numbers of Metering Systems, as opposed to where it should be increased due to a step change in the numbers of Metering Systems. The risk based approach would identify the risk of the increased number of Metering systems and the way that this increase has come about, and therefore the appropriate level of re-Qualification techniques required.

Another respondent noted that the number limit trigger seems to have operated quite successfully to date and therefore applies an appropriate safeguard.

3.10.6.5 *Modification Group's final conclusions*

The Group discussed whether a Qualified Person would be able to predict if there was going to be a step change in the numbers of Metering Systems that they are responsible for, but agreed that this would be possible as most Qualified Persons have to tender for work, and so this would be in their business plans.

One member of the Group felt that the use of the limit in the past has been a trigger for a company to undertake a risk assessment themselves to determine whether any changes are required due to this increase in numbers of Metering systems. This member felt that the current process is straightforward so there are more benefits in retaining the process than removing it. Other members felt that there is no need for a limit to be set for the same reasons as set out in section 3.10.6.1.

The majority of the Group felt that under Alternative Modification P197, there should not be a Qualification limit.

3.10.7 Other Options for an Alternative Modification

3.10.7.1 *Views of Respondents to the first Assessment Procedure Consultation*

One respondent stated that there should be a comprehensive standard list of testing and other requirements, with provision for exemption from some or all of these in appropriate circumstances as this would provide greater clarity for Applicants at the outset and would assist the Applicant when they are designing their testing strategy. In addition this would help to ensure that Qualification decisions are consistent and are made on an objective basis.

One respondent stated that ELEXON could administer a short role orientated test to Applicants and award a competency certificate to staff members on successful completion of this test. There would be no obligation to undertake this test but the PAB could look favourably on those participants who had completed this test. This respondent stated that alternatively the Self Assessment Document could have tight requirements in the area of training and succession planning, such that specific milestones are established at market entry and subjected to periodic scrutiny by the BSC Auditor.

One respondent stated that where a participant applies to enter the re-Qualification process, the Suppliers who have contract with that participant within their Supplier hubs should be informed of the application and the outcome of the re-Qualification.

3.10.7.2 *Modification Group's Conclusions following the first consultation*

Some members of the Group believed that it is much easier and less controversial to derogate from a set of requirements rather than imposing additional ones. Under P197 it would be the responsibility of the Applicant to define the tests that they need to perform to provide assurance that they are ready to enter the market.

In relation to ELEXON awarding competency certificates, the Group felt that this should not be part of P197; however felt that if participants thought that there was merit in this type of process, they could contract for a company to provide this certificate outside of the BSC.

The Group agreed that training should form part of the Qualification requirements and that it should be included in the Self Assessment Document, but that succession planning is not relevant for Qualification and re-Qualification.

In relation to Suppliers being notified when their agents are going through re-Qualification, the Group did not believe that this should form part of an Alternative Modification as the Group felt that a re-Qualification Applications could be commercially sensitive. The Group felt that if a Supplier wants to know when their agents are going through the re-Qualification process, that Supplier should include this in their contracts with their agents.

3.10.7.3 Views of Respondents to the second Assessment Procedure Consultation

One respondent stated that alternative solutions may emerge from the PAF review and it may be appropriate to wait until this concludes to develop an optimum solution in the context of the wider Performance Assurance Framework and its objectives. This respondent stated that possible improvements could include more realistic (meaningful) testing.

One respondent stated that they were concerned that inadequate consideration has been given to the concept of a standard comprehensive set of requirements that would be exempted or derogated from. This respondent stated that whilst apparently more prescriptive, this would provide a much better basis for ensuring clarity of requirements, consistency and the avoidance of arbitrariness in the treatment of Applicants, whilst still allowing flexibility where appropriate.

3.10.7.4 Modification Group's final conclusions

The Group noted that the PAF review is currently looking at a risk based approach. At the last PAF review Core Working group meeting, it was agreed that the process proposed by P197 for Qualification and re-Qualification fits into this approach.

The Group discussed whether there should be a standard set of requirements for Qualification. The Group agreed that Applicants would have to continue to meet all the requirements in the Code relevant to them. The current Certification and Entry Process requirements look at a subset of the Code requirements for each Applicant. The process proposed by P197 would still look at a subset of Code requirements for each Applicant. The example of the Self Assessment Document provided in [Appendix 5](#) gives a broad starting point for the areas that could be considered. If any of the areas are not applicable to an Applicant, then they would have to explain why they are not applicable.

3.11 Implementation Approach and Costs

3.11.1 Modification Group's Initial Discussions

The Group agreed that any Applicant going through Entry Processes, Certification or re-Certification when P197 is implemented would continue to follow the old process, although they would be required to complete the process within nine months of the P197 Implementation Date. After this time all applications would revert to the new process. Any Applicant wishing to enter the market, or an existing participant wishing to re-Qualify on or after the Implementation Date would have to do so using the new process.

The Group agreed that any participant that is currently in the market that would fall in the remit of the P197 Qualification and re-Qualification requirements would be deemed to be Qualified on the P197 Implementation Date. This would include LDSOs when operating in their capacity as UMSOs who did not have to go through any Entry Process or Certification requirements when first entering the market.

3.11.2 Results of Proposed Modification Impact Assessment

PROPOSED MODIFICATION IMPLEMENTATION COSTS¹¹

| | | Stand Alone Cost | Incremental Cost | Tolerance |
|--------------------------------------|--|--------------------------------|--------------------------------|-----------|
| Total Demand Led Implementation Cost | | To be determined ¹² | To be determined ¹² | |
| ELEXON Implementation Resource Cost | | 925 Man days £203,500 | 865 Man days £190,300 | +/- 10% |
| Total Implementation Cost | | To be determined ¹² | To be determined ¹² | |

PROPOSED MODIFICATION ONGOING SUPPORT AND MAINTENANCE COSTS

| | Stand Alone Cost | Incremental Cost | Tolerance |
|-----------------------------------|--------------------------------|--------------------------------|-----------|
| Service Provider Operation Cost | To be determined ¹² | To be determined ¹² | |
| Service Provider Maintenance Cost | | | |
| ELEXON Operational Cost | | | |

a) BSC Agent Impact

P197 would remove the Certification Agent from the Code. The Qualification and re-Qualification process would be undertaken by ELEXON or its agent. Any agent would be a service provider.

b) BSC Party and Party Agent Impact

New Parties and Party Agents entering the market would be required to undergo a more streamlined Qualification process and all new entrants may be subject to a Technical Assurance check if directed by the PAB. The proposed re-Qualification requirements are an expansion of the current re-Certification requirements; however they are being expanded to include Suppliers (under the Proposed Modification only), and LDSOs when operating in their capacity as UMSOs and SMRAs. Therefore Suppliers and LDSOs when acting in their capacity as UMSOs would be impacted by the change as they would need to have processes in place to identify when re-Qualification is required and, when required, they would need to go through the re-Qualification process. Party Agents and SMRAs would be impacted to a lesser extent; however they would need to follow the new process for re-Qualification.

Respondents to the Impact Assessment have indicated that the need a maximum lead time of six months to implement the P197 changes.

¹¹ An explanation of the cost terms used in this section can be found on the BSC Website at the following link:
http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

¹² These costs will be determined following the procurement of a new service provider

Full copies of the Party and Party Agent impact assessment responses are attached as a separate document, Attachment 4A.

c) Transmission Company Impact

P197 has no impact on the Transmission Company. The Transmission Company Analysis is included in [Appendix 4](#).

d) BSCCo Impact

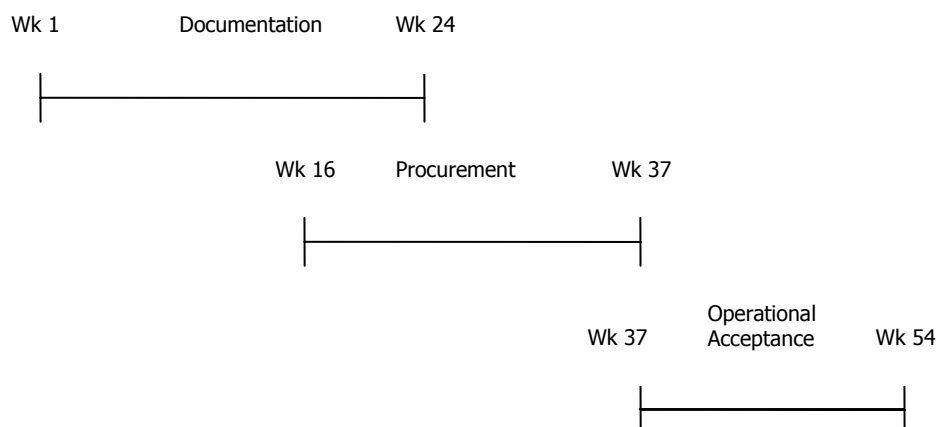
BSCCo would be required to implement the new requirements and then run, or manage its agent in delivering, the Qualification and re-Qualification process.

The BSCCo implementation assumptions are as follows:

- The services currently provided by the Certification Agent and the Entry Process Coordinator are re-procured;
- Services would continue to be provided by 2 service providers;
- The impact of the Proposed and Alternative Modifications is the same;
- The revised BSCP531 detailing the Qualification requirements would be significantly simpler in comparison with the current BSCPs (511, 512, 531);
- The Self Assessment Document and the guidance document on the level of evidence required would be developed by the Service Provider following the re-procurement of the service; and
- The scope and detail contained in the Self Assessment Document would be similar to the current Self Assessment Certification Return.

Since the service would be procured, it is not possible to determine the costs associated with the operation of the service at this stage. Nor is it possible to determine the costs associated with a service provider implementing the new process until the tender process has been carried out.

The proposed Implementation Date for P197 allows for a 54 week lead time to allow the drafting and review of all the documents associated with the Qualification and re-Qualification process (a non-exhaustive list of which is included in [Appendix 8](#)). The lead time also includes the procurement of new Service Providers and time for the new Service Providers to implement the Qualification and re-Qualification process, including the writing of the Self Assessment Document. The following diagram shows the break down of the activities that would need to be undertaken in the implementation of P197:



The documentation phase allows for the drafting and industry review of the BSC documentation that would be drafted by ELEXON. The procurement phase allows 8 weeks for the definition of the procurement

requirements (week 16 to week 24) and a further 13 weeks (week 24 to week 37) to complete the invitation to tender, tender evaluation and appointment processes. The Operational Acceptance Phase allows the Service Provider to set up the service and draft and allow industry review of any associated documents, including the Self Assessment Document.

3.11.3 Results of Alternative Modification Impact Assessment

The costs, timescales and impacts associated with the Alternative Modification are the same as the Proposed Modification.

3.11.4 Views of Respondents to Second Assessment Procedure Consultation

One respondent noted that the implementation assumptions seemed reasonable.

One respondent stated that the implementation approach seems to involve working up a significant amount of detail, which is really required now to assess the Modification against the Applicable BSC Objectives. This respondent stated that there may be an issue, if the drafting requires creating new obligations which were not detailed in the Modification Proposal or addressed during the Assessment, then this may be seen as contravening section F3.1.2 of the Code and therefore being invalid, which may leave an ineffective Performance Assurance technique. Another respondent stated that they did not believe that the Self Assessment Document or required levels of evidence should be developed by ELEXON during the implementation. Instead, they felt that these should be agreed by the Group and subject to consultation.

One respondent stated that they would support implementation such that applications made prior to the Implementation Date were subject to the old process, whilst applications made after the Implementation Date would be subject to the new process.

One respondent stated that they broadly support the Initial Information Pack, Self Assessment Document, Storyboards and the guidance surrounding the definition of Material Change, but reserve the right to comment on the detailed drafting, when this is produced.

3.11.5 Modification Group's Conclusions

The majority of the Group agreed that the detailed document for P197 should be drafted during the implementation of the Modification. The Group developed a non-exhaustive list of the documents that would need to be developed in the implementation of P197 and the status of each of these documents. This is included in [Appendix 8](#).

A number of members of the Group voiced concern at the length of the implementation timescale, but agreed that they understood the rationale for the length timescale.

The Group therefore agreed the following recommended implementation approach for P197:

- An Implementation Date for the Proposed and Alternative Modification of 01 November 2007 if an Authority decision is received on or before 28 September 2006, or 28 February 2008 if the Authority decision is received after 28 September 2006 but on or before 25 January 2007

The Group confirmed their initial views relating to the implementation of P197 as follows:

- Any Applicant going through Entry Processes, Certification or re-Certification when P197 is implemented would continue to follow the old process, although they would be required to complete the process within nine months of the P197 Implementation Date. After this time all applications would revert to the new process. Any Applicant wishing to enter the market, or an existing participant wishing to re-Qualify on or after the Implementation Date would have to do so using the new process.

- Any participant that is currently in the market that would fall in the remit of the P197 Qualification and re-Qualification requirements would be deemed to be Qualified on the P197 Implementation Date.

3.12 Legal Text

The Group agreed that for the purposes of the legal drafting, the number of the new Qualification BSCPs would need to be defined at this stage. The Group therefore agreed that BSCP531 'Accreditation' would be rewritten as the new Qualification BSCP, and BSCP511 and BSCP512 would be discontinued as a result of P197.

The Group noted that the SMRA is a function that an LDSO can appoint, and so does not have to be the same body as the LDSO. However the UMSO role is a function that the LDSO has to provide under the Distribution Licence, and so the LDSO has a requirement to make connections to the network. As soon as it has made a connection that is unmetered, the LDSO also becomes a UMSO. The Group therefore noted in the legal drafting that the LDSO would be the Qualified participant for its UMSO function (as opposed to the UMSO being the Qualified participant).

The Group noted that whilst it would be desirable for Party Agents and SMRAs to have to meet certain conditions before they could withdraw from the arrangements, in practise this would not be enforceable, so there should not be conditions that a Party Agent or SMRA has to comply with before it can voluntarily surrender its Qualified status and withdraw from the arrangements included in the Code. The one exception to this rule is the Data Aggregator, who must complete all reconciliation runs for all its Metering Systems before withdrawing from the arrangements. In this case, if a Data Aggregator wanted to withdraw from the arrangements, it would remain Qualified until it had completed all of the Settlement runs for all of its Metering Systems. This condition could be included in the Code.

The Group reviewed the initial draft of the P197 legal text and agreed at the final Group meeting that it delivers the solution developed by the Group subject to the changes detailed above. The Group are reviewing the second draft of the legal text by correspondence. Any comments received from the Group will be presented verbally at the Panel meeting on 11 May 2006. The draft legal text will be updated to incorporate any further comments prior to its issue as part of the P197 Report Phase.

A copy of the draft legal text can be found in [Appendix 1](#).

4 ASSESSMENT OF MODIFICATION AGAINST APPLICABLE BSC OBJECTIVES

This section outlines the views of consultation respondents and the Group regarding the merits of P197 against the Applicable BSC Objectives.

4.1 Proposed Modification

4.1.1 Modification Group's Initial Discussions

The initial slim **MAJORITY** view of the Group was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline, for the following reasons:

Applicable BSC Objective (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:

- The current Entry Process and Certification requirements may be seen as a barrier to entry as they are unnecessarily onerous on new entrants. The changes proposed by P197 would address the current risks that new entrants pose to Settlement as opposed to the ones that were present when

the current arrangements were designed for the 1998 Trading Arrangements. This would therefore better facilitate competition; and

- The streamlined process would make it easier for new entrants to enter the market whilst maintaining a level of assurance applicable to today's market. This would reduce the costs for Applicants.

The initial slim **MINORITY** view of the Group was that the Proposed Modification **WOULD NOT** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline, for the following reasons:

Applicable BSC Objective (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:

- The two phased approach appears to add bureaucracy as opposed to removing it; and
- The Modification does not justify the value of obligating Suppliers to undergo re-Qualification.

The Group agreed that the Proposed Modification would have a no impact on Applicable BSC Objectives (a), (b) and (d).

4.1.2 Views of Respondents to Second Assessment Procedure Consultation

The **MAJORITY** view of respondents to the Assessment Procedure consultation was that the Proposed Modification **WOULD NOT** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline.

The following arguments were expressed by respondents in support of this view:

Applicable BSC Objective (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:

- The Qualification process is designed to manage risks for all Parties. Without robust Qualification processes, these risks could increase and this could lead to problems for existing Parties. If this leads to Parties going into default and having to leave the arrangements then the overall impact of this Modification could be a reduction in competition;
- The supporting documentation has not been developed adequately and so the Proposed Modification may be a more lengthy, arbitrary and uncertain process than the current arrangements. This may introduce some gaps in the Performance Assurance Framework. Therefore, it is not possible to say that the Proposed Modification better facilitates the achievement of the Applicable BSC Objectives when compared to the current baseline;
- The market depends on equitable energy volume allocation and the ability of Market participants to interoperate effectively. This is the rationale for the current Entry Process, Accreditation and Certification techniques. Whilst there is scope for making these techniques more effective than they are at present, replacing these with a more loosely defined 'risk based' Qualification technique, and placing greater reliance on other areas of the PAF such as the BSC Audit and Technical Assurance checks would be to the detriment of new Suppliers;
- Whilst the Proposed Modification has a number of advantages over the current baseline, it is felt that the PAB is not required to be involved in the approval of the transition from Phase 1 to Phase 2 of the Qualification process. If both the Applicant and ELEXON feel that the Applicant is ready to move onto Phase 2 of the process, the involvement of another body at this stage would prolong the process which defeats the objective of the Modification;

- The Proposed Modification is providing an inflexible approach by having a fixed two stage process. This adds bureaucracy to the process as opposed to making efficiencies; and
- The process outlined in the Proposed Modification would be no less onerous for Applicants than the current arrangements and so would do nothing to remove this barrier to entry.

The **MINORITY** view of respondents to the Assessment Procedure consultation was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline.

The following arguments were expressed by respondents in support of this view:

Applicable BSC Objective (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:

- The Modification Proposal includes the use of a more tailored approach, based on iterative risk assessment and review. This is more appropriate and efficient than the present prescribed arrangements in the BSC and would therefore aid competition;
- The Modification Proposal is more appropriate to the level of risk associated with new entrants and changes by existing industry parties than the current arrangements which were formulated to meet the risks associated with market opening; and
- The risk based approach and streamlining of processes should promote effective competition.

4.1.3 Modification Group's Final Assessment

The **UNANIMOUS** view of the Modification Group was that the Proposed Modification **WOULD NOT** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline, for the same reasons as provided in sections 4.1.1 and 4.1.2 above.

The Group agreed that the Proposed Modification would have a neutral impact on Applicable BSC Objectives (a), (b), (d).

4.2 Alternative Modification

4.2.1 Modification Group's Initial Discussions

The initial **MAJORITY** view of the Modification Group was that the Alternative Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current baseline, for the same reasons as provided under the Proposed Modification.

The initial **UNANIMOUS** view of the Modification Group was that the Alternative Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (c) when compared to the Proposed Modification, for the following reasons:

Applicable BSC Objective (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:

- The merger of Phase 1 and Phase 2 allows for greater flexibility, meaning that the process can best fit the requirements of any new entrants, thereby promoting competition;
- The inclusion of Suppliers into the re-Qualification process can not be justified. Suppliers have commercial incentives to ensure that their systems and processes meet the BSC requirements. The exclusion of Suppliers from the re-Qualification process therefore better facilitates competition; and

- The removal of the requirement for Party Agents and SMRAs to re-Qualify for an increase in numbers of Metering Systems for which they are responsible better facilitates competition. There is no need for a Party Agent or SMRA to go through this process when they go from being responsible for, say 999 Metering Systems to 1001, provided that they continue to use the same systems and processes.

The Group agreed that the Alternative Modification would have a neutral impact on Applicable BSC Objectives (a), (b) and (d).

4.2.2 Views of Respondents to Second Assessment Procedure Consultation

The **MAJORITY** view of respondents to the Assessment Procedure consultation was that the Alternative Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current baseline.

The following arguments were expressed by respondents in support of this view:

Applicable BSC Objective (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:

- The Alternative Modification offers a more appropriate and flexible approach to qualification than the current baseline, for the same reasons as the Proposed Modification. The more efficient approach aids competition;
- P197 is more appropriate to the level of risk associated with new entrants and changes made by existing Parties than the current arrangements which were formulated to meet the risks of market opening;
- The removal of Qualification limits and the inclusion of a step change in numbers of Metering Systems being included within the definition of Material Change as a reason to trigger a re-Qualification is more efficient than the current baseline;
- The focus on self assessment means that Applicants are incentivised to demonstrate their readiness to enter the market;
- The introduction of the concept of the role of a Qualification Board, whether this is performed by an existing Panel Committee or new Panel Committee whose function is isolated to that of Qualification and re-Qualification is more efficient than the current process.

The **MAJORITY** view of respondents to the Assessment Procedure consultation was that the Alternative Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (c) when compared to the Proposed Modification.

The following arguments were expressed by respondents in support of this view:

Applicable BSC Objective (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:

- The Alternative Modification removes the requirement for re-Qualification at a set number of Metering Systems;
- The Alternative Modification provides more flexibility in the timing of testing and other Qualification work which potentially reduces the uncertainty for participants entering the process as to the work that they are going to be required to carry out;

- The options developed under the Alternative Modification add flexibility to the proposals in the Proposed Modification; and
- The exclusion of Suppliers from the re-Qualification process focuses the Modification onto the more appropriate risk areas, such as Qualification.

One respondent noted that they believed that P197 better facilitates Applicable BSC Objective (c) when compared to the Proposed Modification provided that this was subject to Supplier re-Qualification being considered as part of a major industry change.

The **MINORITY** view of respondents to the Assessment Procedure consultation was that the Alternative Modification **WOULD NOT** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current baseline.

The following arguments were expressed by respondents in support of this view:

Applicable BSC Objective (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:

- As with the Proposed Modification, the Qualification process is designed to manage risks for all Parties. Without robust Qualification processes, these risks could increase and this could lead to problems for existing parties. If this leads to Parties going into default and having to exit the market then the overall impact of this Modification could be a reduction in competition;
- The market depends on equitable energy volume allocation and the ability of Market participants to interoperate effectively. This is the rationale for the current Entry Process, Accreditation and Certification techniques. Whilst there is scope for making these techniques more effective than they are at present, replacing these with a more loosely defined 'risk based' Qualification technique, and placing greater reliance on other areas of the PAF such as the BSC Audit and Technical Assurance checks would be to the detriment of new Suppliers as they may have more issues once they have entered the market;
- The role of the PAB would be undermined by the proposal for the Panel or a separate Qualification Board to carry out this function, particularly if there is ambiguous accountability under both the BSC and the MRA. It would be more advantageous to amend the existing PAB requirements so that the PAB can undertake this role;
- There may be situations, for example major industry changes or major changes to a Suppliers systems and processes, where the risks may be most appropriately managed by a preventative Performance Assurance Technique (i.e. re-Qualification). There are undoubtedly some processes that Suppliers need to have in place including for the handling and processing of Meter readings into Settlement and the updating of standing data, the performance or otherwise of which may affect Settlement or other Market Participants. It may create unnecessary risk if Suppliers are completely removed from the re-Qualification process; and
- The number of Metering Systems trigger limit for re-Qualification for Party Agents should not be excluded from the process as a participant may need to make changes to systems and processes to cater for an increase in numbers of Metering Systems but may not do so without the limit being in place. The number limit trigger seems to have operated quite successfully to date and, with suitably pragmatic rules for its application, provides an appropriate safeguard. It may be difficult to define a step change in the numbers of Metering Systems under the definition of Material Change.

The **MINORITY** view of respondents to the Assessment Procedure consultation was that the Alternative Modification **WOULD NOT** better facilitate the achievement of Applicable BSC Objective (c) when compared to the Proposed Modification.

4.2.3 Modification Group's Conclusions

The **MAJORITY** view of the Modification Group was that the Alternative Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current baseline, for the same reasons as provided for the Modification in section 4.2.1 and 4.2.2 above.

The **MINORITY** view of the Modification Group was that the Alternative Modification **WOULD NOT** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current baseline, for the same reasons as provided against the Modification in section 4.2.2 above.

The **UNANIMOUS** view of the Modification Group was that the Alternative Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (c) when compared to the Proposed Modification, for the same reasons as provided for the Modification in section 4.2.1 and 4.2.2 above.

The Group agreed that the Alternative Modification would have a no impact on Applicable BSC Objectives (a), (b), and (d).

4.3 Final Recommendation to the Panel

On the basis of the above assessment, the Modification Group therefore agreed a recommendation to the Panel that:

- The Proposed Modification **SHOULD NOT** be made (**UNANIMOUS**); and that
- The Alternative Modification **SHOULD** be made (**MAJORITY**).

Details of the Group's recommended Implementation Date and legal text can be found in Sections 3.11 and 3.12 respectively.

5 TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

| Acronym/Term | Definition |
|--------------|--|
| AA | Annualised Advance |
| BSC | Balancing and Settlement Code |
| BSCCo | Balance and Settlement Code Company |
| BSCP | BSC Procedure |
| CALF | Credit Assessment Load Factors |
| CVA | Central Volume Allocation |
| DTSP | Data Transfer Service Provider |
| EAC | Estimated Annual Consumption |
| EPC | Entry Process Co-ordinator |
| ISG | Imbalance Settlement Group |
| IWA | Initial Written Assessment |
| LDSO | Licensed Distribution Systems Operator |
| MRA | Master Registration Agreement |

| | |
|--------|--------------------------------------|
| MRASCo | MRA Service Company Limited |
| PAB | Performance Assurance Board |
| PAF | Performance Assurance Framework |
| SACR | Self Assessment Certification Return |
| SMRA | Supplier Meter Registration Agent |
| SMRS | Supplier Meter Registration Service |
| SVA | Supplier Volume Allocation |
| SVAA | Supplier Volume Allocation Agent |
| SVG | Supplier Volume Allocation Group |
| UMSO | Un-metered Supply Metered Operator |

6 DOCUMENT CONTROL

6.1 Authorities

| Version | Date | Author | Reviewer | Reason for Review |
|---------|----------|--------------------------|--------------------|-------------------------------|
| 0.1 | 12/04/06 | Geoffrey Sekyere-Afriyie | Katie Key | For peer review |
| 0.2 | 25/04/06 | Geoffrey Sekyere-Afriyie | Katie Key | For peer review |
| 0.3 | 26/04/06 | Geoffrey Sekyere-Afriyie | Modification Group | For Modification Group review |
| 0.4 | 02/05/06 | Geoffrey Sekyere-Afriyie | Sarah Jones | For technical review |
| 0.5 | 04/05/06 | Geoffrey Sekyere-Afriyie | Justin Andrews | For quality review |
| 1.0 | 05/05/06 | Change Delivery | | For Panel decision |

6.2 Intellectual Property Rights, Copyright and Disclaimer

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APPENDIX 1: DRAFT LEGAL TEXT

Draft legal text for the Proposed Modification is attached as a separate document, Appendix 1A.

Draft legal text for the Alternative Modification is attached as a separate document, Appendix 1B.

APPENDIX 2: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the BSC Website at: [ELEXON - Modification Proposal 197](#)

| Date | Event |
|----------|---|
| 12/12/05 | Modification Proposal raised by Laing Energy |
| 12/01/06 | IWA presented to the Panel |
| 13/01/06 | First Assessment Procedure Modification Group meeting held |
| 31/01/06 | Second Assessment Procedure Modification Group meeting held |
| 07/02/06 | Third Assessment Procedure Modification Group meeting held |
| 09/02/06 | 1 month extension granted by Panel |
| 06/03/06 | Fourth Assessment Procedure Modification Group meeting held |
| 10/03/06 | Request for Party/Party Agent impact assessments request issued |
| 10/03/06 | First Assessment Procedure consultation issued |
| 10/03/06 | Request for Transmission Company analysis issued |
| 10/03/06 | Request for BSCCo impact assessment issued |
| 23/03/06 | BSC Agent impact assessment response returned |
| 23/03/06 | Party/Party Agent impact assessment responses returned |
| 23/03/06 | Transmission Company analysis returned |
| 23/03/06 | First Assessment Procedure Consultation Responses Returned |
| 23/03/06 | BSCCo impact assessment returned |
| 27/03/06 | Fifth Assessment Procedure Modification Group meeting held |
| 05/04/06 | Second Assessment Procedure consultation issued |
| 19/04/06 | Second Assessment Procedure consultation responses returned |
| 21/04/06 | Sixth Assessment Procedure Modification Group meeting held |
| 11/05/06 | Assessment Report presented to the Panel |

ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL¹³

| | |
|-------------------------------|----------------------|
| Meeting Cost | £3,000 |
| Legal/Expert Cost | £0 |
| Impact Assessment Cost | £3,000 |
| ELEXON Resource | 90 Man days £ 19k |

These are the revised costs based on a four month Assessment Procedure. The original costs were based on a three month Assessment Procedure. The one month extension to the Assessment Procedure and the additional resource requirements to progress the Modification has lead to an increase in ELEXON resource of 28 man days and increase in meeting costs of £1,000.

MODIFICATION GROUP MEMBERSHIP

| Member | Organisation | 13/01 | 31/01 | 07/02 | 01/03 | 27/03 | 21/04 |
|--------------------------|----------------------------|-------|-------|-------|-------|-------|-------|
| Sarah Jones | ELEXON (Chairman) | √ | √ | √ | √ | X | √ |
| Geoffrey Sekyere-Afriyie | ELEXON (Lead Analyst) | √ | √ | √ | X | √ | √ |
| Donna Townsend | (Proposer) | - | - | X | x | X | X |
| Phil Russell | Independent Consultant | X | X | X | √ | √ | X |
| Clare Walsh | British Gas | X | √ | √ | √ | √ | √ |
| John Sykes | Scottish and Southern | √ | √ | X | √ | √ | X |
| Graham Smith | Western Power Distribution | √ | √ | X | √ | √ | √ |
| Rosie McGlynn | Powergen | √ | √ | √ | √ | √ | √ |
| Richard Harrison | Npower | √ | X | √ | √ | √ | √ |
| Bob Brown | Cornwall Consulting | - | - | - | √ | √ | √ |

| Attendee | Organisation | 13/01 | 31/01 | 07/02 | 01/03 | 27/03 | 21/04 |
|----------------------|-----------------|-------|-------|-------|-------|-------|-------|
| Natasha Hall | ELEXON (Lawyer) | √ | √ | √ | √ | √ | √ |
| Ian Anthony | Ofgem | X | √ | √ | √ | √ | √ |
| David Osborne | ELEXON | √ | √ | √ | √ | √ | √ |
| Isabel Scott-Skinner | ELEXON | √ | √ | √ | √ | X | √ |
| Katie Ann Key | ELEXON | √ | √ | √ | √ | √ | √ |
| Nick Halliman | Gemserv | √ | √ | X | √ | X | X |

¹³ Clarification of the meanings of the cost terms in this appendix can be found on the BSC Website at the following link:
http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

| | | | | | | | |
|----------------|--------------------|---|---|---|---|---|---|
| Pat Lawrence | PAB Representative | √ | X | x | √ | √ | X |
| Nicholas Rubin | Ofgem | √ | - | - | X | X | X |
| Steve James | Opus Energy | - | - | √ | √ | X | X |
| Peter Varley | Gemserv | - | - | √ | x | X | X |
| Samantha Wells | British Energy | - | - | - | √ | √ | X |
| Chris Rowell | ELEXON (Chairman) | - | - | - | - | √ | X |

MODIFICATION GROUP TERMS OF REFERENCE

The Modification Group shall consider:

- The detailed process proposed by P197, specifically:
 - The scope of the self assessment;
 - The process and criteria used for conducting the risk assessment;
 - The level and type of testing required and how this would link to the risk assessment,
 - The process for appealing decisions.
- The interaction with the MRA. Specifically the Group should consider how to remove duplication between the tests carried out under the BSC and the MRA; and the process and timescales for communications between BSCCo and MRASCo. The governance of any joint testing requirements would need to be considered to ensure a consistent and transparent change process.
- Interaction with the Performance Assurance Framework (PAF) Review. The Modification Group should be kept informed of the progress of the PAF Review and vice versa.
- Re-Qualification. The current re-Certification process of Party Agents will be extended to cover re-Qualification of all Parties. The Group will need to consider the circumstances where re-Qualification is required and how this process should be initiated.
- Impact on Different Types of Party. The Group should consider the impact on both new entrants and current Parties. The Group should also ensure small Parties and potential new entrants are engaged in the process.
- Removal of Accreditation. The Group should consider amending this process to introduce more flexibility to the PAB when dealing with non compliances.
- Technical Assurance checks of New Parties. Currently Party Agents are subject to a Technical Assurance check once they have been operating in the market for more than 6 months. The Group will need to consider extending this to all Parties.
- Current Roles. The role of the PAB and ELEXON will need to be considered, as well and the potential requirement for a new BSC Agent / Service Provider. The decision making process for the PAB should be based on objective measures as far as possible.
- Costs and Benefits. The Group will need to consider the costs of the current process and the costs of implementing and operating the revised process. When assessing the benefits the Group should consider the transparency and clarity of the new process, together with any potential cost and time savings

APPENDIX 3: RESULTS OF ASSESSMENT PROCEDURE CONSULTATIONS

FIRST ASSESSMENT PROCEDURE CONSULTATION

The first Assessment Procedure Consultation was issued to obtain views on which of the six options for an alternative Modification should be taken forwards to into the P197 Alternative Modification.

Ten responses (representing forty eight Parties and eleven non-Parties) were received to the first P197 Assessment Procedure consultation.

A summary of the consultation responses is provided in the table below (bracketed numbers represent the number of Parties and non-Parties represented by respondents).

| | Question | Yes | No | See response |
|----|--|---------------|-----------|--------------|
| 1. | Do you believe that any of the potential options for an Alternative Modification set out in the consultation document may better facilitate the achievement of the Applicable BSC Objectives when compared to the Proposed Modification? <i>Please give rationale, stating relevant BSC Objectives:</i> | - | - | |
| | Option 1: Qualification Board | 5 (26,0) | 5 (22,11) | |
| | Option 2: Merge Phase 1 and Phase 2 | 5 (28,11) | 5 (25,0) | |
| | Option 3: Optional visit to the PAB between Phase 1 and Phase 2 | 4 (18,6) | 6 (30,5) | |
| | Option 4: All testing in Phase 2 should be witnessed | 5 (9,5) | 5 (39,6) | |
| | Option 5: Re-Qualification to exclude Suppliers | 5 (26,0) | 4 (22,5) | 1 (0,6) |
| | Option 6: No Qualification Limit | 4 (23,6) | 6 (25,5) | |
| 2. | Do you believe that there are any other changes to the Proposed Modification that could form other potential options for an Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives when compared to the Proposed Modification and that should be considered by the Modification Group? <i>Please give rationale, stating relevant BSC Objectives.</i> | 5 (36,0) | 4 (7,11) | 1 (5,0) |
| 3. | If the answer to Question 1 and / or 2 is yes, please indicate how the option(s) would meet the issue or defect identified by the Modification Proposal. | See responses | | |
| 4. | Are there any further comments on P197 that you wish to make? | See responses | | |

SECOND ASSESSMENT PROCEDURE CONSULTATION

Ten responses (representing fifty eight Parties and zero non-Parties) were received to the second P197 Assessment Procedure consultation.

A summary of the consultation responses is provided in the table below (bracketed numbers represent the number of Parties and non-Parties represented by respondents).

| Q | Consultation question | Yes | No | See individual responses |
|----|--|---------------|-----------|--------------------------|
| 1. | Do you believe Proposed Modification P197 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s). | 3 (7,0) | 7 (51,0) | |
| 2. | Do you believe Alternative Modification P197 better facilitates the achievement of the Applicable BSC Objectives compared to the current baseline? Please give rationale and state objective(s). | 7 (34,0) | 3 (24,0) | |
| 3. | Do you believe Alternative Modification P197 better facilitates the achievement of the Applicable BSC Objectives compared to the Proposed Modification? Please give rationale and state objective(s). | 8 (44,0) | 2 (14,0) | |
| 4. | Do you support the implementation approach described in the consultation document? Please give rationale. | 4 (25,0) | | 6 (33,0) |
| 5. | Do you believe that there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale. | 2 (17,0) | 8 (41,0) | |
| 6. | Does P197 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale. | | 10 (58,0) | |
| 7. | Are there any further comments on P197 that you wish to make? | See responses | | |

Details of the arguments made by respondents can be found in Sections 3 and 4, along with the Group's consideration of these arguments. Full copies of the consultation responses are attached as separate documents, [Attachment 3A](#) (first consultation responses) and [Attachment 3B](#) (second consultation responses).

APPENDIX 4: RESULTS OF IMPACT ASSESSMENT

During the Assessment Procedure an impact assessment was undertaken in respect of all BSC systems, processes, documentation and parties. The following have been identified as impacted by P197.

For details of the costs associated with these impacts, please refer to Section 3.11.

a) Impact on BSC Systems and Processes

| System / Process | Impact of Proposed/Alternative Modification |
|--|--|
| Certification, Accreditation and Entry Process | This modification seeks to replace the current Certification, Accreditation and Entry Process techniques, therefore these processes would be significantly impacted. |

An Impact Assessment response was received from the Certification Agent. A copy of this is attached as a separate document, [Attachment 4A](#).

b) Impact on BSC Agent Contractual Arrangements

| BSC Agent Contract | Impact of Proposed/Alternative Modification |
|--|---|
| PwC (BSC Auditor, Certification Agent) | P197 proposes to consolidate the process for Certification and Accreditation with Entry Processes. The role of the Certification Agent would therefore be affected. |

c) Impact on BSC Parties and Party Agents

New Parties and Party Agents entering the market would be required to undergo a more streamlined Qualification process and all new entrants may be subject to a Technical Assurance check if directed by the PAB. The proposed re-Qualification requirements are an expansion of the current re-Certification requirements; however they are being expanded to include Suppliers (under the Proposed Modification only), UMSOs and SMRAs. Therefore Suppliers UMSOs and SMRAs would be impacted by the change as they would need to have processes in place to identify when re-qualification is required and, when required, they would need to go through the re-Qualification process. Party Agents would be impacted to a lesser extent; however they would need to follow the new process for re-Qualification.

Respondents to the Impact Assessment have indicated that the need a maximum lead time of six months to implement the P197 changes.

Full copies of the Party and Party Agent impact assessment responses are attached as a separate document, Attachment 4B.

d) Impact on Transmission Company

| Q | Question | Response |
|----------|---|--|
| 1 | Please outline any impact of the Proposed Modification and any of the options for an Alternative Modification on the ability of the Transmission Company to discharge its obligations efficiently under the Transmission Licence and on its ability to operate an efficient, economical and co-ordinated transmission system. | We do not believe that the implementation of this proposed modification would have any impact on our ability to discharge our obligations under the transmission licence. |
| 2 | Please outline the views and rationale of the Transmission Company as to whether the Proposed Modification and any of the options for an Alternative Modification would better facilitate achievement of the Applicable BSC Objectives. | We believe that P197 would better facilitate the Applicable BSC Objectives as it would create a new SVA Qualification process which would be more efficient and relevant to the developing market following the thorough review over the last year. However, we note that the P197 Modification Group has identified a number of potential alterations to the original Modification which could be combined to form an Alternative Modification and a consultation on these alterations is in progress. National Grid is not directly involved in the SVA qualification process and therefore believes it is more appropriate for others more directly involved in the process to comment on which of these alterations might better facilitate the Applicable BSC Objectives. |
| 3 | Please outline the impact of the Proposed Modification and any of the options for an Alternative Modification on the computer systems and processes of the Transmission Company, including details of any changes to such systems and processes that would be required as a result of the implementation of the Proposed Modification and any of the options for an Alternative Modification. | No impact has been identified on the computer systems and processes of the transmission company as a result of the implementation of this proposed modification. |
| 4 | Please outline any potential issues relating to the security of supply arising from the Proposed Modification and any of the options for an Alternative Modification. | We have not identified any security of supply issues arising from P197 and any of the options for an Alternative Modification. |
| 5 | Please provide an estimate of the development, capital and operating costs (broken down in reasonable detail) which the Transmission Company anticipates that it would incur in, and as a result of, implementing the Proposed Modification and any of the options for an Alternative Modification. | No costs have been identified. |
| 6 | Please provide details of any consequential changes to Core Industry Documents and/or the System Operator Transmission Owner Code that would be required as a result of the implementation of the Proposed and any of the options for an Alternative Modification. | No consequential changes have been identified. |
| 7 | Any other comments on the Proposed Modification and any of the options for an Alternative Modification. | We have no further comments. |

e) Impact on BSCCo

| Area of Business | Impact of Proposed/Alternative Modification |
|------------------|--|
| Implementation | BSCCo would have to update or write the Code, Code Subsidiary Document and other guidance notes relating to the new Qualification and re-Qualification process. A procurement exercise would be carried out and BSCCo would have to manage the implementation of the new arrangements by a service provider. |
| Operational | ELEXON is likely to subcontract the Qualification process to either one or two service providers. ELEXON would have to manage the contracts of these service providers, plus provide details of the Qualifications and support to the PAB. |

f) Impact on Code

| Code Section | Impact of Proposed/Alternative Modification |
|--------------|---|
| Section B | This section would require changes to make clear the PABs responsibilities in terms of Qualification |
| Section D | This section would need to be amended as it refers to the costs associated with the Certification Agent |
| Section E | This section would require changes as there would no longer be a requirement to have a Certification Agent. |
| Section H | This section would need to be amended as it refers to the Certification Agent |
| Section J | This section would require changes to combine Entry Processes and Certification into a single Qualification process. Also, enough high level obligations about the process should be included in the Code to allow the process that would be contained in a Code Subsidiary Document to have an adequate hook back into the Code. In addition, this section of the Code would need to be amended for the Technical Assurance process to be extended to include all Party Agents (e.g. SMRAs). |
| Section K | This Section would need to be amended to change references to Entry Processes to Qualification |
| Section O | This section would need to be amended as it refers to the Certification Agent |
| Section S | A new clause would be added to this section to place an obligation on UMSOs to be Qualified. |
| Section X-1 | This section would require changes to define Qualification and remove the definitions of Certification and Entry Processes. |

A copy of the draft legal text to give effect to these changes can be found in [Appendix 1](#).

g) Impact on Code Subsidiary Documents

| Document | Impact of Proposed/Alternative Modification |
|---|--|
| BSCP38 'Authorisations' | It would be appropriate to include a category of authorised signature for signing off the annual submission stating that a participant has not made any material changes to their systems and processes, or if they have, that they have been through a re-Qualification. |
| BSCP70 'Qualification Testing for Parties and Party Agents' | A small change to this BSCP would be required to draw a distinction between this BSCP which is aimed at the CVA market and the new process which is primarily aimed at the SVA market. |
| BSCP511 'Entry Processes – SMRS', BSCP512 'Entry Processes – Supplier', BSCP531 'Accreditation' | These documents would need to be merged into one BSCP (BSCP531) dealing with SVA Qualification. |
| BSCP535 'Technical Assurance' | This document would need to be updated to reflect the changes in the types of participants who would be subject to the Technical Assurance process and also to detail the checks that may be required following the approval of an Applicant's Qualification or re-Qualification. The definition of 'associated Supplier' would also need to be amended, |
| Certification Agent Service Description | This document would be discontinued as there would no longer be a Certification Agent. |
| Communication Requirements Documents | These documents which list the requirements for testing Parties and Party Agents before they can communicate with NETA Central Agents would have to be reviewed and relevant changes made. |

h) Impact on Core Industry Documents/System Operator-Transmission Owner Code

| Document | Impact of Proposed/Alternative Modification |
|-------------------------------|---|
| Master Registration Agreement | The MAP05 Review Group is looking at changes to the Entry Process requirements under the MRA to ensure that the processes under the BSC and MRA are consistent to promote efficiencies in carrying out the two sets of arrangements simultaneously. |

i) Impact on Other Configurable Items

| Document | Impact of Proposed/Alternative Modification |
|--|---|
| Entry Process Guidance Note, Accreditation and Certification Guidance Note, A simple Guide to Market Entry | These documents which are guidance notes contained on the ELEXON (BSCCo) website would need to be reviewed and relevant changes made. |

j) Impact on BSCCo Memorandum and Articles of Association

No impact.

k) Impact on Governance and Regulatory Framework

No impact.

APPENDIX 5: INITIAL INFORMATION PACK AND SELF ASSESSMENT DOCUMENT

The following information could be provided to the Applicant as the initial information pack, which would include the Self Assessment Document:

Introduction

This initial information pack would provides Applicants with guidance as to where their obligations are contained within the Code. Applicants must complete the Self Assessment Document contained in this pack.

The Self Assessment Document is split into generic obligations and participant role specific obligations. All Applicants must complete the generic questions and then the questions pertinent to their market role.

The completed Self Assessment Document should be returned to ELEXON and the evidence that you can provide in support of the answers should be cited. You may need to provide some of this evidence at a later stage.

ELEXON would review the Self Assessment Document and then request evidence in support of your responses.

You can provide subsections of the Self Assessment Document to ELEXON for comment as you complete it. Please discuss and agree timescales for this with ELEXON if required.

Obligations Matrix

| Document / Section | Requirements | Supplier | HHDC | NHDC | HHDA | NHDA | SVA MOA | MA | UMSO | SMRA | LDSO | SVAA | PrA | Teleswitch | BSCCo | Panel (committees) | EPC |
|---|--|----------|------|------|------|------|---------|----|------|------|------|------|-----|------------|-------|--------------------|-----|
| Balancing and Settlement Code | | | | | | | | | | | | | | | | | |
| J1 | Party Agents - General | | M | M | M | M | M | M | | | | | | | | | |
| J2 | Accreditation and Certification Requirements | | M | M | M | M | M | M | | | | | | | | | |
| J3 | Accreditation and Certification Process | | M | M | M | M | M | M | | | | | | | | | |
| J4 | Appointment and Replacement of Party Agents | M | | | | | | | | | | | | | | | |
| J5 | Entry Processes and Qualification | M | | | | | | | | | | | | | | | |
| J6 | Registration | M | | | | | | | | | | | | | | | |
| J7 | Performance Assurance and Party Agents | M | M | M | M | M | M | M | | | | | | | | | |
| S1 | Supplier Volume Allocation - General | M | | | | | | | | | | | | | | | |
| S2 | Responsibilities of Suppliers and Supplier Agents | M | M | M | M | M | M | M | | | | | | | | | |
| S3 | Performance | M | √ | √ | √ | √ | √ | √ | | | | | | | | | |
| S4 | Functions of BSC Agents in relation to Supplier Volume Allocation | M | | | | | | | | | | M | M | M | | | |
| S5 | Functions of other Agents in relation to Supplier Volume Allocation | | | | | | | | | M | | | | | | | |
| S6 | Supplier BM Units | M | | | √ | | | | | | | | | | | | |
| S7 | Supplier Volume Allocation Rules | M | | | | | | | | | | | | | | | |
| S8 | Unmetered Supplies | M | | | | | | M | M | | √ | | | | | | |
| Balancing and Settlement Code Procedures | | | | | | | | | | | | | | | | | |
| BSCP01 | Overview of Trading Arrangements | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | |
| BSCP501 | Supplier Meter Registration Service | √ | | | √ | √ | | | | M | √ | √ | | | | | |
| BSCP502 | Half Hourly Data Collection for SVA Metering Systems Registered in SMRS | √ | M | | √ | | √ | | | | √ | √ | | | | | |
| BSCP503 | Half Hourly Data Aggregation for SVA Metering Systems Registered in SMRS | √ | √ | | M | | | | | √ | √ | √ | | | | | |
| BSCP504 | Non-Half Hourly Data Collection for SVA Metering Systems Registered in SMRS | √ | | M | | √ | √ | | | | √ | √ | | | | | |
| BSCP505 | Non-Half Hourly Data Aggregation for SVA Metering Systems Registered in SMRS | √ | | √ | √ | M | | | | | √ | √ | | | | | |
| BSCP507 | Supplier Volume Allocation Standing Data Changes | M | | | | | | | | | | M | | | M | | |

| Document / Section | Requirements | Supplier | HHDC | NHDC | HHDA | NHDA | SVA MOA | MA | UMSO | SMRA | LDSO | SVAA | PrA | Teleswitch | BSCCo | Panel (committees) | EPC |
|----------------------------|--|----------|------|------|------|------|---------|----|------|------|------|------|-----|------------|-------|--------------------|-----|
| BSCP508 | Supplier Volume Allocation Agent | √ | | √ | | √ | | | | √ | √ | M | | √ | √ | | |
| BSCP509 | Changes to Market Domain Data | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | M | | | √ | √ | |
| BSCP510 | Provision of Sampling Data to the Profile Administrator | M | | | | | | | | M | | M | M | | M | M | |
| BSCP511 | Entry Processes - Supplier Meter Registration Service | | | | | | | | | M | | | | | | M | M |
| BSCP512 | Entry Processes - Supplier | M | | | | | | | | | | | | | | M | M |
| BSCP513 | Bulk Change of NHH Supplier Agent | M | √ | √ | √ | √ | √ | √ | | √ | | | | | | | |
| BSCP514 | SVA Meter Operations for Metering Systems Registered in SMRS | √ | √ | √ | | | M | | | | √ | √ | | | | | |
| BSCP515 | Licensed Distribution | | | | | | | | | | M | | | | | | |
| BSCP516 | Allocation of Profile Classes and SSCs for Non-Half Hourly SVA Metering Systems Registered in SMRS | M | | √ | | | | | | √ | | | | | | | |
| BSCP520 | Unmetered Supplies Registered in SMRS | √ | √ | √ | | | | M | M | | | | | | | | |
| BSCP528 | Supplier Volume Allocation Line Loss Factors for Half Hourly and Non Half Hourly Metering Systems Registered in SMRS | √ | | | √ | | | | | | M | √ | | | | | |
| BSCP531 | Accreditation | | M | M | M | M | M | M | | | | | | | | | |
| BSCP533 | PARMs Data Provision | M | M | M | M | M | M | | | | | M | M | M | | | |
| BSCP534 | PARMS Techniques | | | | | | | | | | | | | | M | √ | |
| BSCP535 | Technical Assurance | √ | √ | √ | √ | √ | √ | | | √ | | | | | M | √ | |
| BSCP536 | Suppliers Liquidated Damages | M | | | | | | | | | | | | | √ | √ | |
| BSCP550 | Shared SVA Meter Arrangement of Half Hourly Import and Export Active Metering | M | | | | | | | | | | | | | | | |
| Party Service Lines | | | | | | | | | | | | | | | | | |
| PSL110 | SVA Meter Operation | √ | | | | | M | | | | | | | | | | |
| PSL120 | Non-Half Hourly Data Collection | √ | | M | | | | | | | | | | | | | |

Etc...

M = Main requirements

√ = supporting requirements

Self Assessment Document

| | Question | Response | Supporting Evidence Available |
|-------------------------------------|---|----------|-------------------------------|
| Generic questions | | | |
| 1 | What is your Intended scale of operation; | | |
| 2 | What software do you intend to use; | | |
| 3 | Do you intend to use existing service providers for any of your activities and if so, how do you intend to manage this relationship? | | |
| 4 | How do you intend to manage your entry into the market | | |
| 5 | How can you demonstrate that you can communicate with other Parties/Party Agents both internal and external to the Supplier hub? | | |
| 6 | How can you demonstrate the physical and logical security of hardware and software and that data is kept and distributed confidentially? | | |
| 7 | How can you demonstrate that you have tested the systems and processes that you intend to use? | | |
| 8 | How can you demonstrate that any transfer of data from test to live environments is carried out so that no unintentional errors are transferred into the live system and that data in the live system meets the relevant performance standards? | | |
| 9 | How can you demonstrate that the development of your systems and processes has been planned, monitored and controlled in accordance with good industry practice? | | |
| 10 | How can you demonstrate that your systems and processes continue to meet any changes to the BSC Requirements and how do you intend to manage any risk resulting from any changes to your systems and processes? | | |
| 11 | How can you demonstrate business continuity and disaster recovery if you encounter a disaster affecting your data, systems or processes? | | |
| 12 | How can you demonstrate that users are appropriately knowledgeable so that they are competent in the use of your systems and processes and are able to resolve any risks to Settlement that might arise? | | |
| 13 | How can you demonstrate that your systems and processes meet the audit requirements and that reporting facilities are available to electronically report audit related data? | | |
| 14 | How can you demonstrate that you can meet the data retention requirements set out in the BSC? | | |
| 15 | How can you demonstrate that you can provide Performance monitoring data to ELEXON and / or appropriate Suppliers? | | |
| 16 | Is there any additional information that you wish to provide. | | |
| Unmetered Supplies Operators | | | |
| 1 | How can you demonstrate that your systems and processes can undertake a Change of Supplier activity? | | |
| 2 | How can you demonstrate that your systems and processes can undertake a Change of Agent activity? | | |

| | Question | Response | Supporting Evidence Available |
|---|---|----------|-------------------------------|
| 3 | How can you demonstrate that your systems and processes can undertake a Change of Measurement Class activity, from Metered to Unmetered and vice versa and also from Half Hourly Unmetered to Non-Half Hourly Unmetered and vice versa? | | |
| 4 | How can you demonstrate that your systems and processes can managed the energisation / de-energisation of an Unmetered Supply and provide updates on the energisation status of the Unmetered Supply to other appropriate participants? | | |
| 5 | How can you demonstrate that your systems and processes are able to produce an EAC for the Unmetered Supply, equivalent to the consumption used by that equipment? | | |
| 6 | How can you demonstrate that your systems and processes can manage changes to standing data? | | |
| Meter Administrators | | | |
| 1 | How can you demonstrate that your systems and processes can undertake a Change of Supplier activity? | | |
| 2 | How can you demonstrate that your systems and processes can undertake a Change of Agent activity? | | |
| 3 | How can you demonstrate that your systems and processes can undertake a Change of Measurement Class activity, from Metered to Unmetered and vice versa and also from Half Hourly Unmetered to Non-Half Hourly Unmetered and vice versa? | | |
| 4 | How can you demonstrate that your systems and processes can update the energisation status of an Unmetered Supply following an energisation / de-energisation? | | |
| 5 | How can you demonstrate that your systems and processes are able to determine the consumption data for the Unmetered Supply equivalent to the consumption used by that equipment? | | |
| 6 | How can you demonstrate that your systems and processes can manage changes to standing data? | | |
| Supplier Meter Registration Agents | | | |
| 1 | How can you demonstrate that your systems and processes can undertake a Change of Supplier activity? | | |
| 2 | How can you demonstrate that your systems and processes can undertake a Change of Agent activity? | | |
| 3 | How can you demonstrate that your systems and processes can manage updates / corrections to the data? | | |
| 4 | How can you demonstrate that your systems and processes can manage new connections and disconnections? | | |
| 5 | How can you demonstrate that your systems and processes can update the energisation status of a Metering system following an energisation / de-energisation? | | |

| | Question | Response | Supporting Evidence Available |
|------------------------|--|----------|-------------------------------|
| | | | |
| Suppliers | | | |
| 1 | How can you demonstrate that your systems and processes can manage a Change of Supplier activity? | | |
| 2 | How can you demonstrate that your systems and processes can manage a Change of Agent activity? | | |
| 3 | How can you demonstrate that your systems and processes can manage a Change of LDSO activity? | | |
| 4 | How can you demonstrate that your systems and processes can manage changes to standing data? | | |
| 5 | How can you demonstrate that your systems and processes can manage changes to the physical asset? | | |
| 6 | How can you demonstrate that your systems and processes can manage the registration and de-registration of a Metering System? | | |
| 7 | How can you demonstrate that your systems and processes are equipped to deal with exception management? | | |
| 8 | How can you demonstrate that your systems and processes are able to process customer own reads? | | |
| 9 | If you have chosen to use the Supplier estimated reads as part of the Change of Supplier process, how can you demonstrate that an estimated reading reflective of the consumption / generation on site is calculated? | | |
| 10 | How can you demonstrate that you can manage your Supplier Agents? | | |
| | | | |
| Data Collectors | | | |
| 1 | How can you demonstrate that your systems and processes can undertake a Change of Supplier activity? | | |
| 2 | How can you demonstrate that your systems and processes can undertake a Change of Agent activity? | | |
| 3 | How can you demonstrate that your systems and processes can undertake a Change of LDSO activity? | | |
| 4 | How can you demonstrate that your systems and processes can manage new connections and disconnections? | | |
| 5 | How can you demonstrate that your systems and processes can undertake a Change of Measurement Class activity, from Non-Half Hourly to Half Hourly and vice versa? | | |
| 6 | How can you demonstrate that your systems and processes can update the energisation status of a Metering system following an energisation / de-energisation and process information correctly for an energised / de-energised Metering System? | | |
| 7 | How can you demonstrate that your systems and processes can handle changes to the physical asset? | | |
| 8 | How can you demonstrate that your systems and processes can handle a change to the standing data? | | |

| | Question | Response | Supporting Evidence Available |
|----------------------------|--|----------|-------------------------------|
| 9 | How can you demonstrate that your systems and processes are equipped to deal with exception management? | | |
| 10 | How can you demonstrate that your systems and processes can manage the registration transfers process (from CMRS to SMRS and vice versa) (HH Only)? | | |
| 11 | How can you demonstrate that consumption / generation data can be collected, validated and sent to the Half Hourly Data Aggregator in accordance with the BSC (HH only)? | | |
| 12 | How can you demonstrate that you can provide appropriate Settlement data to the MOA in support of a Proving Test, where this is requested) (HH only)? | | |
| 13 | How can you demonstrate that consumption / generation data can be collected and validated, and that AA/EAC values can be calculated, validated and submitted to the Non-Half Hourly Data Aggregator in accordance with the BSC (NHH only)? | | |
| 14 | How can you demonstrate that you can manage the withdrawal of Meter Readings (NHH only)? | | |
| 15 | How can you demonstrate that you can correct an incorrect Meter register mapping (NHH only)? | | |
| 16 | If you wish to carry out Gross Volume Correction, how can you demonstrate that you can carry out this process (NHH only)? | | |
| 17 | How can you demonstrate that you are able to deem Meter readings in accordance with the BSC in the circumstances where these must be deemed, and also where these may be deemed, if you choose to deem reading in these circumstances) (NHH only)? | | |
| | | | |
| Data Aggregators | | | |
| 1 | How can you demonstrate that your systems and processes can handle a change to the standing data? | | |
| 2 | How can you demonstrate that your systems and processes are equipped to deal with exception management? | | |
| 3 | How can you demonstrate that your systems and processes can handle appointment changes? | | |
| 4 | How can you demonstrate that your systems and processes can manage the receipt, processing and submission of consumption data (HH only)? | | |
| 5 | How can you demonstrate that your systems and processes can manage the receipt, processing and submission of EAC/AA values (NHH only)? | | |
| | | | |
| SVA Meter Operators | | | |
| 1 | How can you demonstrate that your systems and processes can handle a change to the standing data? | | |
| 2 | How can you demonstrate that your systems and processes can undertake a Change of Agent activity? | | |

| | Question | Response | Supporting Evidence Available |
|----------------------------------|--|----------|-------------------------------|
| 3 | How can you demonstrate that your systems and processes can undertake a Change of Measurement Class activity, from Non-Half Hourly to Half Hourly and vice versa? | | |
| 4 | How can you demonstrate that your systems and processes can manage new connections and removals of Metering Systems? | | |
| 5 | How can you demonstrate that you have systems and processes can carry out energisations and de-energisations and to notify appropriate participants of a change to the energisation status of a Metering System? | | |
| 6 | How can you demonstrate that you have systems and processes in place to manage physical changes to the asset? | | |
| 7 | How can you demonstrate that you have systems and processes in place to manage the Metering System investigation processes and to make appropriate updates on the state of a Metering System investigation to relevant participants? | | |
| 8 | How can you demonstrate that your systems and processes are equipped to deal with exception management? | | |
| 9 | How can you demonstrate that your systems and processes can manage the registration transfers process (from CMRS to SMRS and vice versa) (HH Only)? | | |
| 10 | How can you demonstrate that you have systems and processes in place to carry out proving tests (HH only)? | | |
| | | | |
| CVA Meter Operator Agents | | | |
| | To be completed with any specific questions relating to CVA Meter Operators. | | |
| | | | |
| Re-Qualification | | | |
| | To be completed with any specific questions relating to re-Qualifications. | | |

Note that this is a sample of questions that could be asked. The Group has not decided on the final format of the questions.

APPENDIX 6: PRE-ENTRY TESTING STORYBOARDS

Business Scenario Draft Question – Change of Supplier Process

Scenario - A successful Change of Supplier (with concurrent Change of Agent) event. Key activities included within this scenario are the registration and appointment of agents, and the initial set-up of records at each of the different participants.

| Overview of Scenario - Change of Supplier Process (Including Change of Agent) |
|--|
| <p><u>Introduction:</u></p> <p>A customer at a non half hourly metering point intends to change their supplier and has received a quotation for supply from a potential New Supplier. The customer accepts the terms of the New Supplier and provides its own change of supplier meter reading. The metering point is currently energised. The new Supplier appoints different agents to the old Supplier.</p> |
| <p><u>The Scenario - Supplier:</u></p> <p>The New Supplier successfully registers his Change of Supplier event and receives confirmation of the registration and details of the Old Supplier's registration from the SMRA.</p> <p>The New Supplier appoints its agents to the metering point in accordance with its stated business procedures. All of the agents confirm that the appointment is accepted and, through the exchange of customer and agent details between the New Supplier and the new agents, the appointment process is completed. This is notified to the New Supplier when it receives confirmation from the appointed Data Collector that the metering point is now included in the reading schedules and when the New Supplier receives the metering point technical details from the Meter Operator.</p> <p>The New Supplier receives notification that an objection to the Change of Supplier has been raised by the Old Supplier.</p> <p>Before the expiry of the objection resolution period, the New Supplier is informed that the objection to the registration has been removed. The New Supplier is also notified that the Old Supplier has successfully changed the Meter Timeswitch Code of the metering point (indicating that the metering point has been changed from non-programmable, unrestricted, credit single rate meter to a programmable, unrestricted, credit single rate meter). This change became effective before the objection was removed.</p> <p>The New Supplier receives notification from its appointed Data Collector that the customer own read has failed Pool Validation. Using its normal business procedure in such circumstances, the New Supplier arranges for an alternative change of supplier meter reading to be provided. However, the Data Collector is unable to obtain an actual read and on SSD + 8 working days, notifies the New Supplier of a deemed meter reading to be used as the change of supplier meter reading and the EAC value from the SSD.</p> <p>On receiving the final account from the Old Supplier, the customer disputes the bill. The New Supplier receives a communication from the Old Supplier with regard to the disputed read. The Old and New Supplier agree that in order to resolve the dispute an actual read should be obtained.</p> <p>The New Supplier arranges this with its appointed data collector and an actual read is obtained. The New Supplier receives notification of the withdrawn change of supply reading and of the new reading, appropriately deemed back to Supply Start Date and a replacement EAC value from the SSD.</p> |

Overview of Scenario - Change of Supplier Process (Including Change of Agent)The Scenario - NHHDC:

The New Supplier successfully registers his Change of Supplier event and appoints its agents to the metering point in accordance with its stated business procedures. The NHHDC confirms that the appointment is accepted and, through the exchange of customer and agent details between the New Supplier and the NHHDC, the appointment process is completed.

However, the D0170 flow that is received from the old NHHDC fails Pool Validation. The new NHHDC must resolve this exception before the Change of Supplier process can continue. Once this exception is resolved this is notified to the New Supplier when it receives confirmation from the appointed NHHDC that the metering point is now included in the reading schedules.

The NHHDC sends the New Supplier notification that the customer own read has failed Pool Validation. The new Supplier requests that an alternative actual Change of Supplier meter reading to be provided. However, the NHHDC is unable to obtain an actual read and on SSD + 8 working days, notifies the New Supplier of a deemed meter reading to be used as the Change of Supplier meter reading. The NHHDC calculates an EAC value and sends this to the NHHDA.

On receiving the final account from the Old Supplier, the customer disputes the bill. The Old and New Supplier agree that in order to resolve the dispute an actual read should be obtained.

The New Supplier requests that the NHHDC obtained an actual read. The NHHDC processes the actual reading and sends notification to the New Supplier that the Change of Supplier reading has been withdrawn and replaced with a new reading, appropriately deemed back to Supply Start Date. The NHHDC calculates a new EAC value and sends this to the NHHDA to replace the EAC value previously calculated.

APPENDIX 7: RE-QUALIFICATION TRIGGERS

The table below shows a series of example events and scenarios that could 'trigger' re-Qualification process:

- Changes that are highly likely to have an impact would normally be material;
- Changes that have an likely impact would normally be the subject of a discussion with ELEXON to determine whether they are material;
- All three aspects of a change (system, process, staff) should be looked at to determine if the change is material. Where any one of these is highly likely, the change is likely to be Material but a combination of likely impacts may also be material;

Thus, for instance, where a participant:

- replaces an industry-facing manual process by an automated process the impact is highly likely and it is almost certain that re-Qualification is required; or
- makes staff changes due to acquisition of a new company the impact is likely and the participant should discuss the changes with ELEXON to determine whether re-Qualification is required and what this will comprise.

It must be stressed that these are only examples. They are intended to assist participants in their own assessment of whether a change that they are intending to make is likely to require re-Qualification. In all cases, if the organisation is in doubt about the need for re-Qualification, it should contact ELEXON who will be pleased to discuss and give advice as necessary.

A change may be a single change implemented in isolation or a group of changes that are batched together for implementation.

| | Typical Impact on BSC Obligations | |
|-----------------------|---|---|
| | Likely | Highly likely |
| System Change | Replacement of system with established, proven system | Replacement of Settlement systems with a new, unproven system. |
| | | Bulk migration of data with industry content |
| Process Change | Manual process replaced by automated process (industry-facing) | Multiple manual processes replaced by automated processes (industry-facing) |
| | | Major rewrite of process |
| Staff Change | Staff changes due to acquisition of new company | Relocation requiring total staff replacement |
| Threshold | Activity oscillating around the threshold (say within 10%) (Proposed Modification only) | Planned growth that will result in activity permanently in excess of the threshold (Proposed Modification only) |

| | | |
|-----------------------------------|--|--|
| | | Step change in number of Metering Systems that the participant wants to be responsible for (For example an increase of [25%] of Metering systems in [2] months (Alternative Modification only) |
| Significant Non-Compliance | | Where suggested by the PAB due to the number of non-compliances identified by other PAF techniques, e.g. the number of BSC Audit issues that a participant has (Party Agents and SMRAs only) |

APPENDIX 8: DOCUMENTATION DELIVERABLES

This section provides a non-exhaustive list of the documents that would need to be produced by ELEXON (or its agent) to deliver the new Qualification and re-Qualification process.

| Stage | Deliverables | Status |
|--|---|--|
| Initiation of process | Free Format Accession Letter (Parties – no change required to current letters) Qualification Letter (Party Agents and SMRAs to bind into appropriate parts of the Code – similar to current Accreditation letter) | - Code Code Subsidiary Document |
| Explanation of the Qualification process | Obligations Matrix Guidance Notes to the Qualification process (similar to current documents such as 'A Simple Guide to Market entry') Approach Documents (one or a number), setting out: <ul style="list-style-type: none"> ▪ Service Levels; ▪ Levels of support and assistance to be provided ▪ Lists of contacts Internal Checklists | External Guidance Document External Guidance Document Internal (ELEXON or its agent) Guidance Document Internal (ELEXON or its agent) Guidance Document |
| Self Assessment Document | The Self Assessment Document Contract to develop the Self Assessment Document (as part of the procurement) "Model" Answers to each SAD Question Storyboards Volumes: <ul style="list-style-type: none"> ▪ UMSO – 6 ▪ Meter Administrator – 6 ▪ SMRA – 5 ▪ Supplier – 10 ▪ Data Collector – 16 ▪ Data Aggregator – 5 | Code Subsidiary Document Internal (ELEXON) Procurement Contract Internal (ELEXON or its agent) Guidance Document External Guidance Document |

| Stage | Deliverables | Status |
|-------------------------------------|---|---|
| | <ul style="list-style-type: none"> ▪ SVA Meter Operator – 11 ▪ CVA Meter Operator | |
| Self Assessment Document Assessment | <p>Guidance on the review of the Self Assessment Document and amount of evidence required</p> <p>Guidance on the level of further testing required</p> <p>A contract for some or all of the SAD Assessment Services</p> | <p>Internal (ELEXON or its agent) Guidance Document</p> <p>Internal (ELEXON or its agent) Guidance Document</p> <p>Internal (ELEXON) Contract</p> |
| Witness Testing | <p>Witness Testing Service</p> <p>A contract and Service Provider for Witness Testing Services</p> | <p>Internal (ELEXON or its agent) Guidance Document</p> <p>Internal (ELEXON or its agent) Contract</p> |
| Other Deliverables and Impacts | <p>Changes to Panel Committee Terms of Reference or creation of Terms of Reference for any new Panel Committee</p> <p>Risk Assessment Framework to determine the risk posed by the Applicant (determined throughout the Qualification process) and whether this risk has been appropriately mitigated</p> <p>New and amended Code Subsidiary Documents as detailed in Appendix 4.</p> | <p>Panel owned</p> <p>Internal (ELEXON or its agent) Guidance Document</p> <p>Code Subsidiary Documents</p> |