



## Stage 04: Self-Governance Modification Report

Self-Governance appeal deadline: 4 May 2012

# P275: Extending BSC Performance Assurance

This Modification seeks to clarify that the scope of Performance Assurance under the BSC is not limited to Trading Parties and that any risk of error or inaccuracy in Settlement data may be considered, not just issues that directly impact the determination and settlement of Trading Charges.

Note: the scope of P275 is much less than implied by the title and the detail set out in the proposal form. P275 is a Code-only change which would add clarity to the BSC. It would not affect the actual scope of BSC Performance Assurance.



The Panel:

**Approved** P275 for implementation 16 Working Days following approval (this includes the Self-Governance appeals window) i.e. 8 May 2012



Low Impact:  
ELEXON

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

▶ 04 Report Phase

P275  
Self-Governance  
Modification Report

17 April 2012

Version 0.2

Page 1 of 12

© ELEXON Limited 2012



---

### Any questions?

---

Contact:  
**Melinda Anderson**



**melinda.anderson@ele  
xon.  
co.uk**

---



**020 7380 4019**

---

## Contents

<b>1</b>	<b>Why Change?</b>	<b>3</b>
<b>2</b>	<b>Solution</b>	<b>3</b>
<b>3</b>	<b>Impacts &amp; Costs</b>	<b>4</b>
<b>4</b>	<b>Implementation</b>	<b>4</b>
<b>5</b>	<b>The Case for Change</b>	<b>5</b>
<b>6</b>	<b>Initial Panel Discussions</b>	<b>7</b>
<b>7</b>	<b>Consultation Responses</b>	<b>8</b>
<b>7</b>	<b>Panel's Final Discussion</b>	<b>8</b>
<b>8</b>	<b>Panel's Decision</b>	<b>10</b>
<b>9</b>	<b>Further Information</b>	<b>11</b>
	<b>Attachment A: Assessment Consultation Responses</b>	<b>11</b>
	<b>Attachment B: Legal Text Proposed</b>	<b>11</b>
	<b>Attachment C: Report Phase Consultation Responses</b>	<b>11</b>
	<b>Appendix 1 – Estimated Industry Progression Costs</b>	<b>12</b>

## About this document:

This document is the P275 Self-Governance Modification Report. ELEXON has submitted this report to Ofgem and the Transmission Company, and copied it to all BSC Parties and BSC Panel Members. It includes a summary of the Workgroup's assessment, the Panel's full views, and the responses received to both the Workgroup's Assessment Consultation and the Panel's Report Phase Consultation.

P275 is a Self-Governance Modification Proposal, meaning it does not need to go to Ofgem for decision. The Panel has approved P275 for implementation on 8 May 2012. In accordance with BSC Section F6.4, Parties have until 4 May 2012 (15 Working Days from the 12 April Panel meeting) to appeal the Panel's decision to Ofgem.

P275  
Draft Final Mod Report

---

17 April 2012

---

Version 0.2

---

Page 2 of 12

---

© ELEXON Limited 2012

## 1 Why Change?

Along with other Balancing and Settlement Code (BSC) Parties, Licensed Distribution System Operators (LDSOs) rely on Settlement data and processes for various business purposes. In the case of LDSOs, this includes billing Suppliers for their use of the Distribution System (i.e. DUoS charges); setting Line Loss Factors for use in Settlements and operation of the distribution loss incentive scheme in the Distribution Price Control Review (DCPR).

Even though the issues with Settlement data could have material financial implications for LDSOs the Proposer contends that the BSC is unclear about whether non Trading Parties have the same recourse to resolve such issues via the Performance Assurance Framework (PAF) as Trading Parties. The Proposer believes confusion arises due to the wording in Section Z, paragraph 1.6.1 which states 'The responsibilities of the Performance Assurance Board under the Code are owed exclusively to Trading Parties collectively, and to no other person.'

## 2 Solution

The P275 solution is a Code-only change that aims to clarify the existing responsibilities, functions and powers of the PAB, and consequently the scope of the PAF. It is not intended that the implementation of this change will impact Parties or any other market participants. It merely clarifies and enforces the status quo.

The existing provision 1.6.1 in Section Z specifies that 'the responsibilities of the Performance Assurance Board are owed exclusively to Trading Parties collectively, and to no other person'. The Workgroup considers this to be a statement relating to the ultimate responsibility and liability of the PAB, not a definition of the scope of the PAB's activities. P275 proposes to add a new and separate paragraph, Z1.7, as follows:

### 1.7 Relationship between the Performance Assurance Board and Performance Assurance Parties

- 1.7.1 Subject always to paragraph 1.6.1, the Performance Assurance Board shall have the powers and functions specified in paragraph 1.4 which it may perform (as applicable) in respect of Performance Assurance Parties<sup>1</sup> from time to time.

The rationale for adding this new paragraph 1.7 is that the existing paragraph 1.6.1 is preserved unchanged, so the PAB's responsibilities are unaltered, but the new paragraph clarifies that 1.6.1 does not limit the PAB's scope to the consideration only of issues relating directly to Trading Parties. Paragraph 1.4 sets out the PAB's functions in relation to determining Risk Management and administering Performance Assurance Techniques which apply for all PAPs. The proposed redlined changes to the BSC to deliver the P275 solution can be found in Attachment A.

This change is not intended to have any practical impact on the operation of the PAB/PAF.

<sup>1</sup> Defined in the BSC as a Supplier, Meter Operator Agent, Data Collector, Data Aggregator, Meter Administrator, Licensed Distribution System Operator and/or a Registrant.



### Performance Assurance Framework (PAF)

The PAF is in place to provide assurance that:

- Energy is allocated between Suppliers efficiently, correctly and accurately;
- Suppliers and Supplier Agents transfer Metering System data efficiently and accurately; and
- Calculations and allocations of energy and the associated Trading Charges are performed in line with the requirements detailed in the BSC.



### Performance Assurance Board (PAB)

The PAB uses the Performance Assurance process to identify and evaluate Settlement Risks before deploying Performance Assurance Techniques to Performance Assurance Parties (PAPs) to address identified issues

P275  
Self- Governance  
Modification Report

17 April 2012

Version 0.2

Page 3 of 12

© ELEXON Limited 2012

### 3 Impacts & Costs

#### Costs

ELEXON Cost		Total Cost
Man day	Cost	
01	£240	<b>£240</b>

#### Impacts

Impact on Code	
Code section	Potential impact
Section Z Performance Assurance	See draft legal text in Attachment B.

### 4 Implementation

This is a Code only change which is purely a clarification, and does not require any system or process changes to be implemented. As such the Workgroup recommends an Implementation Date of:

- 16 Working Days following the Panel's final decision if P275 is progressed as a Self-governance change; or
- 10 Working Days following an Authority decision.

### Development of the solution

When P275 was raised the Proposer initially sought to extend the responsibilities of the PAB to all BSC Parties, and broaden the scope of Performance Assurance to include issues with Settlement data that did not directly impact Settlement. This was because the Proposer believed that the PAB did not offer non Trading Parties the same level of consideration that they offered Trading Parties.

The reason for this view was primarily the wording in Z1.6.1 which states 'The responsibilities of the Performance Assurance Board under the Code are owed exclusively to Trading Parties collectively, and to no other person.' Additionally the Proposer thought that the PAB should also consider the risks that Settlement data issues presented to BSC Parties that make use of the data. The Proposer thought that Settlement Risk as defined in the Code precluded this from happening.

However, the Workgroup and Proposer were unable to identify any practical impact that the proposed change would have on the PAB, because its Performance Assurance Techniques already cover BSC Parties and it currently seeks views from a wider constituency of stakeholders than Trading Parties when consulting upon Settlement Risks and its Risk Operation Plan. The Workgroup concluded that Performance Assurance under the BSC may consider performance matters that impact any BSC Parties. However, the debate highlighted that clarity might be required in the BSC so that it clearly aligns with current PAB practice. The current wording in the BSC may create confusion around what the scope and focus of the PAB's activities should be.

The Proposer was therefore minded to develop the P275 solution to provide clarification of the statement in Z1.6.1; such that it makes clear that the powers and functions of the PAB extend to all PAPs.

### Does it add clarity?

The Workgroup discussed whether the proposed new paragraph provides the clarity in the BSC sought by the Proposer. Some of the Workgroup suggested changing the wording to explicitly state that the PAB gives consideration to issues relating to all PAPs and not just Trading Parties. However, the Workgroup noted that the benefit of the proposed wording is that it refers specifically to the interaction of existing provisions, delivering a clear distinction without risking the introduction of ambiguity or subjective descriptions. The Proposer confirmed they were satisfied that the proposed paragraph delivered the clarification sought.

The Workgroup considered whether the new paragraph proposed by P275 should be:

- added to the existing section Z1.4, 'Powers and Functions of the Performance Assurance Board';
- added to the existing section Z1.6, 'Responsibilities owed to Trading Parties alone'; or
- placed in a new, separate section Z1.7.

Some members argued that, though it might deliver the clarification that the PAB acts on behalf of all PAPs, adding the new paragraph to Z1.6 could also make existing provision Z1.6.1 less clear.

The Workgroup considered adding the paragraph into Z1.4, but there was concern that this approach might not make the interaction with Z1.6.1 sufficiently apparent, undermining the benefit of the clarification. Following significant discussion the Workgroup agreed that placing the additional paragraph in a new, separate section was an appropriate approach that would avoid the concerns raised around its inclusion in either of the existing sections. The Workgroup believed that this approach would make it clear that the intention of the new section (i.e. Z1.7) is to clarify the interaction between the PAB's responsibilities being owed solely to Trading Parties (who fund the PAB) and the PAB's powers and function (which extend to a wider constituency, i.e. all PAPs).

The Proposer noted that, given the reduced scope of P275 compared with the original proposal, they did not consider competition considerations (i.e. that would be linked to 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) to be relevant.

A Workgroup member suggested that it might be possible to argue that there could be an element of benefit linked to objective (c), on the basis that the clarification would confirm that the PAB's role includes application of the PAF to Party Agents. Applying the PAF to Party Agents promotes efficiency in Supplier's activities, and this may be considered to promote effective competition among Suppliers. However, the member was dubious of the practical validity of this argument, and neither the member nor the rest of the Workgroup included this reasoning in their initial views against the Applicable BSC Objectives.

## Workgroup's final views

The **majority** of the Workgroup believed that P275 **would better** facilitate the Applicable BSC Objective (d) as:

- Increased clarity in the BSC promotes efficiency in the BSC arrangements.

Of the supporting majority, some Workgroup members believed the clarification would be of real benefit to participants, whereas others felt the benefit would be marginal.

The **minority** of the Workgroup believed that P275 would **not better** facilitate the Applicable BSC Objective (d) as:

- The additional text does not add any clarity to the information already contained in the BSC. P275 is therefore neutral against the objectives.

The Workgroup unanimously agreed P275 is neutral with respect to Objectives (a), (b), (c) and (e).

The Workgroup acknowledged that the Assessment Consultation responses raised no new arguments. They agreed with respondents that the legal text delivers the intention of P275 and that it imposes no impact or costs on BSC Parties.

### Views on BSC Applicable Objectives

The Panel unanimously agreed that P275 should be approved. The Panel agreed with the majority Workgroup view on Applicable BSC Objective (d) that increased clarity promotes efficiency in the BSC arrangements. The Panel also agreed with the Workgroup that the change was neutral with respect to Applicable Objectives (a), (b), (c) and (e).

### Views on Self-Governance

P275 merely provides clarity and does not change the current BSC arrangements. The Panel therefore agreed that the Proposed Modification meets the Self-Governance Criteria and should be progressed via Self-Governance.

### Views on Implementation Date and legal text

The Panel unanimously agreed with the Implementation Date proposed by the Workgroup, and with the Workgroup's redlined changes to the Code.

### Summary

The full responses to the P275 Report Phase Consultation are available on the [P275](#) page of the ELEXON website. We received six responses. The results are summarised below:

Summary of P275 Report Phase Consultation responses		
Questions		Response
1.	Do you agree with the Panel's view that the Proposed Modification should be approved?	Yes: 5 No: 1
2.	Do you agree with the Panel's suggested Implementation Date?	Yes: 6 No: 0
3.	Do you agree that the legal text delivers the intention of P275?	Yes: 6 No: 0
4.	Do you agree with the Panel that P275 meets the Self Governance Criteria?	Yes: 6 No: 0
5.	Do you have any further comments on P275	Yes: 2 No: 4

### Support for P275

The majority of respondents supported the Panel's view that P275 should be approved and unanimously agreed the legal text. One respondent noted that clarifying that LDSOs' (i.e. non Trading Parties) issues are a responsibility of PAB delivers the intention of P275. Another agreed that the increased clarity promotes efficiency in the BSC arrangements.

### Should P275 have got this far?

The respondent who disagreed with the Panel's view that P275 should be approved did so on the grounds that the modification is in their opinion so altered from its original intent that a new Modification should be raised instead. They also believe that the Modification is not necessary and implementing it does not change the way the Parties or ELEXON behave.

Regarding the first point about the intent of the Modification; whilst we have some sympathy that the journey of this Modification has not been the most straight forward we do not believe that it is necessary to withdraw or reject this proposal in order to raise a new change. Under 'Proposer ownership' the Proposer has the right to amend their solution from that originally detailed in the Modification form as long as it meets the issue identified. The original issue identified in P275 was that the proposer sought that the BSC Performance Assurance Framework should consider performance matters regardless of whether the Party is a Trading Party and regardless of the direct impact on Settlement. The P275 solution accomplishes this by providing clarification that the PAF can consider such matters.

### Self-Governance Criteria

Respondents unanimously agreed with the Panel that P275 meets the Self Governance Criteria. Respondents noted that the change is for clarification purposes only and doesn't change any conditions of the Code or obligations on Parties.



## Other comments

Two respondents questioned whether the benefits of the Modification outweighed the costs of progressing the change considering the solution was in essence a wording change with minimal impact.

A respondent also believed that ELEXON as critical friend should have said there was no defect in the BSC and stopped this modification from going to the Panel.

We can appreciate that there is some frustration within the industry that a simple clarification change has taken up a portion of industry time. We apologise that we did not identify the scope of the PAF powers when the Modification was raised and we regret any inconvenience this may have caused. However, it is worth noting that there is indeed an issue of clarity in this section of the Code since it was not immediately apparent to either ELEXON or the workgroup that a defect did not exist. The Modification is therefore a valid one. We would also note that the estimated progression costs in the IWA were based upon 4 workgroup meetings and 2 consultations. In reality P275 had 1 Group meeting, 1 teleconference call and 1 consultation which reduces the estimated industry costs. With this in mind we do believe it would be beneficial to review how such estimated costs are calculated and their use to the industry.

## 8 Panel's Final Discussion

### Self-Governance Criteria

The Panel continues to unanimously believe that P275 satisfies the Self-Governance Criteria.

At the Panel meeting, Ofgem confirmed that it has considered the arguments and does not object to Self-Governance for P275.

### Applicable BSC Objectives

The Panel continues to unanimously believe that P275 better facilitates the Applicable BSC Objective (d) for the reasons given in Section 6.

### Implementation Date

The Panel has **approved** P275 for implementation. Parties have until Friday 4 May 2012 to appeal this decision to Ofgem.

The Panel's approved Implementation date for P275 is Tuesday 8 May 2012.

### Legal text

The Panel has approved the drafting to the Code. A copy of the approved drafting can be found in Attachment B.

## 9 Panel Decisions

The Panel has:

- NOTED Draft Modification Report;
- CONFIRMED views on Applicable BSC Objectives;
- CONFIRMED that P275 meets Self-Governance Criteria;
- APPROVED P275;
- APPROVED Implementation Date:
  - 16 WD after approval; or
  - 10WD after Authority decision;
- APPROVED the BSC legal text;
- APPROVED the Self-Governance Modification Report; and
- NOTED that the appeal window closes 15WD after ELEXON's notification of the Panel's decision (4 May 2012).

## 10 Further Information

More information is available in:

Attachment **A**: Assessment Consultation Responses

Attachment **B**: Legal Text Proposed

Attachment **C**: Report Phase Consultation Responses

A complete version of the Report Phase consultation responses, the P275 Assessment Report, and all other related document are available on the [P275](#) page of the ELEXON website.



## Initial estimate of industry progression costs from the IWA

Estimate of total industry assessment costs – Initial Written Assessment					
Workgroup support	Est #mtgs	Est #att	Est effort	Est rate	Sub-total
	4	6	1.5	£605	£21,780
Consultation response support	Est #cons	Est #resp	Est effort	Est rate	Sub-total
	2	6	2.5	£605	£18,150
<b>Total costs</b>					<b>£39,930</b>

## Industry Assessment Costs

Industry Workgroup support and consultation response costs represent an approximation of industry time and effort in attending Workgroup meetings and responding to consultations.

The initial calculation is based upon an estimate of how many attendees we expect to attend each meeting and how many responses we expect to receive to each consultation.

## Updated estimate of industry progression costs

Estimate of total industry assessment costs – Modification Report					
Workgroup support	Meeting	Act #att	Est effort	Est rate	Sub-total
	1	14	1.5	£605	£12,705
	2 (15 min teleconference)	9	0.1	£61	£545
Consultation response support	Consultation	Act #resp	Est effort	Est rate	Sub-total
	Assessment	7	2.5	£605	£10,588
	Report	6	2.5	£605	£9,075
<b>Total costs</b>					<b>£32,913</b>

The updated calculation is based on the actual number of attendees at each meeting and the actual number of responses received to each consultation.

The calculations assume that each attendee will require 1.5 man days of effort per meeting and each response will take 2.5 man days of effort, multiplied by a standard rate of £605 per man day.