

<p align="center"><b>Modification Proposal – BSCP40/03</b></p>	<p><b>MP No: 330</b> (mandatory by BSCCo)</p>
<p><b>Title of Modification Proposal:</b></p> <p>Allowing ELEXON to tender for the Uniform Network Code Gas Performance Assurance Framework Administrator (PAFA) role</p>	
<p><b>Submission Date :</b> 1 December 2015</p>	
<p><b>Description of Proposed Modification</b> <i>(mandatory by originator)</i></p> <p>This Modification Proposal aims to implement a solution within the BSC that will allow ELEXON to tender for the role of the Gas PAFA under the Uniform Network Code. This prospect was discussed through <a href="#">Issue 62 ‘Amending the BSC arrangements to allow ELEXON to tender for the Uniform Network Code Gas Performance Assurance Framework Administrator (PAFA) role’</a>, where a number of BSC Parties attended to consider the questions raised by ScottishPower, as the Proposer of Issue 62.</p> <p>This Modification Proposal considers that at least <a href="#">Section C ‘BSCCo Subsidiaries’</a> of the BSC will need to change in order to facilitate ELEXON’s ability to bid for the role of the gas PAFA. The Proposer believes that the Proposal should be assessed and developed by a suitable industry Workgroup. However, there are a number of principles that the Proposer would like to see in the solution:</p> <ul style="list-style-type: none"> <li>• The decision whether to bid for the PAFA work should sit with the ELEXON Board, as should the decision on whether or not a margin would be applied to any bid</li> <li>• There should be no cross subsidy between different ELEXON services for the cost of delivery of the PAFA</li> <li>• There should be cost ring-fencing for delivering the PAFA service, with ELEXON resources being shared</li> </ul> <p>As discussed through Issue 62, there are already two different models contained within the BSC for the delivery of services additional to the core BSC services. These are the Warm Home Discount (WHD) and the Electricity Market Reform (EMR) Settlement Service Provider work. In addition <a href="#">P284 ‘Expansion of ELEXON’s role via the ‘contract model’</a> also introduced provisions to allow for a contract model to be enacted.</p> <p>Whilst the Proposer believes that either the WHD and EMR Settlement Service Provider arrangement could be used as a basis for this Modification Proposal, the P284 arrangements are seen as unnecessarily detailed, given the scale of the Gas PAFA work. It is worth highlighting that the tender and delivery for the Gas PAFA will be significantly less complex than the Data and Communications Company (DCC) work to which P284 originally related. There is a working assumption under the UNC that the procurement for the Gas PAFA, if</p>	

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<p>MOD506 is approved by Ofgem, will be under the current <a href="#">Official Journal of the European Union</a> (OJEU) value (approximately £350k)<sup>1</sup> and will therefore be outside of the OJEU process.</p> <p>As ELEXON is not for profit Parties may be asked to fund the bid. Consideration will have to be given to how the bid is funded and whether the costs of the bid would be recovered, given that there is no guarantee that ELEXON will be successful in winning the PAFA contract (with one solution being that costs are written off).</p>	
<p><b>Description of Issue or Defect that Modification Proposal Seeks to Address</b></p> <p>Under the gas Uniform Network Code (UNC) two modifications (<a href="#">MOD506 and MOD506A</a>) seek to introduce performance assurance arrangements into the gas market for the first time.</p> <ul style="list-style-type: none"> <li>• MOD506, which has been raised by ScottishPower, would see a competitive tender exercise run by the Gas Transporters to appoint an independent administrator (the PAFA) for an initial period of 2 years.</li> <li>• MOD506A, raised by SSE, would give this role to Xoserve for 3 years.</li> </ul> <p>The UNC Modification Panel has recommended implementation of both modifications and Ofgem has the modifications for determination. Ofgem has indicated that it hopes to make a decision on the modifications by Christmas 2015.</p> <p>ELEXON obviously has significant experience and understanding of performance assurance techniques in the energy environment and has transferable skills and knowledge that would potentially meet the criteria for the appointment of the PAFA, should Ofgem approve MOD506. In light of the prospect of a PAFA role potentially being available for tender, it would be beneficial for ELEXON to be able to tender for this prospective role to apply its experience, skills and knowledge for the benefit of the energy industry; the BSC does not currently allow this.</p> <p>The Gas Transporters have advised that under MOD506, they would use their Agent, Xoserve, to undertake the tender process and therefore render Xoserve unable to bid for the PAFA work. However it is expected that there would be a number of other parties who would tender for the role of the gas PAFA.</p> <p>Following discussion of Issue 62, which was raised by ScottishPower to consider this matter, ScottishPower is seeking to change the BSC arrangements to allow ELEXON to bid for the contract to be the gas PAFA. Modifications 506 and 506A are seeking implementation as soon as possible, with a view to getting a gas PAFA operational in time for implementation of Project Nexus (re-development of the central gas settlement system) on 1st October 2016. It was therefore recognised under the Issue 62 discussion that time was of the essence in</p>	

<sup>1</sup> <http://www.ojec.com/thresholds.aspx>

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<p>considering a modification proposal to the BSC, if ELEXON were to meet the timetable for the gas PAFA tender (should there be one). Any solution developed under this Modification should therefore carefully consider the implementation timescale.</p>	
<p><b>Impact on Code</b></p> <p>The proposed changes will mainly impact on Section C of the BSC.</p>	
<p><b>Impact on Core Industry Documents or System Operator-Transmission Owner Code</b></p> <p>No impact is envisaged on Core Industry Documents or SO-TO Code.</p>	
<p><b>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties</b></p> <p>No impact is envisaged on BSC Systems or any other systems and processes.</p>	
<p><b>Impact on other Configurable Items</b></p> <p>No impact is envisaged on any Configurable Items.</p>	
<p><b>Justification for Proposed Modification with Reference to Applicable BSC Objectives</b></p> <p><i>(d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements</i></p> <p>There would be potential benefits to the energy industry and BSC Parties, if ELEXON were able to bid for the role of the gas PAFA. In particular it would be a step in moving to dual fuel arrangements in the energy market, where common processes are placed with a single entity to derive a common understanding, practices, synergies, cost efficiencies and ultimately consumer benefit. Through Issue 62 discussion attendees also recognised that:</p> <ul style="list-style-type: none"> <li>• Sharing the fixed costs of ELEXON across the gas PAFA service would allow costs to the BSC Parties to be defrayed</li> <li>• Some parties cite the simplicity of the gas market arrangements, when compared to electricity arrangements. Therefore, ELEXON getting first-hand experience of the gas arrangements may enabled it to identify and implement changes to better improve the electricity arrangements in the future</li> <li>• Bidding for the gas PAFA work may be able to give a view to BSC Parties of the competitiveness of ELEXON in delivering their existing obligations and be used to consider efficiencies</li> </ul>	
<p><b>Is there a likely material environmental impact? No</b></p>	

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<b>Urgency Recommended:</b> No	
<b>Justification for Urgency Recommendation</b>  Although this modification proposal is not seeking urgent status, the BSC Panel are asked to note that the gas PAFA could go out to tender within a month/couple of months of Ofgem making a decision on MOD506/A (decision anticipated to be end of December 2015). The BSC Panel may therefore wish to take this into account when agreeing the progression of this modification.	
<b>Self-Governance Recommended:</b> No	
<b>Justification for Self-Governance Recommendation</b> N/A	
<b>Fast Track Self-Governance Recommended:</b> No	
<b>Justification for Fast Track Self-Governance Recommendation</b> N/A	
<b>Should this Modification Proposal be considered exempt from any ongoing Significant Code Reviews?</b> Yes. This Modification Proposal has no bearing on any current SCR.	
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<b>Attachments:</b> No	