



## BSC Panel 193 Minutes

---

<b>Meeting Name</b>	BSC Panel		
<b>Date of Meeting</b>	12 January 2012		
<b>Meeting Number</b>	193		
<b>Venue</b>	ELEXON Ltd, 350 Euston Road, London NW1 3AW		

---

<b>Attendees</b>	Andrew Pinder	AP	BSC Panel Chairman
	Richard Brealey	RB	Deputy Chairman
	Phil Baker	PB	Independent Panel Member
	Duncan Carter	DC	Consumer Panel Member
	Andy Colley	AC	Industry Panel Member
	Nigel Cornwall	NC	Industry Panel Member
	Stuart Cotten	SC	Industry Panel Member
	David Lane	DS	DSO Representative
	Ian Pashley	IP	Transmission Company Panel Member
	Moira Siddons	MS	Independent Panel Member
	Barbara Vest	BV	Industry Panel Member
	John Stewart	JS	Industry Panel Member Alternate (for Peter Bolitho)
	Jon Dixon	JD	Ofgem Representative
	Sarah Bradbury	SB	Ofgem Representative
	Collette Baldwin	JL	E.ON (P281 Proposer)
	Dorcas Batstone	DB	ELEXON
	Peter Haigh	PH	ELEXON
	Nicola Dempsey	ND	ELEXON
	Victoria Moxham	VM	ELEXON
	Adam Richardson	AR	ELEXON
	Adam Lattimore	AL	ELEXON (part meeting)
	Kathryn Coffin	KC	ELEXON (part meeting)
	Michael Edwards	ME	ELEXON (part meeting)
	David Jones	DJ	ELEXON (part meeting)
	Lawrence Jones	LJ	ELEXON (part meeting)
	Chris Rowell	CR	ELEXON (part meeting)
Ian Scougal	IS	ELEXON (part meeting)	
Anna Millar	AM	ELEXON (part meeting)	
Steve Wilkin	SW	ELEXON (part meeting)	

---

<b>Apologies</b>	Peter Bolitho	PB	Industry Panel Member
	Richard Hall	RH	Consumer Panel Member

---

### Administration

#### 1. Apologies - Verbal

- 1.1 Apologies were received from Peter Bolitho and Richard Hall. John Stewart was attending as Peter's alternate.

## Modification Business

### 2. Report of Progress of Modification Proposals – Verbal

- 2.1 The Modification Secretary gave a verbal update on the progress of the Modification Proposals and informed the Panel that Modification P279: 'Correcting the BSC description of the CDCA to SVAA interface for GSP Group net export' was implemented on 10 January 2012.
- 2.2 The Panel was also informed of a delay to Modification P276 'Introduce an additional trigger/threshold from suspending the market in the event of a Partial Shutdown' due to the workgroup requiring more time for some additional analysis before it can determine the appropriate market suspension threshold. It will therefore come back before Panel in April instead of March. Ofgem confirmed that it did not object to this extension.
- 2.3 The Panel was also updated on the progress of Issue 43, which will be presented at the Panel in February rather than January as originally planned.

### 3. P272: 'Mandatory Half Hourly Settlement for Profile Classes 5-8' Assessment Report – 193/04

- 3.1 The BSC does not currently obligate the use of Half Hourly Settlement for Meters in Non Half-Hourly Profile Classes 5-8. However, some Metering Equipment is already capable of capturing Half Hourly data, and by 2014 the vast majority for such Meters will be capable due to the roll out of 'advanced' Meters with Half-Hourly and remote-reading capability. P272 proposes to make Half Hourly Settlement mandatory for Profile Classes 5-8, as the use of Non Half Hourly data is not as accurate and masks individual customer behaviour.
- 3.2 ELEXON (AL) updated the Panel on the progress of this modification. The Workgroup noted that it is hard to estimate an accurate cost for the industry of making this change and it has also been difficult to quantify the benefits associated with a move to HH Settlement for Profile Classes 5-8 Metering Systems. This is due to the industry's lack of a 'road map' for the changes and because there are differing pieces of work happening simultaneously. This has led to participants relying heavily on assumptions which may prove to be in error. The Panel noted that the PSRG had also found this analysis difficult to complete due to the large number of assumptions that need to be made. The Workgroup had listed the benefits and disadvantages without an extensive cost benefit analysis.
- 3.3 JD stated that Ofgem's view was that there needed to be more work on the quantifiable benefits of adopting P272. He noted that Ofgem expects to perform a Regulatory Impact Assessment (RIA) in relation to P272 and that there are a number of matters outside the BSC that relate to the implementation of Smart metering which are currently in flux. Ofgem is concerned that the Modification Workgroup is able to take account of



these matters as they crystallise to ensure that the Assessment Report is as relevant as possible when Ofgem is in a position to provide this information.

- 3.4 The chairman asked the Panel to consider Ofgem's request. AR confirmed that the Panel is able to send P272 back into the Assessment Phase under the BSC. The Panel would need to confirm this to the P272 Workgroup, explaining the decision and would need to set out any additional Terms of Reference for the Workgroup and the timeframe for its completion.
- 3.5 DL stated that he was pleased to accept the recommendation of Ofgem, rather than rejecting the Proposed Modification outright. NC noted that the P272 Workgroup had recommended a rejection without a clear cost benefit analysis, which in light of the drive from Government on Smart metering seems short sighted. If the Workgroup wasn't able to accurately conduct a cost benefit analysis then advice from the Regulator is vital especially if P272 raises issues concerning cross subsidy and customer costs.
- 3.6 Panel Members sought reassurance from Ofgem that the intention of this action was not to 'kick P272 into the long grass and forget about it'. JD stated that the opposite was true, Ofgem want the issues raised by P272 to be rigorously examined and there isn't enough information available to do that effectively now but there will be during the summer.
- 3.7 AP asked Ofgem to set a firm date for restarting the work on P272. JD stated Ofgem's intention to present a report at the March 2012 Panel meeting to detail any additional information and analysis that it believes should be taken into account by the Workgroup (including any assumptions or data that it would like to be included in this investigation) along with a timetable that takes account of related work progressing outside the BSC.

### **Action: Ofgem paper to the Panel March 2012 193/01**

- 3.8 A Panel Member agreed that there isn't enough data for P272 to be examined in depth and was concerned that, given the amount of information that is currently unavailable, this Modification had been raised too early which could mean that it will not address the issues that it is intended to resolve.
- 3.9 The Proposer was invited by the Chairman to give his view, which was that this modification will address the need for change and prompt parties to start making that change.
- 3.10 A Panel member said that the report should better examine the benefits of P272 and quantify these benefits. The Panel member felt that the P272 report focused too heavily on the costs. The Panel felt that this was disappointing as the Government has published work about the costs and benefits associated with advanced meters, which should have been used by the workgroup.
- 3.11 A Panel Member asked ELEXON to explain why the conclusion of the workgroup was the opposite of the responses to the consultation. ELEXON explained that the 15 member workgroup did consider the responses to the 2 consultations but that their view was not to support P272 and this is reflected in the report.

## 3.12 The Panel:

- **REJECTED** the Workgroup's recommendation to progress Modification P272 to the Report Phase;
- **AGREED** that Proposed Modification P272 should stay in the Assessment process;
- **NOTED** that Ofgem undertook to report to the Panel at the March 2012 meeting to detail any additional information and analysis that it believes should be taken into account by the Workgroup (including any assumptions or data that it would like to be included in this investigation) along with a timetable that takes account of related work; and
- **AGREED** that the Panel will determine the revised timetable and Terms of Reference for the Modification Proposal P272 Workgroup in light of this feedback from Ofgem.

## 4. P281 Change of BSCCo Board of Directors & Chairman – 193/05

### 4.1 P281 seeks to change the make-up of the Balancing and Settlement Code Company (BSCCo) Board of Directors, to

- Allow BSC Parties a more active say in the management and oversight of BSCCo; and
- Ensure the appropriate separation of the BSCCo Board from the management of ELEXON Limited, should ELEXON be permitted to diversify its activities.

4.2 AP stated that as this Proposed Modification was about the appointment of the Chair, he was happy to hand over to the Vice-Chair for the discussion if the Panel felt it was. The Panel unanimously agreed that AP should remain as Chair for this discussion.

4.3 CB gave an overview of the purpose of P281 and ELEXON gave an overview of the proposed Terms of Reference and the recommended progression timescales

4.4 MS said that she was concerned that this modification was too early. Although she agrees that these issues need to be discussed, nothing should be changed until Ofgem makes a decision about ELEXON's governance and vires. NC agreed that the issues needed to be discussed and it was his view that P281 is a good way of starting the debate.

4.5 JD stated that Ofgem is confident that its decision on ELEXON's governance and vires will be available soon (probably by 03 February 2012) and he would like to ensure that the Assessment Phase could take this into account.

4.6 AP said that he thought the general consensus of the Panel was that the work on P281 should start immediately but should have a longer assessment period of 4 months so the workgroup can include and



results of Ofgem's report on ELEXON's governance and vires. He asked CB for her opinion and she confirmed that this was acceptable to her.

- 4.7 The Panel felt it unnecessary for the Modification Workgroup to analyse previous BSCCo Board decisions to quantify how many had been unanimous or carried by majority.
- 4.8 A Panel member requested that the Modification Workgroup take account of any relevant legal requirements regarding the constitution of Boards and the role of Board Directors, any published guidance on good corporate governance (e.g. the UK Corporate Governance Code) and the role of non-executive company Directors (for example, guidance published by the Institute of Directors).
- 4.9 A Panel member requested that the Modification Workgroup consider if Industry Panel Members should also be able to act as BSCCo Board Directors. The Panel endorsed this and also asked the workgroup to consider whether or not it is appropriate for any independent experts appointed by the Board to be able to vote on Board business.
- 4.10 The BSC Panel:
- a) **DETERMINED** that Modification Proposal P281 progresses to the Assessment Procedure for further consideration by a Workgroup;
  - b) **AGREED** that the Workgroup should complete and submit its Assessment Report to the Panel by its meeting on 12 April 2012;
  - c) **AGREED** that the invitation for P281 Workgroup membership should be open to all BSC Parties and other interested parties;
  - d) **AGREED** that P281 has no interaction with any ongoing Significant Code Review;
  - e) **AGREED** that P281 does not meet the Self-Governance Criteria; and
  - f) **AGREED** the Workgroup's Terms of Reference with the amendments noted above.

## Non-Modification Business: Open Session

### 5. Minutes of Meeting 190 & Actions Arising - Verbal

- 5.1 ELEXON gave an update on the actions. The Panel agreed the minutes from Panel 190, subject to the inclusion of some minor clarifications provided by SC. BV confirmed she had reviewed the minor amendments to the minutes from Panel 189 and was content with the changes. The Panel agreed the minutes from Panel 189.



## 6. Chairman's Report – Verbal

6.1 The Chairman had nothing to report

## 7. ELEXON Report – 193/01

7.1 PH updated the Panel on the European Energy Regulation REMIT (Regulation on Energy Market Integrity and Transparency) and the discussions between ELEXON and National Grid about use of the BMRS to meet the European Fundamental Electricity Data Transparency Guidelines. Also on 15 December, DECC published its Technical Update of EMR. ELEXON was pleased to see that DECC had recognised ELEXON's skills and expertise in potentially managing payment mechanisms, and that its excellent track record for delivery has been acknowledged. There was a positive response to our Draft Business Plan at the workshop held on 9 January.

7.2 A Panel member noted the work progressing under the CUSC which may impact the BSC Residual Cashflow Reallocation Cashflow (RCRC) mechanism. IP confirmed that it was National Grid's intention to get ELEXON involved in this work in order to manage any interactions with the BSC.

### Smart Update:

7.3 CR gave an update on Smart. DECC published a revised delivery plan on 23 December 2011. This plan describes the key activities through to 2014.

7.4 The Panel noted that there are three main areas of change:

- **The Development of the Smart Meter Technical Specifications (SMETS):** The Government now plans to notify the SMETS to the European Commission in March 2012 and will be based on the Industry Draft Technical Specifications (IDTS). This will be followed by a second notification at the beginning of 2013, to ensure that all technical issues raised by consultation are resolved.
- **The DCC Service Provider Procurements:** The procurement process will now be divided into three sections rather than one as originally envisioned
- **The DCC Award Process:** Instead of beginning in Q2 of 2012 and completing in Q4 of 2012, the DCC award process will now begin in Q3 of 2012 and complete in Q2 of 2013, this will impact the planning assumptions in ELEXON's 2012-13 Budget and ELEXON is assessing the impact.

### Supplier Exemption Consultation

7.5 On 22 December 2011 DECC issued an open letter consulting on allowing a potential exemption for small Suppliers for certain rollout obligations. The basic proposition is that Suppliers with less than 250,00 customers would not be required to replace 'Advanced Domestic Meters' that were installed between March 2012 and the time that DECC SMETS come into force.

- 7.6 CR confirmed when asked by a Panel member that ELEXON is considering a response to this open letter and will reply by the deadline of 27 January 2012.

## Smarter Markets

- 7.7 On 15 December 2011, Ofgem issued a consultation on Promoting Smarter Energy Markets. This consultation is intended to help scope a strategy for how energy markets should develop off the platform of smart metering.
- 7.8 There are 8 proposals and ELEXON will develop a comprehensive and supportive response by the consultation deadline of 8 March 2012.

## Smarter Grids

- 7.9 The DECC/Ofgem Smart Grids forum has structured its work programme in five workstreams.
- 7.10 Workstream 3 has already published a detailed report and identifies 12 'solution sets'. These sets will require new commercial arrangements. The ELEXON smart programme will, as the shape of the required commercial framework evolves, assess whether it should seek a more formal position in the debate.

## 8. Distribution Report - Verbal

- 8.1 DL said there was nothing further to mention at this meeting which had not already been discussed.

## 9. National Grid Update - Verbal

- 9.1 IP updated the Panel on the Electricity Codes Manager role. Currently he is standing in the role for David Smith who is on secondment. National Grid will shortly commence the process of recruiting a permanent replacement for David and IP will report the outcome at the next available Panel following confirmation of the successful applicant.

## 10. European Update from Ofgem - Verbal

- 10.1 JD updated the Panel on latest EU developments.

## 11. Report from the ISG – 193/01a

- 11.1 The Panel noted the report from the ISG.

## 12. Report from the SVG – 193/01b

- 12.1 The Panel noted the report from the SVG.

## 13. Report from the PAB – 193/01c



13.1 The Panel noted the report from the PAB.

**14. Report from the TDC – 193/01d**

14.1 The Panel noted the report from the TDC.

**15. Report from the PSRG – 193/01e**

15.1 The Panel noted the report from the PSRG.

**16. Report from the JESG**

16.1 The Panel noted the report from the JESG.

**17. Trading Operations Report – 193/02**

17.1 The Panel noted the Trading Operations Report.

**18. Change Report – 193/03**

18.1 The Panel noted the Change Report.

**19. Approval for publication for comment of the Draft Business Plan – 193/06**

19.1 The Panel was invited to provide consent to ELEXON to vary the timetable for production and approval of the BSCCo Business Strategy prescribed in the BSC.

19.2 The BSC Panel:

a) **CONSENTED** to BSCCo varying the timetable for approval of the Business Strategy.

**20. Update on a non compliant energisation of a new circuit at Tilbury GSP and additional non compliant energisation of a new circuit at Rayleigh GSP – 193/07**

20.1 As highlighted at the December 2011 Panel meeting the Transmission Company has, on five occasions within the last 15 months, energised TSBP and GSP circuits prior to the necessary registration requirements being completed.

20.2 AM updated the Panel on the issues surrounding non compliant energisations, three of these have given rise to Trading Disputes with a combined materiality of circa minimum £1.2 million. AM also informed the Panel of the Rayleigh GSP energisation, which was energised on 20 December 2011, despite an explicit instruction not to do so. This has also resulted in a Trading Dispute being raised. Elexon is currently investigating the materiality of this Trading Dispute.



- 20.3 AM asked the Panel to note that ELEXON is working closely with National Grid to resolve these issues.. On 19 January 2012, it is holding a workshop with National Grid to review the energisation process and to ensure that National Grid is aware of its obligations under the BSC
- 20.4 IP agreed with other Panel members that the situation is unacceptable. He confirmed that he has spoken to the responsible manager, who has informed him that the issues are due to staff changes and has assured IP that he is overseeing changes to ensure that the process for energisation is adhered to in future.
- 20.5 A Panel member noted that non compliant energisation causes difficulty for BSC Parties. They also suggested that a BSC Party who was consistently in breach of the BSC like this would have been subject to the Performance Assurance Framework provisions and the matter brought to the attention of senior management within the non-compliance organisation. Accordingly, the Panel asked the Chairman to write to National Grid.
- 20.6 The Panel noted that failing to ensure all BSC registration requirements are met prior to any energisation constitutes a breach of the Transmission Licence. JD agreed that National Grid should be treated with the same impartiality that the Panel treats all Parties but was re-assured that National Grid is taking action to address this problem.

**Action: AP to send a letter to National Grid Chairman 193/02**

- 20.7 The BSC Panel:
- a) **NOTED** the information contained in this paper;
  - b) **NOTED** the next steps proposed by ELEXON; and
  - c) **NOTED** that ELEXON will provide an update on the progress of future registrations against the Transmission Company's action plan.

**21. New EU Requirements for Reporting of Electricity Market Data – 193/08**

- 21.1 SW updated the Panel on the new reporting requirements and their potential impact on the BSC. ELEXON is currently working with National Grid to see if the Grid Code and BSC can be used to deliver an enduring solution for the Transparency Guidelines via the BMRS. This would require a Modification to the Code. REMIT inside information requirements are being linked with the Transparency Guidelines so a similar GB Codes/BMRS route to facilitate industry disclosure of inside information may be efficient. If this were the case then due to progression timescales, any Modification proposal would need to be raised in Q1 of 2012 to allow it to be in place by June 2013, which is the date by which the national regulators must have enforcement powers under REMIT.



- 21.2 SW also informed the Panel that the ELEXON Portal platform could be used to assist the industry as an interim solution for disclosing inside information. This solution could be delivered quickly and would have minimal cost.
- 21.3 A Panel member said that this might present an issue for companies because you need to register to get information. There may also be a delay in providing the information to ELEXON and it being published on the Portal when compared to publication of such data on a Party's own website<sup>1</sup>. This delay or a failure of a third party platform, such as the ELEXON Portal, could mean that the Party is liable for a breach of the regulations about publishing through no fault of their own.
- 21.4 SC said that this is an area where guidance was required from Ofgem.
- 21.5 PH asked the Panel if they thought that ELEXON should set a mechanism on the Portal for this. Panel members did not think that it was worth doing.
- 21.6 JD asked the Panel whether, if a Party were to request this ELEXON Portal service from ELEXON, would the Panel have a view on this. Some Panel members had concerns whether ELEXON would take on liability in this case.
- 21.7 The BSC Panel:
- d) **NOTED** that ELEXON is investigating the possibility of making the ELEXON Portal available to Parties as an interim solution for them to disclose inside information (as required by REMIT).

## 22. Any Other Business

- 22.1 There was no other business raised.
- 22.2 The next meeting of the BSC Panel will be on 9 February 2012, at 10am

---

<sup>1</sup> Post meeting note: the ELEXON Portal solution would involve parties self publishing on a message board part of the ELEXON Portal.