



TERMS OF REFERENCE

(Version 5.0)

GOVERNANCE STANDING MODIFICATION GROUP

1 Establishment of the Group

1.1 Establishment

1.1.1 The Governance Standing Modification Group (the Group) is established by the BSC Panel, on a standing basis, as a Modification Group pursuant to Section F2.4 of the Balancing and Settlement Code (BSC).

1.1.2 The Group will continue until such time as it is dissolved by the Panel.

1.1.3 The Group shall not be a Panel Committee for the purposes of Section B5 of the BSC.

1.2 Role and Objectives

1.2.1 The Group is established in order to carry out a Definition Procedure and/or Assessment Procedure in respect of a single Modification Proposal or a number of Modification Proposals pursuant to Section F2.5 and/or F2.6 of the BSC, whose subject matter falls into the area or areas as follows:

- Accession;
- Panel and Panel Committees;
- BSCCo;
- BSC Agents;
- Modification Procedures;
- Default arrangements;
- Confidentiality and intellectual property;
- Liability;
- Dispute resolution;
- BSC Cost Recovery and Participation Charges.

1.2.2 The specific terms of reference for the Modification Proposal(s) being considered by the Group are provided as annexes to these terms of reference. Each Annex includes the issues for discussion which were identified in the Initial Written Assessment (IWA) and is augmented by any special instructions, clarification or guidance provided by the Panel.

1.2.3 In accordance with Section F2.4.13(d) of the BSC, the Group is authorised to consider issues generally related to the relevant areas of subject-matter designated to the group as listed in paragraph 1.2.1.

- 1.2.4 In conducting its business, the Group shall have due regard to the following objectives contained in Section F1.2.2 of the BSC (as if references to the Panel were references to the Group):

The Panel shall endeavour at all times to operate the Modification Procedures:

- a in an efficient, economical and expeditious manner, taking account of the complexity, importance and urgency of particular Modification Proposals; and
- b with a view to ensuring that the Code facilitates achievement of the Applicable BSC Objective(s)¹.

2 Composition and appointment of the Group

2.1 Group Chairman

- 2.1.1 The Panel shall appoint one of the members of the Group to act as chairman of the Group, and the Panel may change the chairman of the Group from time to time as it sees fit. Unless otherwise directed, the chairman will be employed by BSCCo.

2.2 Group Members

- 2.2.1 The Group shall comprise at least 5 members selected from a standing list maintained by the BSCCo, and augmented in accordance with instructions from the Panel, for their relevant experience and/or expertise in the areas forming the subject-matter of the Modification Proposal(s) to be considered by such Modification Group (and the Panel shall ensure, as far as possible, that an appropriate cross-section of experience, interests and expertise is represented on such Modification Group).

- 2.2.2 The Panel shall delegate authority to the Panel Chairman (and if he is absent or unavailable at the relevant time, to the Modification Secretary) to approve the standing list of potential members as described in paragraph 2.2.1 and to agree any changes to this list.

- 2.2.3 In addition to the members appointed by the Panel pursuant to paragraph 2.2.1:
- a the Proposer of each Modification Proposal to be considered by the Group shall be entitled to appoint one member of the Group for the purposes of that Modification Proposal only;
 - b the Transmission Company shall be entitled to appoint one member of the Group (unless the Transmission Company is the Proposer, in which case paragraph (a) applies); and
 - c unless the Panel otherwise determines, the Panel shall appoint at least one additional member of each Modification Group who shall be an employee of BSCCo, and BSCCo shall make appropriately qualified BSCCo staff available for this purpose.

- 2.2.4 The Panel may add further members to the Group at any time.

¹ For information, the Applicable BSC Objectives are set out in paragraph 3 of Condition C3 of the Transmission Licence and are as follows:

- a) The efficient discharge by the licensee [i.e. the Transmission Company] of the obligation imposed upon it by this licence [i.e. the Transmission Licence];
- b) The efficient, economic and co-ordinated operation of the GB Transmission System;
- 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;
- d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

2.2.5 The Panel may (but shall not be obliged to) replace any member of the Group at any time if, in the Panel's opinion, such member is unwilling or unable for whatever reason to fulfil that function and/or is deliberately and persistently disrupting or frustrating the work of the Group.

2.2.6 The membership of the Group as a whole shall be reviewed at any time deemed appropriate by the Panel.

2.3 Group Secretary

2.3.1 There shall be a secretary (i.e. the Lead Analyst) to the Group who shall be a person nominated and provided by BSCCo and approved by the Modification Secretary.

2.4 Representative of the Authority

2.4.1 A representative of the Authority may attend and speak at any meeting of the Group.

3 Duties of Group Members

3.1 General

3.1.1 Members of the Group shall act in accordance with these terms of reference as determined (and, if applicable, changed) by the Panel.

3.2 Impartiality

3.2.1 Members of the Group shall act impartially and shall not be representative of a particular person or class of persons (and, accordingly, no member shall agree to follow or be bound by the instructions of any person or body, other than the Panel pursuant to Section F of the BSC, in the exercise of his functions as a member of the Group).

3.3 Availability

3.3.1 Prior to being appointed as a member of the Group:

- a each proposed member of the Group shall be required to confirm to the Panel that he/she will be available as required throughout the relevant Definition Procedure or Assessment Procedure for the Modification Proposal(s) being considered by the Group, to attend Modification Group meetings, to consider issues in the designated subject areas specified in paragraph 1.2.1 and to carry out work to be undertaken outside meetings as necessary; (including reviewing any documentation produced by or on behalf of the Group); and
- b where the proposed member is employed, he shall provide to the Modification Secretary a letter from his employer agreeing that he may act as a member of a Modification Group, and that the requirements of paragraph 3.2 shall prevail over his duties as an employee.

3.3.2 Meetings shall be scheduled as necessary to achieve the timetable of activities set by the Panel for the relevant Definition Procedure or Assessment Procedure, and shall be held on the basis of majority availability in circumstances where it is not possible for all members to attend.

3.3.3 Group members shall be required to inform the Group Chairman should they not wish to continue as a member of the Group.

4 Indemnity of and protections for group members and others

4.1.1 BSCCo shall indemnify and keep indemnified the Members and Secretary of the Group, in accordance with Section B2.9 of the BSC.

5 Expenses

5.1.1 Each Group Member shall be entitled to be reimbursed by BSCCo for the reasonable expenses properly incurred by such Group Member in attending meetings of or otherwise in the conduct of the business of the Group.

5.1.2 Expenses should be claimed in accordance with guidelines provided by the BSCCo which are published on the BSC Website.

6 Approval of Expenditure

6.1.1 In addition to any staff made available to act as members of the Group, BSCCo shall provide such staff, facilities and support to the Group (including the engagement of external consultants and advisers) as the Group may reasonably require to assist with the administration and operation of its business provided that any expenditure. Where the resultant call on demand led funds resulting from:

Either: the progression of an individual Modification Proposal;

Or: the consideration of a series of prospective modifications across the financial year

will, or is estimated to, be:

over £10K, and up to a value of £50K: the prior approval of the Panel Chairman (in consultation with BSCCo) shall be required.

over £50K: the prior approval of the Panel (in consultation with BSCCo) shall be required.

6.1.2 Prior to the taking of any steps in an Assessment Procedure for an individual Modification Proposal, which would result in the incurring of costs greater than £10K for BSCCo, the Modification Group shall seek and comply with the views of the Panel Chairman as to whether to proceed with such steps and, in giving its views, the Panel Chairman may consult with the Authority in respect thereof. Prior to the taking of any steps in an Assessment Procedure which would result in the incurring of costs greater than £50K for BSCCo, the Modification Group shall seek and comply with the views of the Panel as to whether to proceed with such steps and, in giving its views, the Panel may consult with the Authority in respect thereof.

6.1.3 For the purposes of paragraph 6.1.2, the steps include:

- a the commissioning of detailed impact assessments;
- b the commissioning of legal text to modify the BSC in order to give effect to a Proposed Modification and/or an Alternative Modification.

7 Power and Functions of the Group

7.1 Definition Procedure

- 7.1.1 The provisions of this paragraph 7.1 shall apply if the Panel decides to submit a Modification Proposal to the Group under the Definition Procedure.
- 7.1.2 The purpose of the Definition Procedure is to define the issues raised by a Modification Proposal in sufficient detail to enable the Panel to determine which of the options set out in paragraph F2.5.9 of the BSC is the most appropriate in all the circumstances (i.e. whether the proposal should be subjected to further analysis, be submitted to the Assessment Procedure, or should proceed directly to the Report Phase).
- 7.1.3 The Group shall review the Modification Proposal for the purpose set out above and shall prepare a written report for the Panel (in accordance with the timetable determined by the Panel) which shall set out, in relation to the Modification Proposal, the following matters:
- a an assessment of the issues raised by the Modification Proposal with supporting information and data to explain the effect of such issues by reference to the Applicable BSC Objective(s) and a summary of such assessment;
 - b an analysis of and the views and rationale of the Modification Group as to whether (and, if so, to what extent) the issues raised by the Modification Proposal warrant further assessment and evaluation;
 - c a detailed summary of the representations made by Parties and interested third parties during the consultation undertaken by the Modification Group and the comments and views of the Modification Group in respect thereof;
 - d a summary of any analysis prepared by the Transmission Company and the comments and views of the Modification Group in respect thereof;
 - a a summary of any analysis prepared by relevant BSC Agents and the comments and views of the Modification Group in respect thereof;
 - b a copy of the terms of reference and a summary of any report or analysis of external consultants or advisers; and
 - c such other matters as the Panel may require.
- 7.1.4 In preparing its report, the Modification Group shall:
- a analyse the representations made in response to the consultation instigated by the Modification Secretary pursuant to Section F2.2.6 of the BSC;
 - b conduct such further consultation with Parties and interested third parties as may be required by these terms of reference or, subject to the Panel's prior approval, as it considers necessary;
 - c where appropriate (and subject to any requirement for Panel approval as set out in these terms of reference), request BSCCo to commission an analysis from BSC Agents and/or external consultants and/or advisers with relevant specialist knowledge; and
 - d where such views have been obtained, consider the views expressed by those referred to in paragraphs (a) to (c) and by those referred to in paragraph 7.1.5 (a) to (c) below.
- 7.1.5 In respect of each Definition Procedure, BSCCo shall (after appropriate consultation with the Modification Group):
- a commission an analysis from the Transmission Company;
 - b if requested by the Modification Group, commission an analysis from relevant BSC Agents; and
 - c if requested by the Modification Group, commission an analysis from external consultants and/or advisers with relevant specialist knowledge.

7.2 Assessment Procedure

7.2.1 The provisions of this paragraph 7.2 shall apply if the Panel decides to submit a Modification Proposal to the Group under the Assessment Procedure.

7.2.2 The purpose of the Assessment Procedure is to evaluate whether the Proposed Modification identified in a Modification Proposal better facilitates achievement of the Applicable BSC Objective(s) and whether any alternative modification would, as compared with the Proposed Modification, better facilitate achievement of the Applicable BSC Objective(s) in relation to the issue or defect identified in the Modification Proposal.

7.2.3 The Modification Group shall:

- a evaluate the Modification Proposal for the purpose set out above;
- b where appropriate, develop an alternative proposed modification (the "Alternative Modification") which, as compared with the Proposed Modification, would better facilitate achievement of the Applicable BSC Objective(s);
- c unless directed otherwise, carry out cost benefit analysis for both the proposed Modification and any Alternative Modifications;
- d prepare a report for the Panel (in accordance with the timetable determined by the Panel) which shall set out, in relation to the Proposed Modification and any Alternative Modification, the matters referred to in Annex F-1 of the BSC, to the extent applicable to the proposal in question.

7.2.4 In preparing its report, the Modification Group shall:

- a analyse the comments made in response to the consultation instigated by the Modification Secretary pursuant to Section F2.2.6 of the BSC;
- b conduct such further consultation with Parties and interested third parties as may be required by these terms of reference or, subject to the Panel's prior approval, as it considers necessary;
- a where appropriate (and subject to any requirement for Panel approval as set out in its terms of reference), request BSCCo to commission an analysis from BSC Agents and/or external consultants and/or advisers with relevant specialist knowledge;
- b where such views have been obtained, consider the views expressed by those referred to in paragraphs (a) to (c) and by those referred to in paragraph 7.2.5 (a) to (c) below.

7.2.5 In respect of each Assessment Procedure, BSCCo shall (after appropriate consultation with the Modification Group):

- a commission an analysis and impact assessment from the Transmission Company;
- b if requested by the Modification Group, commission an impact assessment from relevant BSC Agents;
- c if requested by the Modification Group, commission an analysis from external consultants and/or advisers with relevant specialist knowledge;
- d if requested by the Modification Group, commission an analysis from relevant Core Industry Document Owners; and
- e prepare a project brief for the implementation of the Proposed Modification and any Alternative Modification setting out the proposed steps, timetable and programme plan for such implementation consistent with the proposed Implementation Date in accordance with the BSC, BSCP40 and the IS Policies.

7.2.6 At any stage during an Assessment Procedure:

- a the Panel may request the Modification Group to prepare an interim report setting out its provisional findings; and
- b the Panel may seek the views of the Authority as to whether the findings of such report are consistent with the Authority's provisional thinking in respect thereof; and
- c the Panel may issue such directions as it sees fit to the Modification Group in consequence of the Authority's views.

7.3 Amending the Definition and/or Assessment Procedure timetable

- 7.3.1 The Group shall be responsible for progressing Modification Proposals in accordance with the Definition Procedure and/or Assessment Procedure timetable set by the Panel.
- 7.3.2 The normal maximum timetable shall be 2 months for a Definition Procedure and 3 months for an Assessment Procedure. The Panel may (but is not required to) adjust or extend this timetable where the particular circumstances of the Modification Proposal require, and providing the Authority does not issue a contrary direction.
- 7.3.3 The Panel may decide at any time to stop a Definition Procedure and/or an Assessment Procedure and proceed, in either case, directly to the Report Phase.

7.4 Urgent Modification Proposals

- 7.4.1 If required to consider an Urgent Modification Proposal, the Group will follow the procedure and timetable decided by the Panel and agreed by the Authority in accordance with Section F2.9 of the BSC.

7.5 Consideration of Issues

- 7.5.1 With a view to facilitating consideration, by persons and bodies entitled to do so, of whether to propose a modification to the Code and how to frame such proposals, the Group is authorised to consider issues falling within the areas specified in paragraph 1.2.1.
 - a The Group may consider any such issue put to it by any person or body entitled to raise a modification of the Code.
 - b The chairman of the relevant meeting of the Group shall decide in his absolute discretion whether to consider any such issue so put to the Group.
 - c The Group shall keep its consideration of any such issue separate from the transaction of its business in relation to any Modification Proposal; and
 - d The Group shall publish its views and deliberations via the Change Report to the BSC Panel which shall be published on the BSC Website.
- 7.5.2 Neither the view of the Group nor anything done by it in relation to such an issue shall have any consequence or significance in relation to the Code or its implementation or operation or interpretation.
- 7.5.3 At the discretion of the Group chairman, issues will be added to the agenda of the next scheduled meeting of the Group provided that they have been submitted to BSCCo no less than five working days before the meeting date.
- 7.5.4 The proposer of an issue is expected to attend, or nominate someone to attend, the meeting at which the issue is being considered in order to lead discussion of the issue.

7.6 Reporting to the BSC Panel

7.6.1 In addition to the mandatory reports outlined in these terms of reference, the Group may submit papers to the BSC Panel at any time for the purpose of reporting on work being undertaken by the Group and to recommend appropriate action that the Panel may choose to take.

7.7 Further consultation with Parties

7.7.1 As outlined in paragraphs 7.1.4(b) and 7.2.4(b) of these terms of reference, the Group may engage in further consultation with Parties and interested third parties in preparing a Definition or Assessment Report.

7.7.2 The Group should adopt appropriate mechanisms possible to ensure that Parties and interested third parties have a full understanding of the issues and are able to provide an informed consultation response. This may include the organisation of a discussion forum.

7.8 Delegation

7.8.1 The Group shall not further delegate to any person any of its powers, responsibilities and functions except to the extent so permitted by the Panel.

7.8.2 Membership of the Group (and the vote of any member) is not transferable, and members may not appoint alternates.

7.9 Provisions relating to data

7.9.1 The Group may use and disclose such data in line with the provisions contained in Section C3.3 for the purposes of discharging its functions and duties.

8 Proceedings of the Group

8.1 Open Meetings

8.1.1 Subject to paragraph 8.1.2, all meetings of the Group shall be open to attendance by a representative of any Party and any other person entitled to receive notice of Panel Meetings under Section B4.1.6 of the BSC; and any person so attending such a meeting may speak if invited to do so by the Group chairman, but shall not vote at the meeting.

8.1.2 All meetings will be held in open session, except:

- a in the case of a meeting held by telephone conference; or
- b where it is impractical in the opinion of the chairman of the meeting to hold the meeting in open session.

8.2 Frequency of Meetings

8.2.1 Meetings of the Group shall be held monthly by default at a time and place agreed by the chairman. Meetings may be held more or less often depending on the level of business to be discussed. Meetings will be held at ELEXON's offices unless otherwise notified.

8.3 Convening Meetings

8.3.1 Any meeting of the Group shall be convened by the Group Secretary by notice to each Group Member setting out the date, time and place of the meeting and accompanied any supporting

papers available to the Group Secretary at the time the notice is given (and the Group Secretary shall circulate to Group Members any late papers as and when they are received by him).

- 8.3.2 Meetings of the Group will be added to the Modification Group meeting schedule which will be published on the BSC Website.
- 8.3.3 Where the Group chairman considers it appropriate a meeting of the Group may be validly held by telephone conference call (or other similar means) where all the Group members present at such meeting can speak to and hear each other; and any decision taken at such meeting shall be valid.
- 8.3.4 Where the Group Secretary considers that any BSC Agent is or may be required to attend a meeting of the Group, the Group Secretary shall, with agreement of the Group chairman, send to that BSC Agent a copy of the notice convening the meeting, and such part of the agenda and such accompanying papers as in the Group Secretary's opinion concern that BSC Agent, at the same time at which the notice is given to Group Members.
- 8.3.5 The proceedings of a meeting of the Group shall not be invalidated by the accidental omission to give, or send, notice of the meeting or a copy thereof or any of the accompanying agenda or papers to, or any failure to receive the same by, any person entitled to receive such notice, copy, agenda or paper.
- 8.3.6 If the Group Secretary considers that it may not be appropriate for the agenda for any meeting of the Group or any accompanying paper to be made available to persons on request as provided in the Section H4.9 of the BSC:
- a such agenda or paper shall not be sent to persons of such class or made available, on request, to third parties at the time at which it is sent to Group Members;
 - b the Group shall consider at the meeting whether it is for such agenda or paper so to be sent or made available; and
 - c unless the Group decides that it is not appropriate, such agenda or paper shall be made available on request promptly following the meeting.

8.4 Submission of Papers

- 8.4.1 Where a person or body, entitled to do so, has submitted an issue to the Group for consideration, where possible, such parties will be required to submit a paper describing the issue in reasonable detail identifying the matter in respect of which guidance is sought from the Group.
- 8.4.2 Other papers may be submitted to the Group chairman and may be considered by the Group at the discretion of the chairman.
- 8.4.3 On receipt of a paper the Group Secretary in conjunction with the chairman shall determine whether the subject of the paper is within the remit of the Group and at which meeting the paper will be tabled. Papers not addressed by the Group will, where practicable, be forwarded to the appropriate body and in all events be reported to the Panel.

8.5 Chairmanship of Meetings

- 8.5.1 If the Group chairman or their agreed alternate is not present after the time for which a Group Meeting has been convened, the Group Members present may appoint one of their number to chair the meeting.

8.6 Modification Group Summary

8.6.1 Minutes shall not be taken at Group meetings. However, if appropriate the Group Secretary shall prepare a brief summary of the matters conducted at the meeting for circulation to members.

8.7 Publication of Items on the BSC Website

8.7.1 In order to promote transparency, the Group Secretary shall make available on the BSC Website the details of forthcoming meetings (date, time, location etc.).

8.8 Recommendations of the Group

8.8.1 The role of the Modification Group is to present recommendations to the BSC Panel in accordance with Section F of the BSC. The primary vehicle for communicating the recommendations of the Group will be the various reports produced by the Modification Group which are presented to the BSC Panel.

8.8.2 Voting may take place at meetings of the Group in order to obtain clarification of the prevalent views of the Group. Group members should base their conclusions on the weight of the arguments against the applicable BSC Objectives. Decisions/recommendations will be based on the majority view if there is no unanimity.

8.8.3 Both majority and minority views will be presented in the reports produced by the Modification Group. If the Group is unable to reach majority agreement on any matter (i.e. is equally split), the report of the Modification Group shall instead include a summary of the views of the members of the Modification Group.