

BSC Modification Proposal Form		At what stage is this document in the process?
<h1>P417</h1> <p>Mod Title: Move the Letter of Credit templates and Approved Insurance Product requirements to the BSC Website for more efficient maintenance and simplification</p>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; display: flex; justify-content: space-between; align-items: center;">01 Modification</div> <div style="border: 1px solid blue; padding: 5px; display: flex; justify-content: space-between; align-items: center;">02 Workgroup Report</div> <div style="border: 1px solid purple; padding: 5px; display: flex; justify-content: space-between; align-items: center;">03 Draft Modification Report</div> <div style="border: 1px solid orange; padding: 5px; display: flex; justify-content: space-between; align-items: center;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>A Modification is required to remove the templates in annexes M1 – M4 in Section M 'Credit Cover and Credit Default' and replace them with a requirement for the BSC Panel approved templates and Approved Insurance Product requirements to be published on the BSC Website. Subsequently, the Letter of Credit templates previously approved by the Panel in their meeting on April 2020 shall become the only Letter of Credit templates to be used and published on the Elexon website</p>		
<p>Does this Modification impact any of the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions held within the BSC?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>		
	<p>The Proposer recommends that this Modification should:</p> <ul style="list-style-type: none"> • be treated as a Self-Governance Modification Proposal • be sent directly into the Report Phase <p>This Modification will be presented by the Proposer to the BSC Panel on 10 December 2020. The Panel will consider the Proposer's recommendation and determine how best to progress the Modification.</p>	
	<p>High Impact: None</p>	
	<p>Medium Impact: None</p>	
	<p>Low Impact: Suppliers, Interconnector Users, Non-Physical Traders, Generators, Virtual Lead Parties.</p> <p>The Modification requires Imbalance Parties to use the updated templates in annexes M1 – M4 when lodging credit with Elexon as and when their Letters of Credit or Approved Insurance Products expire (if used).</p>	

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Timetable		 <i>BSC.change@elexon.co.uk</i>
The Proposer recommends the following timetable:		
Modification raised by BSC Panel	03 December 2020	 020 7380 4221
Initial Written Assessment to BSC Panel	10 December 2020	
Report Phase Consultation	14 December 2020 – 6 January 2021	
Draft Modification Report presented to Panel	14 January 2021	
Final Modification Report published	18 January 2021	

1 Why Change?

What is the issue?

Multiple methods of changing Letters of Credit & Approved Assurance Products in BSC

[Section M 'Credit Cover and Credit Default'](#) of the BSC contains provisions that require Imbalance Parties to provide Credit Cover with a Letter of Credit, Approved Insurance Product or in cash in favour of the BSC Clearer, Elexon. Annexes M1, M2 and M3 of Section M contain valid forms that can be used to provide Credit Cover with a Letter of Credit and annex M4 specifies the general requirements of an Approved Insurance Product.

Banking practices continuously change over time and Elexon contends that the forms of the Letters of Credit and the requirements of the Approved Insurance Products should be kept as up to date as reasonably practicable. If Letters of Credit and Approved Insurance Products are not in line with current banking practices it could cause problems with Imbalances Parties accessing appropriate credit products, introduce unnecessary operational inefficiencies and cause delays to payments or rejections of claims.

As annexes M1 – M4 are within the BSC, changes can only be made to these templates and requirements by the raising a BSC Modification and following the processes as required under the provisions of [Section F 'Modification Procedures'](#). The Modification process can take several months to complete from the point in time the Modification is raised, to the point in time the required changes are implemented in the BSC. This means that there can be a significant time lag between identifying an issue with these templates or requirements and these templates or requirements being updated.

In addition to the Modification Procedure detailed in Section F, the BSC allows the BSC Panel to approve alternative Letters of Credit under the definitions within [Annex X-1 'General Glossary'](#). Elexon contends that having multiple methods of altering the templates and requirements is unnecessary and inefficient.

Two Valid Sets of Letter of Credit Templates under the BSC

There are currently two different sets of valid Letter of Credit templates under the BSC, these are:

- 1) The templates contained in BSC section M: Credit Cover and Credit Annexes M1- M3; and
- 2) The templates as approved by the BSC Panel on their meeting in April 2020 (A paper explaining the rationale of the change as well as the templates are available on the [BSC Website](#)).

The BSC Panel approved the templates in their April meeting to address a series of operational issues that can arise with the templates in Section M of the BSC. These include but are not limited to, not allowing electronic signatures thus requiring in person signatures when raising Letters of Credit and the requirement for Letters of Credit to be issued in person at a specified bank branch which can cause unnecessary delays when raising or drawing down credit.

Elexon believes that having two sets of valid Letters of Credit increases the risk of Imbalance Parties using Letter of Credit templates that are not in line with current banking practices.

Desired outcomes

The desired outcomes of this change is to ensure the Letter of Credit Templates and Approved Insurance Product requirements can be changed quickly with appropriate oversight from the BSC Panel so that they are in line with current banking practices as far as reasonably practicable.

2 Solution

Proposed Solution

The Modification Proposal will:

- Remove the Letter of Credit templates and Approved Insurance Product requirements from annexes M1-M4.
- Update Sections 2.1.4 & 2.1.5 of Section M to introduce a requirement for the Letter of Credit templates and the Approved Insurance Product requirements to be published on the BSC Website; and
- Alter the definitions of Letter of Credit and Approved Insurance Product so that there is a requirement for Elexon to publish these templates and requirements on the BSC Website.

For the avoidance of doubt, the effect of the above changes will be that the BSC Panel must approve all changes to the Letter of Credit templates and Approved Insurance Product requirements and once approved, Elexon will be able to quickly update the templates or requirements on the website. This solution will also have the effect of making the Letter of Credit templates as approved by the BSC Panel on their meeting in April 2020 the valid set of BSC templates going forwards.

Benefits

This Modification will:

- Clarify and streamline the process for altering the Letter of Credit templates and the Approved Insurance Product requirements. This will reduce the risk that these provisions are not in line with current banking practice and any operational risks associated with this discrepancy.
- Updating the Letter of Credit templates so that the templates approved by the BSC Panel in April 2020 are the only valid set of Letter of Credit templates going forwards. These templates have the following operational efficiency benefits over the templates in section M of the BSC.

3 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(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	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Positive
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

The Proposer contends that this Modification will better facilitate Applicable BSC Objective (d) by ensuring that the Letter of Credit templates and Approved Insurance Product requirements are as in line with current banking practice as reasonably practicable and reduces the risks of operational inefficiencies associated with discrepancies between current banking practice and the templates and requirements. The Modification also reduces the time required the enact changes to the Letter of Credit templates and Approved Insurance Product requirements whilst ensuring appropriate oversight from the BSC Panel.

4 Potential Impacts

Impacts on Core Industry Documents

Impacted Core Industry Documents			
<input type="checkbox"/> Ancillary Services Document	<input type="checkbox"/> Connection and Use of System Code	<input type="checkbox"/> Data Transfer Services Agreement	<input type="checkbox"/> Use of Interconnector Agreement
<input type="checkbox"/> Master Registration Agreement	<input type="checkbox"/> Distribution Connection and Use of System Agreement	<input type="checkbox"/> System Operator Transmission Owner Code	<input type="checkbox"/> Supplemental Agreements
<input type="checkbox"/> Distribution Code	<input type="checkbox"/> Grid Code	<input type="checkbox"/> Transmission License	<input type="checkbox"/> Other (please specify)

Impacts on BSC Systems

Impacted Systems				
<input type="checkbox"/> CRA	<input type="checkbox"/> CDCA	<input type="checkbox"/> PARMS	<input type="checkbox"/> SAA	<input type="checkbox"/> BMRS
<input type="checkbox"/> EAC/AA	<input checked="" type="checkbox"/> FAA	<input type="checkbox"/> TAAMT	<input type="checkbox"/> NHHDA	<input type="checkbox"/> SVAA
<input type="checkbox"/> ECVAA	<input type="checkbox"/> ECVAA Web Service	<input type="checkbox"/> ELEXON Portal	<input type="checkbox"/> Other (Please specify)	

Impacts on BSC Parties

Impacted Parties			
<input checked="" type="checkbox"/> Supplier	<input checked="" type="checkbox"/> Interconnector User	<input checked="" type="checkbox"/> Non Physical Trader	<input checked="" type="checkbox"/> Generator
<input type="checkbox"/> Licensed Distribution System Operator	<input type="checkbox"/> National Electricity Transmission System Operator	<input checked="" type="checkbox"/> Virtual Lead Party	<input type="checkbox"/> Other (Please specify)

Imbalance Parties using Letters of Credit or Approved Insurance Products to provide Credit Cover will need to use the new templates and requirements respectively when lodging credit with Elexon.

Legal Text Changes

Changes will be required to BSC [Section M 'Credit Cover and Credit Default'](#) and [Section X: Annex X-1 'General Glossary'](#).

5 Governance

Self-Governance

<input type="checkbox"/> Not Self-Governance – A Modification that, if implemented:	
<input type="checkbox"/> materially impacts the Code’s governance or modification procedures	<input type="checkbox"/> materially impacts sustainable development, safety or security of supply, or management of market or network emergencies
<input type="checkbox"/> materially impacts competition	<input type="checkbox"/> materially impacts existing or future electricity consumers
<input type="checkbox"/> materially impacts the operation of national electricity Transmission System	<input type="checkbox"/> is likely to discriminate between different classes of Parties
<input type="checkbox"/> involves any amendments to the EBGL Article 18 Terms and Conditions related to Balancing; except to the extent required to correct an error or as a result of a factual change	
<input checked="" type="checkbox"/> Self-Governance – A Modification that, if implemented:	
Does not materially impact on any of the Self-Governance criteria provided above	

This Modification should be treated as a Self-Governance Modification on the basis that it is an administrative change that will not impact the operation of the BSC.

Progression route

<input type="checkbox"/> Submit to assessment by a Workgroup –:A Modification Proposal which:	
does not meet any criteria to progress via any other route.	
<input checked="" type="checkbox"/> Direct to Report Phase – A Modification Proposal whose solution is typically:	
<input checked="" type="checkbox"/> of a minor or inconsequential nature	<input checked="" type="checkbox"/> deemed self-evident
<input type="checkbox"/> Fast Track Self-Governance – A Modification Proposal which meets the Self-Governance Criteria and:	
is required to correct an error in the Code as a result of a factual change including but not limited to:	
<input type="checkbox"/> updating names or addresses listed in the Code	<input type="checkbox"/> correcting minor typographical errors
<input type="checkbox"/> correcting formatting and consistency errors, such as paragraph numbering	<input type="checkbox"/> updating out of date references to other documents or paragraphs
<input type="checkbox"/> Urgent – A Modification Proposal which is linked to an imminent issue or current issue that if not urgently addressed may cause:	
<input type="checkbox"/> a significant commercial impact on Parties, Consumers or stakeholder(s)	<input type="checkbox"/> a Party to be in breach of any relevant legal requirements.
<input type="checkbox"/> a significant impact on the safety and security of the electricity and/or gas systems	

As the solution is clearly defined and the Letter of Credit templates and Approved Insurance Product requirements are already approved Elexon does not believe that a Workgroup is required to further develop the Modification.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impacts identified. We have requested that Ofgem treat this Modification as a SCR exempt Modification on 3 December 2020.

Does this Modification impact any of the EBGL Article 18 Terms and Conditions held within the BSC?

This Modification has no impact on any of the EBGL Article 18 Terms and Conditions held within the BSC.

Does this modification impact on end consumers or the environment?

This Modification does not have an impact on end consumers or the environment

Impact on the Environment

This Modification is neutral with the net zero target.

Implementation approach

We recommend an Implementation Date of:

- 25 February 2021 as part of the February 2021 BSC Release.

This is the next available Release that this change can practically be included in.