

## **SECTION Z: PERFORMANCE ASSURANCE**

### **1 INTRODUCTION**

#### **1.1 General**

1.1.1 This Section Z sets out provisions on:

- (a) the establishment of the Performance Assurance Board;
- (b) the powers, functions, duties and responsibilities of the Performance Assurance Board;
- (c) the proceedings of the Performance Assurance Board;
- (d) performance assurance procedures;
- (e) Risk Management Determination Queries and Risk Management Determination Appeals; and
- (f) the implementation of Performance Assurance Techniques.

#### **1.2 Performance Assurance Board**

1.2.1 The Panel shall establish a Panel Committee which shall act as, and shall perform the functions of, the Performance Assurance Board.

1.2.2 The Panel shall delegate relevant decision-making powers to the Performance Assurance Board in accordance with Section B 5.5.1(a); and shall not prescribe (pursuant to Section B5.4) the manner in which the proceedings and business of the committee are to be conducted so as to be inconsistent with the application of paragraph 2 in relation to such committee.

1.2.3 The costs, fees, expenses, liabilities and losses of, and all other amounts incurred or paid by, the Performance Assurance Board shall be borne or reimbursed by BSCCo.

#### **1.3 Indemnity**

1.3.1 In addition to and without prejudice to paragraph 1.2.3 and Section B2.9, all Trading Parties shall jointly and severally indemnify and keep indemnified:

- (a) the Panel Committee and each member of such committee, (including, for the avoidance of doubt, their respective alternates) from and against any and all costs (including legal costs), charges, expenses, damages or liabilities incurred or suffered by it or him in acting as, and in performing the functions of, the Performance Assurance Board or (as the case may be) a member of the Performance Assurance Board;
- (b) BSCCo, the Performance Assurance Administrator and any Panel Committee which provides advice to the Performance Assurance Board or the Performance Assurance Administrator or which undertakes work at the request of the Performance Assurance Board, and each member thereof, from and against any and all costs (including legal costs), charges, expenses, damages or liabilities incurred or suffered by it or him in providing such advice or (as the case may be) undertaking such work; and

- (c) the Panel and each member of the Panel, (including, for the avoidance of doubt, their respective alternates) from and against any and all costs (including legal costs), charges, expenses, damages or liabilities incurred or suffered by it or him in approving proposals by the Performance Assurance Board pursuant to paragraphs 5.5.4 and 5.6.3, or hearing of Risk Management Determination Appeals pursuant to paragraph 6.3, or performing such other functions, duties and responsibilities in relation to the Performance Assurance Board that are required to be performed by the Panel or (as the case may be) a member of the Panel.
- 1.3.2 The Trading Parties shall, upon request, provide the members of the Panel, Performance Assurance Board, the Performance Assurance Administrator and the members of any Panel Committee which provides advice to the Performance Assurance Board with a written deed of indemnity to that effect.
  - 1.3.3 Each Party, in any capacity (other than that of an Interested Person, but as though the definition thereof excluded the words "**a Party**") which that Party may have, and to the fullest extent permitted by law, waives any claims against all of the bodies and persons referred to in paragraph 1.3.1 and releases each such body and person from any liability arising from acting as or performing the functions of the Performance Assurance Board or a member thereof or providing advice or undertaking work as therein referred to.
  - 1.3.4 BSCCo acknowledges and agrees that it holds the benefit of paragraphs 1.3.2 and 1.3.3 as trustee and agent for each member of the Performance Assurance Board, each Panel member, the Performance Assurance Administrator and each member of a Panel Committee referred to in paragraph 1.3.2.

#### **1.4 Powers and Functions of the Performance Assurance Board**

- 1.4.1 The functions of the Performance Assurance Board (the "**PAB Functions**") are:
  - (a) the establishment and maintenance of the Risk Evaluation Methodology, the Risk Evaluation Register and the Risk Operating Plan in accordance with paragraph 5;
  - (aa) making and revising Risk Management Determinations in accordance with paragraph 5;
  - (b) the administering of Performance Assurance Techniques in accordance with paragraph 7;
  - (c) the determination of Risk Management Determination Queries in accordance with paragraph 6;
  - (d) the preparation of the Annual Performance Assurance Report in accordance with paragraph 8.1;
  - (e) the making of recommendations to the Panel that the Code or a Code Subsidiary Document be modified in accordance with paragraph 8.2;
  - (f) the approval and monitoring of Supplier Migration Plans in accordance with paragraph 8.3; and
  - (g) such other responsibilities and functions as the Panel may delegate to it from time to time.

1.4.2 The Performance Assurance Board shall have such powers, authorities and discretions as are necessary for or incidental to the performance of the PAB Functions and such other powers that are delegated to it by the Panel from time to time.

1.4.3 The Performance Assurance Board shall have the right to develop, implement and amend such working practices and procedures as it considers necessary or appropriate for its proper performance of the PAB Functions provided that such working practices and procedures shall not conflict with any other provisions of this Section Z.

## **1.5 Delegation**

1.5.1 The Performance Assurance Board shall have the right at any time and from time to time to delegate or procure the delegation of all or any part of the day-to-day administration of the PAB Functions.

1.5.2 BSCCo shall act as Performance Assurance Administrator and the Performance Assurance Board shall be deemed to have delegated to BSCCo the functions of Performance Assurance Administrator pursuant to paragraph 1.5.1.

1.5.3 The Performance Assurance Board shall not have the right to delegate any decision as to whether an Applicant should be Qualified (or re-Qualified) or as to whether an Applicant's Qualification should be removed.

## **1.6 Responsibilities owed to Trading Parties alone**

1.6.1 The responsibilities of the Performance Assurance Board under the Code are owed exclusively to Trading Parties collectively, and to no other person.

## **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 from time to time.

# **2 PROCEEDINGS OF THE PERFORMANCE ASSURANCE BOARD**

## **2.1 Panel Committee**

2.1.1 Subject to paragraph 2.1.2, the following provisions of Section B shall apply in relation to the Panel Committee and each member of such Panel Committee when it is acting as, and performing the functions of, the Performance Assurance Board: paragraphs 2.9 (indemnity), 2.10 (alternates), 3 (powers) and 4 (proceedings).

2.1.2 Notwithstanding paragraph 2.1.1:

- (a) notice of meetings of the Performance Assurance Board need be given only to members of it and BSCCo except that notice of a meeting within paragraph 2.1.2(h) shall be given to all Performance Assurance Parties, and notice of a meeting within paragraph 2.1.2(i) shall be given to the Performance Assurance Party referred to in that paragraph; and Section B4.1.6 shall be construed accordingly;
- (b) if any member of the Performance Assurance Board wishes to notify additional matters which he wishes to be considered at a meeting of the Performance

Assurance Board he shall give notice to all other persons entitled to attend that meeting no later than three (3) Business Days before the date of the meeting (or such lesser period as the Performance Assurance Board may from time to time determine); and Section B4.1.6 shall be construed accordingly;

- (c) minutes of meetings of the Performance Assurance Board shall be confidential and copies of minutes shall be required to be provided only to those persons who were entitled to attend the relevant meeting except in the case of a meeting within paragraph 2.1.2 (i) where only an extract of the minutes for the part of the meeting which a representative of a Performance Assurance Party attends shall be given to such Performance Assurance Party; and Section B4.2.5 shall be construed accordingly;
- (d) the quorum for a meeting of the Performance Assurance Board shall be four (4) of its members present in person or by their respective alternates, and Section B4.3.2 shall be construed accordingly;
- (e) in respect of each meeting of the Performance Assurance Board:
  - (i) the Chief Executive (or his duly appointed representative) shall be entitled and obliged to attend and speak (but not to vote);
  - (ii) a representative of the Authority shall be entitled to attend and speak (but not to vote);
  - (iii) and a duly appointed representative of each of Citizens Advice and Citizens Advice Scotland shall be entitled to attend and speak (but not to vote);
- (f) upon invitation by the Performance Assurance Board, the BSC Auditor (or his or its respective duly appointed representative) may be entitled to attend and speak at meetings of the Performance Assurance Board and Section B4.5 shall not apply;
- (g) Section B1.2 shall not apply to the Panel Committee established to act as and perform the functions of the Performance Assurance Board;
- (h) in relation to any meeting of the Performance Assurance Board concerning the Risk Evaluation Register at which no confidential information is to be considered all Performance Assurance Parties and other persons entitled to receive notice of such meeting shall be invited to send a representative to such meeting but such representative shall only be entitled to speak at such meeting if so permitted by the chairperson of the meeting (such permission not to be unreasonably withheld); and
- (i) any meetings of the Performance Assurance Board concerning:
  - (i) the Risk Evaluation Register where confidential information will be considered;
  - (ii) the Risk Operating Plan;
  - (iii) any Risk Management Determination;
  - (iv) the Annual Performance Assurance Report;
  - (v) any Risk Management Determination Query;

- (vi) the performance of a particular Performance Assurance Party; or
- (vii) any Supplier Migration Plan.

shall be held in confidence and shall not be open to attendance by representatives of a Performance Assurance Party; except that where the Performance Assurance Board will discuss a Risk Management Determination Query, the performance of a particular Performance Assurance Party or a Supplier Migration Plan, it may invite such Performance Assurance Party to send a representative to attend the relevant part of such meeting.

## 2.2 Modification of Proceedings in relation to Qualification

2.2.1 This paragraph 2.2 applies by way of supplement and qualification to this Section Z, relating to matters concerning Qualification, re-Qualification or removal of Qualification of any person referred to in paragraph Section J 2.1.1.

2.2.2 Notice of meetings in relation to Qualification, re-Qualification or removal of Qualification shall additionally be given to:

- (a) the Performance Assurance Administrator; and
- (b) insofar as concerns the Qualification, re-Qualification or removal of Qualification of any Applicant, a representative of that Applicant (such notice constituting an invitation to the Applicant that they may send a representative to attend part of such meeting).

2.2.3 If the Performance Assurance Administrator wishes to advise additional matters which it wishes to be considered at a meeting of the Performance Assurance Board, it shall give notice to all other persons entitled to attend that meeting no later than three (3) Business Days before the date of the meeting (or such lesser period as the Performance Assurance Board may from time to time determine).

2.2.4 Insofar as concerns the Qualification, re-Qualification (or removal of Qualification) of any Applicant, a copy extract of that part of the minutes of the relevant meeting as relates to such matter shall additionally be given to that Applicant.

2.2.5 The Performance Assurance Administrator (or its duly appointed representative) shall have the right to attend and speak (but not to vote) at meetings of the Performance Assurance Board in relation to Qualification, re-Qualification or removal of Qualification.

## 2.3 Duties of Members

2.3.1 For the purposes of paragraph 2.3.2 the following matters are "**relevant matters**" in relation to a member of the Performance Assurance Board:

- (a) the performance of his employer or any Affiliate of his employer;
- (b) the making or revision of a Risk Management Determination in relation to, or a Risk Management Determination Query raised by, his employer or any Affiliate of his employer;
- (c) the application of any Performance Assurance Technique to his employer or to any Affiliate of his employer; or
- (d) whether his employer or any Affiliate of his employer should be Qualified (or re-Qualified) and/or whether his employer or any Affiliate of his employer should have their Qualification removed.

- 2.3.2 A member of the Performance Assurance Board shall not:
- (a) participate as a member of the Performance Assurance Board in the consideration of any relevant matter;
  - (b) be counted in ascertaining whether a quorum is present at a meeting of the Performance Assurance Board convened to consider any relevant matter; or
  - (c) be entitled to receive any working papers, opinions, reports or other documentation which have been prepared for the Performance Assurance Board in connection with any relevant matter insofar as they relate specifically to his employer or any Affiliate of his employer.
- 2.3.3 A member of the Performance Assurance Board shall not disclose to his employer or any Affiliate of his employer confidential information which he has received in his capacity as a member of the Performance Assurance Board unless required to do so:
- (a) by any Legal Requirement;
  - (b) in order for his employer or any such Affiliate to comply with the conditions of any Licence with which his employer or any such Affiliate, as the case may be, is required to comply;
  - (c) by any stock exchange or regulatory authority or the Panel on Take-overs and Mergers; or
  - (d) pursuant to the arbitration rules of the Electricity Arbitration Association or pursuant to any judicial or other arbitral process or tribunal having jurisdiction in relation to him or his employer or any such Affiliate, as the case may be,
- in any of which events the member of the Performance Assurance Board shall first be required to give written notice of the required disclosure to the Performance Assurance Board.
- 2.3.4 In this Section Z (and in any of the provisions of Section B referred to in paragraph 2.1.1) a reference to a member of the Performance Assurance Board is to a member of a Panel Committee in the capacity of a member of the Performance Assurance Board.

### **3 PERFORMANCE ASSURANCE ADMINISTRATOR**

#### **3.1 Functions of Performance Assurance Administrator**

- 3.1.1 The Performance Assurance Administrator shall perform such functions associated with the day-to-day administration of the PAB Functions as are delegated to it from time to time by the Performance Assurance Board.
- 3.1.2 A copy of any such delegated functions will be made available by the Performance Assurance Board to members of the Performance Assurance Board and to Trading Parties on request.

#### **3.2 Confidentiality**

- 3.2.1 The Performance Assurance Administrator shall keep confidential information that it receives in its capacity as Performance Assurance Administrator on terms agreed from time

to time by it with the Performance Assurance Board (acting in accordance with Section B3.3.7).

## **4 LIABILITY OF PERFORMANCE ASSURANCE BOARD AND PERFORMANCE ASSURANCE ADMINISTRATOR**

### **4.1 Limit and Exclusion of Liability**

4.1.1 The total aggregate liability of the Performance Assurance Board, each member of such board and the Performance Assurance Administrator to an Interested Person whether in contract, tort (including negligence or breach of statutory duty) or otherwise arising directly or indirectly out of or in connection with the performance or non-performance of its functions (including the contents of any opinion or report prepared by the Performance Assurance Board or the Performance Assurance Administrator) shall in no circumstances exceed £1,000,000 per claim or series of related claims.

4.1.2 Neither the Performance Assurance Board nor any member of such board nor the Performance Assurance Administrator shall be liable to any Interested Person for any loss of profit, loss of revenue, loss of contract, loss of goodwill or any indirect or consequential loss arising out of or in connection with the performance or non-performance of its functions.

### **4.2 Further Provisions**

4.2.1 Paragraphs 4.1.1 and 4.1.2 shall not exclude the liability of the Performance Assurance Board or a member thereof or the Performance Assurance Administrator for fraud.

4.2.2 The exclusions from and limitations of liability of the Performance Assurance Board, members of such board and the Performance Assurance Administrator under this Section Z shall not apply to death or personal injury caused by the negligence of the relevant one of the Performance Assurance Board, such member or the Performance Assurance Administrator.

4.2.3 The exclusions from and limitations of liability of the Performance Assurance Board and members thereof and the Performance Assurance Administrator under this Section Z are reasonable because of (amongst other matters) the likelihood that the amount of damages awardable to the Interested Person from the Performance Assurance Board or a member thereof or the Performance Assurance Administrator would otherwise be disproportionate to the charges which it makes in connection with the performance of its functions and because of the limited resources and expertise of the Performance Assurance Board and the Performance Assurance Administrator.

4.2.4 The exclusions from and limitations of liability of the Performance Assurance Board, each member of such board and the Performance Assurance Administrator under this Section Z shall be considered severally and the invalidity or unenforceability of any one paragraph shall not affect the validity or enforceability of any other paragraph.

## 5 PERFORMANCE ASSURANCE PROCEDURES

### 5.1 Settlement Risks, Performance Assurance Parties, SVA Performance Assurance Objectives and Annual Performance Assurance Timetable

5.1.1 For the purposes of the Code:

- (a) a "**Settlement Risk**" is a risk of any failure or error in a step or process required under the Code (including in each case a risk which has materialised as an actual failure or an error) for the purpose of effecting Settlement or otherwise required in connection with Settlement in accordance with the provisions of the Code;
- (b) references to the significance of a Settlement Risk are to be construed in terms of both the probability of the failure or error (referred to in paragraph 5.1.1(a)) and its impact on Settlement;
- (c) a "**Performance Assurance Party**" is a Supplier, Virtual Lead Party, Meter Operator Agent, Data Collector, Data Aggregator, Meter Administrator, Licensed Distribution System Operator and/or a Registrant;
- (d) a Settlement Risk is "**material**" to a Performance Assurance Party where:
  - (i) there is a risk that the Performance Assurance Party may, by failing (in whole or part) to perform any obligation under the Code or any Code Subsidiary Document, cause or contribute to the occurrence of such Settlement Risk; and
  - (ii) the significance of the Settlement Risk is of a level which the Performance Assurance Board determines (in its opinion) to be material; and
  - (e) a "**within-period revision**" means a revision by the Performance Assurance Board of:
    - (i) the Risk Evaluation Methodology;
    - (ii) the Risk Evaluation Register; or
    - (iii) the Risk Operating Plan,

as applicable in relation to a Performance Assurance Operating Period after such methodology, register or plan has been adopted for such Performance Assurance Operating Period;

5.1.2 A Settlement Risk may be material to a Performance Assurance Party by reason of factors or circumstances:

- (a) relating to Performance Assurance Parties of a class to which the Performance Assurance Party belongs ("**class materiality**"); or
- (b) relating to the Performance Assurance Party individually ("**individual materiality**").

5.1.3 All Settlement Risks which affect Central Volume Allocation shall be deemed to be significant in terms of both probability of failure and impact on Settlement.



5.1.4 In the context of Supplier Volume Allocation:

- (a) the Performance Assurance Board when performing the PAB Functions under this Section Z; and
- (b) the Panel when approving the Risk Evaluation Register pursuant to paragraph 5.5.4, approving the Risk Operating Plan pursuant to paragraph 5.6.3 or hearing Risk Management Determination Appeals pursuant to paragraph 6.3,

shall have regard to the following (so far as consistent with the provisions of the Code) save where to do so would, in the opinion of the Performance Assurance Board or Panel as applicable, substantially prejudice the interests of all Performance Assurance Parties collectively or a class of Performance Assurance Parties collectively:

- (i) the efficient, equitable and accurate allocation of energy between Suppliers resulting from the aggregated consumption of Metering Systems for which each Supplier is responsible; and
- (ii) the efficient, accurate and co-ordinated transfer of Metering Systems data by Performance Assurance Parties between Suppliers and Supplier Agents.

## 5.2 Annual Performance Assurance Timetable

5.2.1 The Panel shall establish and may from time to time revise an annual timetable ("**Annual Performance Assurance Timetable**") for the carrying out in relation to each Performance Assurance Operating Period of the procedures in paragraphs 5.4 to 5.6.

5.2.2 The Annual Performance Assurance Timetable shall be published on the BSCCo website.

## 5.3 Performance Assurance Techniques

5.3.1 The Panel shall prepare, and may from time to time amend, a list setting out those provisions of the Code, and/or processes established pursuant to provisions of the Code, which the Panel considers can mitigate (by detecting or preventing the occurrence, or correcting the effects, of) Settlement Risks.

5.3.2 For the purposes of the Code a "**Performance Assurance Technique**" is the implementation of any provision or process for the time being set out in the list established by the Panel under paragraph 5.3.1.

5.3.3 The list of Performance Assurance Techniques (and any amendments to such list) shall be published on the BSCCo website.

## 5.4 Risk Evaluation Methodology

5.4.1 The Performance Assurance Board shall establish and maintain a methodology (the "**Risk Evaluation Methodology**") for:

- (a) identifying risks which are Settlement Risks;
- (b) evaluating risks which have been identified as Settlement Risks; and
- (c) assessing the materiality of such Settlement Risks in relation to Performance Assurance Parties.

- 5.4.2 The Performance Assurance Board shall establish the initial Risk Evaluation Methodology, and thereafter review and update the Risk Evaluation Methodology in accordance with paragraph 5.4.3; and may on an ad-hoc basis revise the Risk Evaluation Methodology in accordance with paragraph 5.4.5.
- 5.4.3 The Performance Assurance Board shall, in accordance with the Annual Performance Assurance Timetable:
- (a) submit a draft of the proposed Risk Evaluation Methodology to all Performance Assurance Parties and other interested persons;
  - (b) after considering comments received from Performance Assurance Parties and other interested persons, make such changes (if any) to the proposed Risk Evaluation Methodology which are (in its opinion) appropriate; and
  - (c) approve and adopt the Risk Evaluation Methodology,
- and (subject to paragraph 5.6A.2) references to the Risk Evaluation Methodology are to such methodology as so approved and adopted or revised by the Performance Assurance Board pursuant to paragraph 5.4.5.
- 5.4.4 The Performance Assurance Board shall publish the Risk Evaluation Methodology (and any within-period revision of it) on the BSCCo website.
- 5.4.5 The procedures in paragraph 5.4.3 shall apply in relation to a proposed within-period revision of the Risk Evaluation Methodology, except that if the Performance Assurance Board considers that the revision is not significant it need not provide a draft of the proposed revised Risk Evaluation Methodology to Performance Assurance Parties and other interested persons.

## **5.5 Risk Evaluation Register**

- 5.5.1 The Performance Assurance Board shall:
- (a) identify and evaluate risks which are Settlement Risks, by applying the Risk Evaluation Methodology; and
  - (b) prepare and maintain a document (the "**Risk Evaluation Register**") setting out Settlement Risks, and the significance of each such Settlement Risk.
- 5.5.2 The Risk Evaluation Register will identify and evaluate Settlement Risks generically (and/or by references to classes of Performance Assurance Party) rather than by reference to particular Performance Assurance Parties.
- 5.5.3 The Performance Assurance Board shall establish the initial Risk Evaluation Register, and thereafter review and update the Risk Evaluation Register, in accordance with paragraph 5.5.4; and may on an ad-hoc basis revise the Risk Evaluation Register in accordance with paragraph 5.5.5.
- 5.5.4 The Performance Assurance Board shall, in accordance with the Annual Performance Assurance Timetable:
- (a) submit a draft of the proposed Risk Evaluation Register to all Performance Assurance Parties and other interested persons;
  - (b) after considering any comments (including suggestions as to what may constitute a Settlement Risk) received from any Performance Assurance Parties

and other interested persons, prepare and submit to the Panel for its approval a final proposed Risk Evaluation Register;

- (c) make such changes (if any) to the proposed Risk Evaluation Register as the Panel may direct; and
- (d) adopt the Risk Evaluation Register as so changed and approved by the Panel,

and (subject to paragraph 5.6A.2) references to the Risk Evaluation Register are to such register as so approved and adopted or revised pursuant to paragraph 5.5.5.

5.5.5 Where the Performance Assurance Board proposes a within-period revision of the Risk Evaluation.

- (a) identifies a further Settlement Risk or changes its definition or evaluation of an existing Settlement Risk. the approval of the Panel shall not be required for such within-period revisions, and, subject to paragraph (b), the Performance Assurance Board shall:
  - (i) submit a draft of the proposed Risk Evaluation Register to all Performance Assurance Parties and other interested persons;
  - (ii) after considering comments received from Performance Assurance Parties and other interested persons, make such changes (if any) to the proposed Risk Evaluation Register which are (in its opinion) appropriate; and
  - (iii) approve and adopt the Risk Evaluation Register; and
- (b) if the Performance Assurance Board considers that the revision is not significant it need not provide a draft of the proposed Risk Evaluation Register to Performance Assurance Parties and other interested persons.

5.5.6 Not used.

5.5.7 The Performance Assurance Board shall publish the Risk Evaluation Register (and any within-period revision of it) on the BSCCo website.

## 5.6 Risk Operating Plan

5.6.1 The Performance Assurance Board shall:

- (a) determine what Performance Assurance Technique(s) it considers should be applied in relation to each Settlement Risk identified in the Risk Evaluation Register; and
- (b) prepare a plan (the "**Risk Operating Plan**") setting out:
  - (i) such Settlement Risks and the Performance Assurance Technique(s) that it has determined should be applied to each such Settlement Risk; and
  - (ii) the estimated overall cost to BSCCo of implementing such Performance Assurance Technique(s) in the current Performance Assurance Operating Period.

- 5.6.2 The Performance Assurance Board shall establish the initial Risk Operating Plan, and thereafter review and update the Risk Operating Plan, in accordance with paragraph 5.6.3 and may on a within-period basis review and update the Risk Operating Plan in accordance with paragraph 5.6.4.
- 5.6.3 The Performance Assurance Board shall, in accordance with the Annual Performance Assurance Timetable:
- (a) publish the proposed Risk Operating Plan on the BSCCo website so that any Performance Assurance Parties and other interested persons may comment on it;
  - (b) submit the proposed Risk Operating Plan to the Panel for its approval together with any comments received from Performance Assurance Parties and other interested persons;
  - (c) make such changes (if any) to the proposed Risk Operating Plan as the Panel may direct; and
  - (d) adopt the Risk Operating Plan as so changed and approved by the Panel,
- and references to the Risk Operating Plan are to such plan as so approved and adopted or revised pursuant to paragraph 5.6.4.
- 5.6.4 Where the Performance Assurance Board proposes a within-period revision of the Risk Operating Plan.
- (a) the approval of the Panel shall not be required for such within-period revisions, and, subject to paragraph (b), the Performance Assurance Board shall:
    - (i) submit a draft of the proposed Risk Operating Plan to all Performance Assurance Parties and other interested persons;
    - (ii) after considering comments received from Performance Assurance Parties and other interested persons, make such changes (if any) to the proposed Risk Operating Plan which are (in its opinion) appropriate; and
    - (iii) approve and adopt the Risk Operating Plan; and
  - (b) if the Performance Assurance Board considers that the revision is not significant it need not provide a draft of the proposed Risk Operating Plan to Performance Assurance Parties and other interested persons.
- 5.6.5 The Performance Assurance Board shall publish the Risk Operating Plan (and any within-period revision of it) on the BSCCo website.
- 5.6A Simultaneous review of Risk Evaluation Methodology, Risk Evaluation Register and Risk Operating Plan
- 5.6A.1 For the avoidance of doubt:
- (a) the Annual Performance Assurance Timetable may provide, in relation to a Performance Assurance Operating Period, that any of the Risk Evaluation Methodology, Risk Evaluation Register and Risk Operating Plan are to be reviewed and updated in conjunction with either or both of the other such documents; and

- (b) the Performance Assurance Board may propose (and subsequently make) a within-period revision to any of the Risk Evaluation Methodology, Risk Evaluation Register and Risk Operating Plan in conjunction with either or both of the other such documents.

5.6A.2 Notwithstanding any other provision of the Code:

- (a) where the Performance Assurance Board:
  - (i) reviews and updates the Risk Evaluation Register in conjunction with the Risk Evaluation Methodology, in accordance with the Annual Performance Assurance Timetable; or
  - (ii) proposes a within-period revision to the Risk Evaluation Register in conjunction a within-period revision to with the Risk Evaluation Methodology,

the proposed Risk Evaluation Register shall be drafted as if the proposed Risk Evaluation Methodology had already been approved and adopted by the Performance Assurance Board; and

- (b) where the Performance Assurance Board:
  - (i) reviews and updates the Risk Operating Plan in conjunction with the Risk Evaluation Register, in accordance with the Annual Performance Assurance Timetable; or
  - (ii) proposes a within-period revision to the Risk Operating Plan in conjunction with a within-period revision to the Risk Evaluation Register,

the proposed Risk Operating Plan shall be drafted as if the proposed Risk Evaluation Register had already been adopted by the Performance Assurance Board.

## 5.7 Risk Management Determination

5.7.1 The Performance Assurance Board shall, in relation to each Performance Assurance Party, determine (in accordance with the Risk Evaluation Methodology) which Settlement Risks in the Risk Evaluation Register are material (based on class materiality and individual materiality) in relation to such Performance Assurance Party, and the Performance Assurance Techniques in the Risk Operating Plan to be applied (and the manner in which they are to be applied) in relation to such Performance Assurance Party in respect of each such Settlement Risk ("**Risk Management Determination**").

5.7.2 The Performance Assurance Board shall:

- (a) make an initial Risk Management Determination for each Performance Assurance Party and where applicable such Risk Management Determination should be made in conjunction with the Performance Assurance Party (prior to the Performance Assurance Effective Date or as the case may be upon the party becoming a Performance Assurance Party); and
- (b) thereafter on an ad-hoc basis review the Risk Management Determination for each Performance Assurance Party and (where necessary) make a revised Risk Management Determination in consultation with such Performance Assurance Party.

- 5.7.3 Notwithstanding paragraph 5.7.2(a), the Performance Assurance Board may determine (in its opinion and with the consent of the relevant Performance Assurance Party) that separate Risk Management Determinations should be made in respect of distinct operating unit(s) of the Performance Assurance Party (material business unit(s)) and it:
- (a) may make an initial Risk Management Determination for each material business unit:
    - (i) prior to the Performance Assurance Effective Date or upon the party being a Performance Assurance Party as the case may be; or
    - (ii) on or after the Performance Assurance Effective Date or after the party becomes a Performance Assurance Party as the case may be and
  - (b) shall thereafter on an ad-hoc basis review a Risk Management Determination and (where necessary) make a revised Risk Management Determination.
- 5.7.4 The Performance Assurance Board shall notify each Performance Assurance Party of a Risk Management Determination and references to the Risk Management Determination are to such determination made or revised by the Performance Assurance Board (as the case may be).
- 5.7.5 Where the Performance Assurance Board makes a within-period revision of the Risk Operating Plan, the Performance Assurance Board shall (if necessary) make a revised Risk Management Determination for each Performance Assurance Party as it considers appropriate.
- 5.7.6 Where there is a change in the circumstances of a Performance Assurance Party or it becomes aware of circumstances of which it was not previously aware in relation to the Risk Management Determination that applies to that Performance Assurance Party, the Performance Assurance Party may request that the Performance Assurance Board make a revised Risk Management Determination, by notice to the Performance Assurance Board setting out the basis (and supporting evidence) on which the Performance Assurance Party considers such revised Risk Management Determination is justified; and the Performance Assurance Board shall consider the Performance Assurance Party's request and determine (in its discretion) whether or not the requested revised Risk Management Determination is justified and should be made.
- 5.7.7 Where the Performance Assurance Board becomes aware of a change in the circumstances of a Performance Assurance Party, or of circumstances which the Performance Assurance Board was not previously aware in relation to the Risk Management Determination of a Performance Assurance Party, the Performance Assurance Board shall be entitled to make a revised Risk Management Determination as it considers appropriate.
- 5.7.8 The Performance Assurance Technique(s) to be applied (in accordance with a Risk Management Determination) in respect of any Settlement Risk shall be techniques specified as applicable to such risk in the Risk Operating Plan; but the techniques to be applied (and the manner and extent to which they are to be applied) to individual Performance Assurance Parties of the same class may vary in cases of individual materiality of Settlement Risks.

## **6 RISK MANAGEMENT DETERMINATION QUERIES AND RISK MANAGEMENT DETERMINATION APPEALS**

### **6.1 Interpretation**

6.1.1 For the purposes of the Code:

- (a) a "**Risk Management Determination Query**" means a query raised by a Performance Assurance Party regarding the relevant Risk Management Determination where the Performance Assurance Party disagrees with any aspect of such Risk Management Determination;
- (b) a "**Query Response**" means a written response from the Performance Assurance Board setting out its decision on a Risk Management Determination Query given in accordance with paragraph 6.2.3; and
- (c) a "**Risk Management Determination Appeal**" means an appeal to the Panel in accordance with paragraph 6.3.

### **6.2 Risk Management Determination Query**

6.2.1 A Performance Assurance Party may submit in writing a Risk Management Determination Query to the Performance Assurance Board within ten (10) Working Days of the Performance Assurance Party receiving notice that the Performance Assurance Board has:

- (a) made the initial Risk Management Determination;
- (b) revised the Risk Management Determination (except for a revision in accordance with paragraph 5.7.6); or
- (c) decided not to make any revision of the Risk Management Determination requested by the Performance Assurance Party pursuant to paragraph 5.7.6.

6.2.2 Where a Performance Assurance Party raises a Risk Management Determination Query:

- (a) it shall specify the manner in which it considers that (by reason of the query) the relevant Risk Management Determination Plan should be revised;
- (b) it shall at the same time send the Performance Assurance Board such evidence and information which it reasonably believes supports the Risk Management Determination Query;
- (c) the Performance Assurance Board shall ensure that the Risk Management Determination Query is on the agenda for the next reasonably practicable monthly meeting of the Performance Assurance Board (the "**Query Meeting**") and notify the Performance Assurance Party of the date of the Query Meeting;
- (d) the Performance Assurance Board shall invite (but shall not oblige) the Performance Assurance Party to send a representative to attend the relevant part of the Query Meeting;
- (e) the Performance Assurance Party shall provide any additional information reasonably requested by the Performance Assurance Board prior to the date of the Query Meeting; and

- (f) any representative of the Performance Assurance Party which attends that part of the Query Meeting shall be entitled to make representations on behalf of the Performance Assurance Party.

6.2.3 The Performance Assurance Board shall:

- (a) consider all evidence and information submitted by the Performance Assurance Party and any representations which a representative of the Performance Assurance Party makes at the Query Meeting under paragraph 6.2.2;
- (b) determine whether or not it accepts (in whole or in part) the Risk Management Determination Query;
- (c) prepare and send the Performance Assurance Party the Query Response; and
- (d) to the extent to which it accepts the Risk Management Determination Query; make a revised Risk Management Determination.

6.2.4 The determination of the Performance Assurance Board in respect of a Risk Management Determination Query shall be final and binding on the Performance Assurance Party (who shall comply with such determination) unless a Risk Management Determination Appeal is submitted in accordance with paragraph 6.3.

6.2.5 The Performance Assurance Board shall adopt such procedures as it believes fit to determine the Risk Management Determination Query provided that the Query Meeting shall be held in confidence and Section B4.5 shall not apply.

### **6.3 Risk Management Determination Appeal**

6.3.1 Where a Performance Assurance Party disagrees with the determination of the Performance Assurance Board in relation to a Risk Management Determination Query, a Risk Management Determination Appeal may be submitted in writing to the Panel within ten (10) Working Days after such Performance Assurance Party received the Query Response, subject to and in accordance with this paragraph 6.3.

6.3.2 A Risk Management Determination Appeal may be submitted to the Panel:

- (a) directly by the Performance Assurance Party if it is a Supplier, Registrant or a LDSO;
- (b) by a Performance Assurance Party which is a Supplier, Registrant or a LDSO on behalf of Performance Assurance Party which is a Party Agent where:
  - (i) the Party Agent has requested that the Supplier, Registrant or LDSO submits the Risk Management Determination Appeal on its behalf; and
  - (ii) the Supplier, Registrant or LDSO has an interest (deemed by the Panel to be a sufficient interest) in the Settlement Risk affecting the Party Agent and the Risk Management Determination Appeal,

provided that the Supplier, Registrant or LDSO shall at the same time it submits the Risk Management Determination Appeal state to the Panel why it has an interest in the Settlement Risk and the Risk Management Determination Appeal and provide evidence of such interest to the Panel.



- 6.3.3 A Risk Management Determination Appeal may only be made on one or more of the following grounds:
- (a) the Performance Assurance Board has not followed the procedures for the determination of the Risk Management Determination Query under this Section Z and any applicable Code Subsidiary Document;
  - (b) the Performance Assurance Board has given too little or too much weight to the particular circumstances or evidence submitted or lack of circumstances or evidence submitted by the Performance Assurance Party; or
  - (c) the Performance Assurance Board has misinterpreted all or some of the evidence submitted by the Performance Assurance Party.
- 6.3.4 Where a Risk Management Determination Appeal is submitted:
- (a) the Performance Assurance Party shall at the same time provide the Panel with such evidence and information which it reasonably believes supports its Risk Management Determination Appeal;
  - (b) the Panel Secretary shall place the Risk Management Determination Appeal on the confidential section of the agenda for the next reasonably practicable meeting of the Panel (the "**Appeal Meeting**") and shall notify the Performance Assurance Party of the date of the Appeal Meeting;
  - (c) the Panel Secretary shall invite (but not oblige) the Performance Assurance Party to send a representative to attend part of the Appeal Meeting and Section B4.1.6 shall be construed accordingly;
  - (d) the Performance Assurance Party shall provide any additional information reasonably requested by the Panel prior to the date of the Appeal Meeting;
  - (e) any representative of the Performance Assurance Party which attends that part of the Appeal Meeting shall be entitled to make representations on behalf of that Performance Assurance Party; and
  - (f) the Panel Secretary shall provide a copy of an extract of the minutes for that part of the meeting which a representative of the Performance Assurance Party attended to the Performance Assurance Party.
- 6.3.5 The Panel shall adopt such procedures as it believes fit to determine the Risk Management Determination Appeal, and the Appeal Meeting shall be held in confidence and Section B4.5 shall not apply.
- 6.3.6 The Panel shall:
- (a) consider all evidence and information the Performance Assurance Party submits and any representations which a representative of the Performance Assurance Party makes at the Appeal Meeting under paragraph 6.3.4;
  - (b) determine whether or not it accepts (in whole or in part) the Risk Management Determination Appeal;
  - (c) prepare and send the Performance Assurance Party a written response setting out its determination which it shall copy to the Performance Assurance Board; and

- (d) to the extent which it accepts the Risk Management Determination Appeal, direct the Performance Assurance Board to make a revised Risk Management Determination.

6.3.7 The written response of the Panel shall be final and binding on the Performance Assurance Party whose Risk Management Determination was the subject of the Risk Management Determination Appeal and the Performance Assurance Party shall comply with it.

#### **6.4 General Provisions applying to Risk Management Determination Queries and Risk Management Determination Appeals**

6.4.1 Where a Performance Assurance Party raises a Risk Management Determination Query or a Risk Management Determination Appeal in respect of:

- (a) the inclusion in the relevant Risk Management Determination of a new Performance Assurance Technique established pursuant to a BSC Modification; or
- (b) the application in the relevant Risk Management Determination of a Performance Assurance Technique to the Performance Assurance Party which has not, or in a manner which has not, previously been applied to such Performance Assurance Party,

the application of such Performance Assurance Technique to the Performance Assurance Party shall be suspended from the date on which the Performance Assurance Party raises the Risk Management Determination Query and shall remain suspended if a Risk Management Determination Appeal arises from such Risk Management Determination Query until such date as the Performance Assurance Board or the Panel as applicable may determine under paragraph 6.4.3 or paragraph 6.4.4.

6.4.2 Notwithstanding the suspension of the Performance Assurance Techniques specified under paragraph 6.4.1 the Performance Assurance Board shall continue to apply the rest of the Performance Assurance Techniques set out in the more recent of:

- (a) the initial Risk Management Determination; or
- (b) the latest revised Risk Management Determination,

of the Performance Assurance Party, provided that where the initial Risk Management Determination has been made as at the date a Risk Management Determination Query or Risk Management Determination Appeal has been submitted, the existing Performance Assurance Techniques applied to that Performance Assurance Party which are set out in the Code or established pursuant to the Code shall be deemed to comprise the Performance Assurance Party's Risk Management Determination and shall continue to apply to it.

6.4.3 If the Performance Assurance Board in the Query Response or the Panel in its written response under paragraph 6.3.6 as the case may be determines that:

- (a) the new Performance Assurance Technique established pursuant to a BSC Modification; or
- (b) the application of a Performance Assurance Technique which has not or in a manner which it has not previously been applied shall apply to the Performance Assurance Party,

the Performance Assurance Board or the Panel as applicable shall determine the date from which the new Performance Assurance Technique(s) or the new application of the Performance Assurance Techniques shall apply.

- 6.4.4 If:
- (a) the Performance Assurance Board determines not to accept a Risk Management Determination Query pursuant to paragraph 6.2.3(b); or
  - (b) the Panel determines not to accept a Risk Management Determination Appeal pursuant to paragraph 6.3.6(b),

the Performance Assurance Board or the Panel as applicable shall determine the date from which the suspension under paragraph 6.4.1 shall cease.

- 6.4.5 If:
- (a) the Performance Assurance Board resolves that a Risk Management Determination Query; or
  - (b) the Panel resolves that a Risk Management Determination Appeal,

is of a vexatious or frivolous nature, the Performance Assurance Board or the Panel as applicable may require such Performance Assurance Party which has submitted the Risk Management Determination Query or the Risk Management Determination Appeal or on behalf of which a Risk Management Determination Appeal is submitted to pay to BSCCo an amount (as from time to time approved by the Panel) towards the cost of administration of any such Risk Management Determination Query and/or such Risk Management Determination Appeal as applicable, and such Performance Assurance Party shall pay such amount.

## **7 PERFORMANCE ASSURANCE TECHNIQUES**

### **7.1 Administering and Implementation of Performance Assurance Techniques**

7.1.1 From the Performance Assurance Effective Date, the Performance Assurance Board shall apply and implement (or cause the Performance Assurance Administrator to apply or implement) Performance Assurance Techniques in accordance with the Risk Operating Plan and each Risk Management Determination.

7.1.2 Without limitation, the Performance Assurance Board shall carry out the following functions, duties and responsibilities:

- (a) the conduct and administration of (including the making of determinations in relation to) the Qualification (or re-Qualification as the case may be) or the removal of Qualification of those persons referred to in Section J2.1.2, and in accordance with Section J3 and BSCP537;
- (b) the determination of whether a Supplier has failed to comply with any of the Serials and of the associated charges payable in accordance with Annex S-1 and such other functions, duties and responsibilities as are accorded to it pursuant to that Annex;
- (c) the conduct and administration of (including the making of determinations under) the performance assurance standards and tests set out or referred to in

BSCP533, including the conduct and administration of, and publication of the results of, any peer group comparison associated with any such performance assurance standards and tests;

- (d) the conduct and administration of (including the making of determinations under) the error and failure resolution process and requirements as set out in any relevant BSCP;
- (e) the carrying out of those functions, duties and responsibilities accorded to it in BSCP27 and BSCP535 together with such monitoring and technical assurance functions, duties and responsibilities referred to in Section L as are assigned to it by the Panel from time to time;
- (f) the carrying out of such functions, duties and responsibilities assigned to it in relation to the BSC Audit by the Panel from time to time; and
- (g) such other functions, duties and responsibilities as may be accorded to it from time to time under or pursuant to the Code.

## **8 FURTHER FUNCTIONS AND DUTIES**

### **8.1 Annual Performance Assurance Report**

8.1.1 The Performance Assurance Board shall prepare an annual report on performance assurance (the "**Annual Performance Assurance Report**") which shall set out the following information in respect of the previous Performance Assurance Operating Period:

- (a) the results of the risk evaluation and risk assurance procedures, in particular, the extent to which the application of Performance Assurance Techniques mitigated the Settlement Risks in the Risk Evaluation Register;
- (b) the actual costs of BSCCo in implementing the Performance Assurance Techniques and a comparison against the estimated costs set out in the Risk Operating Plan for the previous year and an explanation of any differences;
- (c) any recommendations to modify existing Performance Assurance Techniques or establish new Performance Assurance Techniques; and
- (d) the benefits of any modifications to Performance Assurance Techniques including cost-saving benefits.

8.1.2 The Annual Performance Assurance Report shall be published on the BSCCo website.

### **8.2 Recommendations**

8.2.1 The Performance Assurance Board may make a recommendation to the Panel at any time that the Code or any Code Subsidiary Document be modified in order to:

- (a) remedy any error, ambiguity, inconsistency or deficiency therein which emerges as a result of the exercise of the Performance Assurance Board's functions; or
- (b) establish a new Performance Assurance Technique or modify an existing Performance Assurance Technique.

8.2.2 Where the Panel receives a recommendation from the Performance Assurance Board pursuant to paragraph 8.2.1, the Panel shall decide whether to propose a modification to the Code and/or a modification to a Code Subsidiary Document consistent with such recommendation in accordance with Section F.

### 8.3 Supplier Migration Plans

8.3.1 For the purposes of this paragraph 8.3:

- (a) the "**Supplier Migration Plan deadline**" shall be:
  - (i) in respect of any Supplier who is a Registrant of relevant Metering Systems on or before 31 August 2015, no later than 31 August 2015; or
  - (ii) in respect of any Supplier who is registered after 31 August 2015 as the Registrant of any relevant Metering Systems and who was not so registered in respect of any relevant Metering Systems prior to that date, within 30 Business Days of registration;
- (b) a "**relevant Metering System**" shall be a Metering System that is an Advanced Meter.

8.3.2 Each Supplier shall submit to the Performance Assurance Administrator a Supplier Migration Plan by no later than the Supplier Migration Plan deadline. The Supplier Migration Plan shall:

- (a) for each Advanced Meter in respect of which the Supplier is Registrant, set out the dates, subject to paragraph 8.3.2(b), by when such Metering Equipment shall be registered as Half Hourly Metering Equipment in accordance with Section L2.2.2;
- (b) include a commencement date that is no later than 5 November 2015 and a completion date that is no later than P272 Implementation Date;
- (c) include evidence and rationale in support of the timetable included in the Supplier Migration Plan; and
- (d) be submitted in such format, and provide such supporting information, as the Performance Assurance Board may specify.

8.3.3 The Performance Assurance Administrator shall validate each Supplier Migration Plan and submit it to the Performance Assurance Board for its review and, in its absolute discretion, approval, provided that the Performance Assurance Administrator shall not submit any evidence provided to it identifying MSIDs.

8.3.4 Where the Performance Assurance Board has approved of a Supplier Migration Plan, the Supplier shall:

- (a) complete the registration of all Advanced Meters in respect of which the Supplier is Registrant as Half Hourly Metering Equipment in accordance with the Supplier Migration Plan;
- (b) for the first month included in the Supplier Migration Plan and each month thereafter (or at such longer intervals as the Performance Assurance Board may specify), by the date specified by the Performance Assurance Board falling within the second month after the end of the month to which the update relates,

submit to the Performance Assurance Board an update report. The update report shall include such supporting information and rationale as the Performance Assurance Board or Performance Assurance Administrator may require; and

- (c) submit a revised Supplier Migration Plan to the Performance Assurance Board as soon as reasonably practicable after it becomes aware of any circumstance that will prevent its material compliance with its Supplier Migration Plan then in force.

8.3.5 If the Performance Assurance Board refuses to approve the Supplier Migration Plan referred to in paragraph 8.3.2 (or any revised Supplier Migration Plan submitted under paragraph 8.3.4(c)), the Supplier shall revise its Supplier Migration Plan to address any deficiencies identified and re-submit it to the Performance Assurance Board in accordance with any timescales specified by the Performance Assurance Board.

#### **8.4 Compliance with Supplier Migration Plans**

8.4.1 Subject to any provision of the Code to the contrary, the Performance Assurance Board shall determine what Performance Assurance Technique(s) (including, without prejudice to the generality of the foregoing, referral to the Panel) it considers should be applied in relation to any failure by a Supplier to:

- (a) submit a Supplier Migration Plan in accordance with the requirements of paragraph 8.3;
- (b) comply with any requirement of the Performance Assurance Board or Performance Assurance Administrator made in accordance with paragraph 8.3; and/or
- (c) comply with its Supplier Migration Plan (including any Supplier Migration Plan revised or updated in accordance with paragraph 8.3).