

# CP Assessment Report

## CP1540 'Strengthening the Qualification – Change of Ownership Process'

**ELEXON**



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### Committee

Performance Assurance Board

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### Recommendation

Approve

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### Implementation Date

4 November 2021  
(November 2021 Release)



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### About This Document

This document is the Change Proposal (CP) Assessment Report for CP1540 which Elexon will present to the Performance Assurance Board (PAB) at its meeting on 29 April 2021 and the Imbalance Settlement Group (ISG) and Supplier Volume Allocation Group (SVG) at their respective meetings on 4 May 2021. The Committees will consider the proposed solution and the responses received to the CP Consultation before making a decision on whether to approve CP1540.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, and proposed implementation approach. It also summarises the PAB, ISG, and SVG's initial views on the proposed changes and the views of respondents to the CP Consultation.
- Attachment A contains the proposed redlined changes to deliver the CP1540 solution.
- Attachment B contains the full responses received to the CP Consultation.
- Attachment C contains the CP1540 proposal form.

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## Why change?

Footnote 22 of Balancing and Settlement Code Procedure ([BSCP](#)) 537 'Qualification Process for Supplier Volume Allocation (SVA) Parties, SVA Party Agents and Central Volume Allocation (CVA) Meter Operators' states that the change of ownership process relates to "change of assets including but not limited to a change in the legal entity and/or transfer of assets to another." The intended purpose of the footnote was to allow for internal restructuring within a company group. The footnote implies that a Qualified status itself can be transferred without the accompanying staff, systems and process since it is legally an asset. This is not the case and the PAB would not accept transfer of Qualification status in these circumstances. The PAB has requested this CP be raised to make clear the type of change of ownership that would allow the transfer of Qualification status.

## Solution

This CP proposes to remove footnote 22 and in place, add a paragraph to specify that the change of ownership process prohibits transfer of Qualified status as an asset. For clarity, the paragraph will make clear that a transfer will only be permitted between companies in the same corporate group, or by the sale and purchase of the majority of shares in a legal entity with Qualified status.

## Impacts and costs

This change will only affect BSCP537, with no central system changes required. The cost will be less than £1000. Elxon expect this change to have a positive impact on Parties by clarifying when a transfer of Qualified status is valid.

## Implementation

This CP is recommended for implementation on 4 November 2021 as part of the November 2021 BSC Release to ensure the change creates clarity for market participants at the earliest opportunity.

## 2 Why Change?

### What is the issue?

Footnote 22 of BSCP 537 refers to 'change of ownership in respect of change of assets including but not limited to a change in the legal entity and/or transfer of assets to another'. The intended purpose of the latter was to allow for internal restructuring within a company group.

The footnote is unclear, and would appear to allow Qualification to be transferred as an asset. In order to prevent companies trading or transferring their Qualified, the document on change of ownership should explicitly prohibit the transfer. The clarification will also provide guidance for companies enquiring into Qualification.

### Background

Under the BSC, all Parties who are required to be Qualified, must develop their systems and processes to accepted industry standards and must be able to fulfil the requirements of the code. As such those Parties are required to submit appropriate representations and evidence indicating that they meet those standards by completing a Self Assessment Document, and they must follow the application process. BSCP 537 outlines the application process. It also outlines the Change of Ownership process to be followed when ownership of a Qualified Person changes. According to the process, a Change of Ownership takes place before the involved Parties make Elexon and PAB aware of the transaction. PAB then decide if Qualification or Requalification is required.

Footnote 22 of BSCP 537 states "This is a change of ownership in respect of change of assets including but not limited to a change in the legal entity and/or transfer of assets to another", this implies that PAB would accept transfer of Qualified status to a Party that lacks the appropriate expertise and processes upon sale of assets unrelated to Qualified functions.

### Proposed solution

The proposed solution is to remove footnote 22 in BSCP537 and include a paragraph below the title that explicitly prohibits the transfer of Qualification except in the case of restructuring within a group of companies, or through the sale and purchase of shares in a legal entity with qualified status, which results in a change of control of the entity. This text will be added in the main text of the document, rather than in a footnote, to ensure clarity for market participants as the information will be more prominent. For further clarity, the text in footnotes 23-24 in BSCP537 should also be combined and placed into the new paragraph as this text relates to the entire Change of Ownership Process.

### Proposer's rationale

BSCP537 should be amended to more clearly state when the change of ownership process should apply. The proposed solution of removing footnote 22 and creating a new paragraph would clarify that changes of ownership under the BSC are only permissible through sale and purchase of the majority of shares in a legal entity with Qualified status, or corporate restructuring.

This change is expected to create clarity for Qualified Persons wishing to utilise the Change of Ownership process in section 2.6 of BSCP 537.

### Proposed redlining

Please see Attachment A for the proposed redlining to CP1540.

## 4 Impacts and Costs

### BSC Party & Party Agent impacts and costs

#### BSC Party & Party Agent Impacts

BSC Party/Party Agent	Impact
Any BSC Party concerned about whether they will be able to transfer Qualification	The change is expected to provide clarity on when Parties should expect to go through Qualification or Requalification.

### Central impacts and costs

#### Central impacts

The solution in this CP only affects BSC documentation. Therefore no BSC Central Systems will be impacted.

#### Central Impacts

Document Impacts	System Impacts
<ul style="list-style-type: none"><li>BSCP537</li></ul>	<ul style="list-style-type: none"><li>None</li></ul>

#### Central costs

The central implementation costs for CP1540 will be less than £1000 for the document only changes to implement this CP.

### Impact on BSC Settlement Risks

#### Impact on BSC Settlement Risks

Footnote 22 of BSCP537 as currently drafted implies that companies can obtain Qualified status by trading assets unrelated to qualification. Settlement risks would arise from companies that hold Qualified status, but do not have the people, systems, and processes necessary to carry out Qualified SVA Party, SVA Party Agent, and CVA MOA activities. This CP removes that possibility and ensures that all those participants who are required to be Qualified have developed their systems and processes to accepted industry standards and are able to fulfil the requirements of the Code.

## 5 Implementation Approach

### Recommended Implementation Date

This CP is recommended for implementation on 4 November 2021 as part of the November 2021 BSC Release to ensure the change creates clarity for market participants at the earliest opportunity.

### PAB's initial views

At its [meeting on 25 February 2021](#), the PAB asked if the wording of footnote 22 could allow the transfer of Qualified status as an asset. Elexon agreed that this was the case, and confirmed that the footnote would be removed as part of the solution.

Additionally the PAB requested that Elexon confirms that the proposed solution would be more robust and clear than the existing wording in BSCP537. Elexon confirmed that it had subject matter experts and legal representatives involved in drafting the proposed redlining, ensuring that the proposed changes are clear and robust in delivering the intended process.

Lastly, the PAB noted the proposed timeline for CP1540, and had no additional questions for the consultation.

### ISG's initial views

At its [meeting on 2 March 2021](#), the ISG noted the proposed timeline for CP1540, and had no additional questions for the consultation.

### SVG's initial views

At its [meeting on 2 March 2021](#), the PAB noted the proposed timeline for CP1540, and had no additional questions for the consultation.

## 7 Industry Views

This section summarises the responses received to the CP Consultation. You can find the full responses in Attachment B. There were two respondents to the consultation, representing Suppliers and Supplier agents.

### Summary of CP1540 CP Consultation Responses

Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the CP1540 proposed solution?	2	0	0	0
Do you agree that the draft redlining delivers the intent of CP1540?	2	0	0	0
Will CP1540 impact your organisation?	0	2	0	0
Will your organisation incur any costs in implementing CP1540?	0	2	0	0
Do you agree with the proposed implementation approach for CP1540?	2	0	0	0

### Comments on the proposed redlining

Respondents made no comments on CP1540 or the proposed CP1540 redlining.



## 8 Recommendations

We invite the **PAB** to:

- **APPROVE** the proposed changes to BSCP537 for CP1540; and
- **APPROVE** CP1540 for implementation on 4 November 2021 as part of the November 2021 Release.
- **NOTE** that CP1540 will also be presented for decision to the
  - ISG and SVG on 4 May 2021.

## Appendix 1: Glossary & References

### Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
BSCP	Balancing and Settlement Code Procedure
CP	Change Proposal
CVA	Central Volume Allocation
ISG	Imbalance Settlement Group
MOA	Meter Operator Agent
PAB	Performance Assurance Board
SVA	Supplier Volume Allocation
SVG	Supplier Volume Allocation Group

### External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
2	BSCP537 web page	<a href="https://www.elexon.co.uk/csd/bscp537-qualification-process-for-sva-parties-sva-party-agents-and-cva-meter-operators/">https://www.elexon.co.uk/csd/bscp537-qualification-process-for-sva-parties-sva-party-agents-and-cva-meter-operators/</a>
7	PAB meeting 241	<a href="https://www.elexon.co.uk/meeting/pab241/">https://www.elexon.co.uk/meeting/pab241/</a>
7	ISG meeting 239	<a href="https://www.elexon.co.uk/meeting/isg239/">https://www.elexon.co.uk/meeting/isg239/</a>
7	SVG meeting 241	<a href="https://www.elexon.co.uk/meeting/svg241/">https://www.elexon.co.uk/meeting/svg241/</a>

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