

BSC Modification Proposal Form		At what stage is this document in the process?
<p><b>P411</b></p> <p><b>Mod Title: Including new LDSOs in Qualification to mitigate potential risks to Settlement</b></p>		<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; margin-bottom: 5px;">01 Modification</div> <div style="border: 1px solid blue; background-color: #e6f2ff; padding: 5px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 1px solid purple; background-color: #f2e6ff; padding: 5px; margin-bottom: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid orange; background-color: #fff9e6; padding: 5px;">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b> This Modification aims to improve the effectiveness of the Qualification Performance Assurance Technique (PAT) by requiring new Licensed Distribution System Operators (LDSOs) to undergo Qualification in this role. This will provide assurance to industry participants that new LDSOs are able to fully execute their BSC Role and obligations when active in the market.</p>		
<p>Is this Modification likely to 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"> <li>• be a Self-Governance Modification Proposal</li> <li>• be sent <b>directly into the Report Phase</b></li> </ul> <p>ELEXON will present this Modification to the BSC Panel at its meeting on 9 July 2020. The Panel will consider the Performance Assurance Board's (PAB's) recommendation and determine whether to raise the Modification and subsequently how best to progress it.</p>	
	<p>High Impact:</p> <ul style="list-style-type: none"> <li>• New LDSOs</li> </ul>	
	<p>Medium Impact:</p> <ul style="list-style-type: none"> <li>• Qualification Service Provider; and</li> <li>• ELEXON as Balancing and Settlement Code Company (BSCCo)</li> </ul>	
	<p>Low Impact:</p> <p>None</p>	

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Timetable		Proposer: <i>BSC Panel</i>
<b>The Proposer recommends the following timetable:</b>		Proposer's representative: <i>Lawrence Jones, ELEXON</i>
Modification raised by BSC Panel	9 July 2020	
Initial Written Assessment to BSC Panel	9 July 2020	
Report Phase Consultation	14 July 2020 - 27 July 2020	
Draft Modification Report presented to Panel	13 August 2020	 <a href="mailto:BSC.change@elexon.co.uk">BSC.change@elexon.co.uk</a>
Publish Self-Governance Modification Report	17 August 2020	 020 7380 4165

# 1 Why Change?

## What is the issue?

Licensed Distribution System Operators (LDSOs) (including Independent Distribution Network Operators (IDNOs), which the BSC does not distinguish between for Market Entry) have numerous responsibilities and obligations under the BSC. In particular there are many processes and requirements contained in [BSCP515 'Licensed Distribution'](#) and [BSCP128 'Production, Submission, Audit and Approval of Line Loss Factors'](#) which are linked to factors in Settlement Risks.

While LDSOs are required to complete Qualification in the roles of Supplier Meter Registration Agent (SMRA) and Unmetered Supplies Operator (UMSO), there is currently no preventative assurance related to the activities they undertake in the role of LDSO. As such any new LDSO that enters the market has the potential to pose a risk to the effectiveness of the processes specific to this role, and thus pose a risk to the integrity of Settlement.

We therefore consider that LDSOs should complete Qualification before they commence operations in the market.

## Background

Following its Performance Assurance Framework (PAF) Review, ELEXON presented a paper to the Performance Assurance Board (PAB) ([PAB224/11](#)) containing recommended changes to the Performance Assurance Techniques (PATs). Among these recommendations was that new LDSOs be made subject to the Qualification technique.

LDSOs are required to Qualify in their capacity as SMRA and UMSO, and are identified as Performance Assurance Parties. As such, LDSOs are subject to the BSC Audit and Error and Failure Resolution (EFR) techniques. This provides ongoing assurance that LDSOs are able to fulfil their role once operational, but there is not currently any preventative assurance provided to market participants for activities relating to the LDSO role.

This Modification aims to carry forward this recommendation as endorsed by the PAB, and subsequently recommended to be raised by the PAB under Section F2.1.1(d)(vi) at its meeting on 25 June 2020 ([PAB233/09](#)). This will provide assurance to market participants that new LDSOs will be able to fulfil their BSC role and obligations before they go live.

## Performance Assurance Framework Review

The PAF consists of a suite of techniques that can be applied to Performance Assurance Parties to help mitigate any risks that market participants may pose to the integrity of Settlement. The current risk-based PAF was introduced by [P207 'Introduction of a new governance regime to allow a risk-based Performance Assurance Framework \(PAF\) to be utilised and reinforce the effectiveness of the current PAF' in 2007](#). The techniques fall into four categories:

- Detective;
- Preventative;
- Remedial; and
- Incentive.

Qualification is a preventative technique designed to ensure that new entrants have satisfactorily developed their systems and processes so that any potential risks to Settlement when live have been sufficiently mitigated.

The third workstream of [ELEXON's PAF Review](#), assessed the continued suitability and effectiveness of PATs. It recommended changes, including those relating to the Self Assessment Document (SAD) and its associated documents, to PAB at its meeting on 26 September 2019 as outlined above.

## 2 Solution

### Proposed Solution

This Modification proposes to include new entrant LDSOs in the scope of the Qualification technique in the role of LDSO.

The inclusion of LDSOs in the Qualification technique will require a new role specific section to be added to the SAD. The new section will contain questions and guidance for new entrants to respond to that relate specifically to the role of an LDSO. New entrant LDSOs will be required to respond to this section in addition to the SMRA and UMSO roles that they are currently required to Qualify as.

The Qualification Service Provider's scope will be extended to review and assess the responses that new LDSOs provide to ensure that they do not pose a significant risk to Settlement.

### Changes to the Self Assessment Document

As a Category 3 BSC Configurable Item, changes to the SAD are made through a dedicated change process overseen by the PAB. In reviewing the SAD, the PAB shall assess whether any amendments to the document may help reduce risks. The PAB is not required to consult Parties on any changes to the SAD, though it may do so if it believes it would be appropriate.

This BSC Modification will draft the changes to [Section J 'Party Agents and Qualification Under the Code'](#) and [BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators'](#) in order to require new LDSOs to Qualify in this role. Changes to the SAD to facilitate this Modification will be approved by the PAB as part of the implementation phase.

### Re-Qualification

This Modification does not propose to also extend re-Qualification as the PAF review also recommended significant changes to the re-Qualification processes. It is therefore more efficient for the extension of the scope of re-Qualification to any additional parties to also be considered under this piece of work. The recommendation to review the re-Qualification technique will be progressed subsequent to this Modification.

### Benefits

The aim of this Modification is to provide assurance to market participants that new LDSOs are able to fully carry out their BSC Role and execute their obligations. By including the LDSOs it will ensure that the Qualification technique is fully effective at mitigating any risks to Settlement that new entrants may pose.

The Modification will also bring LDSOs in line with other Performance Assurance Parties by subjecting them to the Qualification PAT.

### 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

#### Applicable BSC Objective (d)

We believe this Modification will better facilitate Applicable BSC Objective (d) as it will provide preventative assurance that new LDSOs are able to fulfil the BSC obligations and responsibilities associated with this role. This will mitigate the need for detective and corrective action to be taken against new LDSOs once they have gone live, which will ensure that the BSC arrangements can be delivered effectively and efficiently.

## 4 Potential Impacts

### Impacts on BSC Parties

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

This Modification will impact new entrant LDSOs by requiring them to complete Qualification in this role. For clarity it will not impact existing LDSO's operating in the market.

### 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)

We do not anticipate any impacts on other Core Industry Documents.

### 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 type="checkbox"/> FAA	<input type="checkbox"/> TAAMT	<input type="checkbox"/> NHHDA	<input type="checkbox"/> SVAA
<input type="checkbox"/> ECVA A	<input type="checkbox"/> ECVA A Web Service	<input type="checkbox"/> ELEXON Portal	<input type="checkbox"/> Other (Please specify)	

There will be no impacts on any BSC Systems for this Modification.

### Legal Text Changes

This Modification will require changes to [BSC Section J 'Party Agents and Qualification under the Code'](#) and [BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators'](#) to place an explicit obligation on new LDSOs to Qualify in this role.

The Modification will also require consequential changes to the SAD which will be approved as part of implementation.

## 5 Governance

### Self-Governance

<input type="checkbox"/> <b>Not Self-Governance</b> – 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"/> does not involve 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"/> <b>Self-Governance</b> – A Modification that, if implemented:	
Does not materially impact on any of the Self-Governance criteria provided above	

This Modification will not place additional operational requirements on new entrant LDSOs in comparison to LDSOs already operational. Rather, it seeks to provide assurance that new entrant LDSOs can fulfil the BSC obligations that are already applicable. As such, we do not believe that including new LDSOs in the Qualification technique will materially impact the Self-Governance criteria. This Modification **should** therefore be treated as a Self-Governance Modification.

### Progression route

<input type="checkbox"/> <b>Submit to assessment by a Workgroup</b> –:A Modification Proposal which:	
does not meet any criteria to progress via any other route.	
<input checked="" type="checkbox"/> <b>Direct to Report Phase</b> – A Modification Proposal whose solution is typically:	
<input type="checkbox"/> of a minor or inconsequential nature	<input checked="" type="checkbox"/> deemed self-evident
<input type="checkbox"/> <b>Fast Track Self-Governance</b> – 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"/> <b>Urgent</b> – 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	

The solution to be implemented by this Modification was developed by ELEXON's PAF Review with support from representatives from across the industry. It was endorsed by the PAB and subsequently requested to be raised as a Modification by the PAB. As such, we deem that the solution is self-evident and will not benefit from Workgroup Assessment.

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

We do not believe that this Modification will impact on any ongoing SCRs. Therefore, we will request that this Modification be treated as an SCR Exempt Modification.

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

We do not anticipate any impact on the EBGL Article 18 Terms and Conditions held within the BSC.

### **Does this Modification impact on end consumers or the environment?**

We do not anticipate any impact on consumers or the environment as a result of this Modification as it does not seek to materially amend any operational BSC processes.

### **Implementation approach**

We propose that this Modification should be implemented on 5 November 2020 as part of the November 2020 BSC Release.