







BSC Modification Proposal Form		At what stage is this document in the process?
<h1>P414</h1> <h2>Mod Title: Allowing a Party to Withdraw from the BSC and transfer outstanding liabilities to another Party</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #008000; color: white; padding: 2px; display: flex; align-items: center; justify-content: space-between;"><span style="font-weight: bold; font-size: 1.2em;">01</span> Modification</div> <div style="border: 1px solid blue; padding: 2px; display: flex; align-items: center; justify-content: space-between;"><span style="font-weight: bold; font-size: 1.2em;">02</span> Workgroup Report</div> <div style="border: 1px solid purple; padding: 2px; display: flex; align-items: center; justify-content: space-between;"><span style="font-weight: bold; font-size: 1.2em;">03</span> Draft Modification Report</div> <div style="border: 1px solid orange; padding: 2px; display: flex; align-items: center; justify-content: space-between;"><span style="font-weight: bold; font-size: 1.2em;">04</span> Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>The requirement for a Party to wait at least 14 months between its last day of trading and being able to withdraw from the Code is inefficient as it can prevent the withdrawing party undertaking administrative tasks, such as dissolving the legal entity.</p> <p>This Modification seeks to improve the BSC exit arrangements. It will allow a BSC Party to withdraw from the Code as soon as practicable after serving a notice of withdrawal provided that all liabilities under the Code are satisfied or transferred to another company through a transfer of its BSC party ID to that legal entity.</p>		
<p><b>Does this Modification impact any of the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions held within the BSC?</b></p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>		
	<p>The Proposer recommends that this Modification should:</p> <ul style="list-style-type: none"> <li>not be a Self-Governance Modification</li> <li>be sent directly into the Report Phase</li> </ul> <p>This Modification will be presented by the Proposer to the BSC Panel on 8 October 2020. The Panel will consider the Proposer's recommendation and determine how best to progress the Modification.</p>	
	<p>High Impact:</p> <p>None</p>	
	<p>Medium Impact:</p> <p>BSC Parties wishing to withdraw from the Code</p>	
	<p>Low Impact:</p> <p>Elexon in its role as the Balancing and Settlement Code Company (BSCCo)</p>	

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Timetable		Proposer: <i>RWE Supply &amp; Trading GmbH</i>
<b>The Proposer recommends the following timetable:</b>		Proposer's representative: <i>Bill Reed</i>
Initial consideration by Panel	8 October 2020	 <a href="mailto:bill.reed@rwe.com">bill.reed@rwe.com</a>
Report Phase Consultation and EBGL Change Process	15 October 2020 - 16 November 2020	 07795355310
Draft Modification Report presented to Panel	10 December 2020	Other: <i>Raoul Thulin</i>
Final Modification Report submitted to Authority	17 December 2020	 <a href="mailto:Raoul.thulin@rwe.com">Raoul.thulin@rwe.com</a>

# 1 Why Change?

## What is the issue?

The arrangements that enable a BSC Party to withdraw from the BSC are set out in [Section A 'Parties and Participation'](#) paragraph 5 'Exit'. This sets out the conditions that a Party must satisfy in order to withdraw from the Code. This includes that the Final Reconciliation (RF) Settlement Run has been carried out in relation to Settlement liabilities under the Code. These requirements mean that a party that wishes to withdraw from the BSC must wait for at least 14-months before it can formally do so. This is inefficient since it requires a BSC Party to continue to be a BSC Party and to continue being incorporated as a legal entity (and administer any functions associated with this status) for at least 14 months after it has submitted a Withdrawal Notice. This can prevent the withdrawing Party from undertaking other administrative activities. For example, where a BSC Party is part of a group of companies it may wish to assign all of its responsibilities to another entity within the group and dissolve the redundant company.

The BSC arrangements for BSC Party withdrawal are unduly onerous in circumstances where a BSC Party wishes to exit from the BSC and is in a position to assign all the relevant BSC Settlement liabilities to another legal entity that is already a BSC Party.

## Desired outcomes

The Modification would enable a BSC Party to withdraw from the Code from the date of the Withdrawal Notice subject to the assignment of all liabilities set out in Section A5.1.3 to another legal entity which is a Party to the BSC. This will be achieved through a transfer of the BSC Party ID from the Party that wishes to withdraw to another BSC Party. In these circumstances a single company may have responsibility for more than one Party ID. The Party ID that is assigned as part of the exit process would be withdrawn once all the liabilities associated with that Party ID have been fulfilled. This would be the BSC Party ID withdrawal date.

# 2 Solution

## Proposed Solution

This Modification seeks to enable a BSC Party to withdraw from the Code as soon as practical after serving the Withdrawal Notice provided that all liabilities under the Code (as set out under 5.1.3) are either satisfied or transferred to another Legal Entity (who is already a Party to the BSC and registered in the same roles) through a transfer of the BSC Party ID to that entity.

Parties wishing to use these provisions will complete an application and confirm that they are not a Defaulting Party (which Elexon will validate). Elexon will present the Party's application to the BSC Panel. The Panel will consider the application and determine whether to approve the transfer of BSC Party ID and any associated rights and liabilities. The Panel can approve with the below determinations:

1. If the Party has an Ofgem License then the approval will be subject to the revocation of that License or the transfer of that License depending on what's required (i.e. whether the gaining Party already has a licence).
2. If the Party ID has credit cover lodged via an Approved Insurance Product or Letter of Credit, then this must be amended or issued in the new BSC Party's name by the date of the novation of liabilities.

Before the Party can apply to use the process to exit the market, it must satisfy the conditions laid out in A5.1.3 (d), (e) and (g). The Panel's approval will be subject to any licence being revoked or transferred as appropriate, thereby satisfying A5.1.3(f). Any financial liabilities associated with A5.1.3 (a), (b) or (c) will transfer to the gaining entity under this process. The Party will then be required to commence the withdrawal process for the Party ID.

The BSC would be amended to include the following:

- A BSC Withdrawal Notice that transfer the relevant BSC Party ID to another legal entity from the date of the Withdrawal Notice (the BSC Party withdrawal date);
- The Withdrawal Notice transfers all liabilities set out in Section A5.1.3 to the legal entity set out in the withdrawal notice;
- A single legal entity would have responsibility for more than one Party ID where that additional Party ID is specified in a withdrawal notice; and
- The BSC Party ID set out in the Withdrawal Notice would be withdrawn once all the liabilities associated with that Party ID have been fulfilled (the BSC party ID withdrawal date).

For clarity, this process should not be used for a BSC Party to acquire any registered roles or Qualified status that it has not completed the necessary processes to obtain. In order for a BSC Party to transfer its Party ID (and any right and liabilities associated with that ID) to another legal entity by the withdrawing Party, the gaining entity must already have the relevant BSC Roles and Qualifications.

## Benefits

This Modification will introduce more efficient arrangements into the BSC where a Party wishes to withdraw and is in a position to transfer BSC liabilities to another legal entity with the appropriate Registrations under the BSC. The proposed arrangements would ensure that the existing Settlement provisions are safeguarded by transferring any financial liabilities. In addition, the arrangements would release the requirements on Parties that wish to withdraw to maintain credit, and would facilitate the early liquidation of associated corporate entities.

### 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

This Modification would enhance the administration of the BSC and introduce more efficient arrangements that enable the early withdrawal of Parties that no longer wish to be Party to the BSC whilst safeguarding the Settlement arrangements by ensuring that any financial liabilities are covered by a remaining BSC Party. This Modification will, therefore, introduce arrangements that better facilitate objective (d).

## 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)

This Modification will not have any consequential impacts on any other Core Industry Documents. It seeks to amend the BSC Withdrawal arrangements only. Where a Party is also a Party to another Code, it will be required to comply with those withdrawal arrangements in addition to the BSC arrangements.

### 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"/> ECVAA	<input type="checkbox"/> ECVAA Web Service	<input type="checkbox"/> ELEXON Portal	<input type="checkbox"/> Other (Please specify)	

This Modification will make only administrative changes to allow multiple Party IDs to be assigned to the same legal entity. It will not impact on any BSC Systems.

### 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)

This Modification would enable BSC Parties to take advantage of more efficient arrangements that enable the early withdrawal of Parties that no longer wish to be party to the BSC. There will be no impact on Parties that do not directly choose to use the provisions that will be introduced by this Modification.

## Legal Text Changes

BSC Section A would be amended to include the following:

- A BSC Withdrawal Notice that transfers the relevant BSC Party ID to another legal entity from the date of the Withdrawal Notice (the BSC Party withdrawal date);
- The Withdrawal Notice transfers of all liabilities set out in Section A5.1.3 to the legal entity set out in the Withdrawal Notice;
- A single legal entity would have responsibility for more than one Party ID where that additional Party ID is specified in a Withdrawal Notice; and
- The BSC party ID set out in the Withdrawal Notice would be withdrawn once all the liabilities associated with that Party ID have been fulfilled (the BSC Party ID withdrawal date).

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

The Modification will require changes to Section A which form part of the EBGL terms and conditions. We do not believe there will be any impact on other parts of the Self-Governance criteria, including competition, as this Modification seeks to ensure all existing liabilities under the withdrawal period are transferred.

### 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	



This Modification seeks to make a simple administrative change that introduces a more efficient process by allowing the assignment of the BSC Parties liabilities from one Party to another through the transfer of the BSC party ID. This would allow a company to be legally dissolved without the need to wait for the Final Reconciliation run to have passed. It does not change any of the liabilities for BSC Parties, so there is no material impact on the Settlement arrangements.

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

The Modification proposal does not impact on an open Significant Code Review.

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

The Modification requires changes to section A of the BSC, and so impacts on the EBGL Article 18 Terms and Conditions. However, it is an administrative change, and does not change any of the liabilities for BSC parties so there is no material impact on the Settlement arrangements.

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

The Modification will have no impact on end consumers or the environment. It seeks only to make administrative changes to the Withdrawal process.

#### **Impact on the Environment**

This Modification is neutral with the net zero target.

### **Implementation approach**

The Modification is a simple change to the BSC legal text and should be implemented as soon as practicable. We initially suggest an Implementation Date of

- 25 February 2021 as part of the February 2021 BSC Release if an Authority decision is received on or before 8 February 2021; or
- 1 April 2021 as a standalone Release if an Authority decision is received after 8 February, but on or before 8 March 2021.