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| Modification proposal: | <b>Balancing and Settlement Code (BSC) P429: Switching off Participant-Reported PARMS Serials' (P429)</b>         |                      |                  |
| Decision:              | The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>                                    |                      |                  |
| Target audience:       | National Grid Electricity System Operator (NGESO), Parties to the BSC, the BSC Panel and other interested parties |                      |                  |
| Date of publication:   | 11 February 2022  | Implementation date: | 24 February 2022 |

## Background

Suppliers and Supplier Agents provide reports which are fed into the Performance Assurance Reporting and Monitoring System (PARMS) to produce reports. These reports are used by Elexon to calculate Supplier Charges for underperformance. The purpose of PARMS Serials is to provide assurance that participants are meeting their obligations in the BSC and Code Subsidiary documents.

Elexon collaborated with industry through the Performance Assurance Framework (PAF) and the Performance Assurance Board (PAB<sup>3</sup>) and concluded that some Participant-Reported PARMS Serials were not adding sufficient value to justify their continued operation. The PAB were first presented with the change proposal to deliver the recommendation to cease Participant-Reported PARMS Serials in July 2021. The analysis of the change proposal determined that this would also require amendments to sections of the BSC, therefore progressing this change as a modification.

The P429 code modification is a proposed solution which will remove the requirement for Data Collectors (DCs) and CVA Meter Operator Agents (MOAs) to submit the impacted PARMS Serials. Suppliers will no longer be required to ensure that their Agents submit this data. Suppliers will no longer be required to submit a DPI file.

## The modification proposal

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> PAB is a sub-group of the BSC Panel focussed on the assurance of BSC operations and participants.

On 11 November 2021, BSC modification proposal P429 (the proposal) was raised by Elexon on behalf of the BSC Panel (the proposer) on the recommendation of the PAB. The proposal was followed by a draft Modification Report, which was presented to the BSC Panel on 9 December 2021.

The proposal aims to remove the operation of, and remove the obligations associated with Participant-Reported PARMS Serials and associated Supplier Charges. Elexon considered that the proposal better facilitates Applicable BSC Objective (d) and is neutral against all other objectives.<sup>4</sup> The proposer argued there will be a positive impact resulting in cost reductions associated with reporting and processing Participant-Reported PARMS Serials. Suppliers will no longer be required to ensure that their Agents submit this data, with an approximate reduction of cost associated with 10 Full-time equivalent (FTE) per annum. The proposer considered the benefit delivered by Participant-Reported PARMS Serials and found the costs associated are considered to be disproportionate to the benefits provided. There are other Performance Assurance Techniques (PATs) that can be used to manage the associated Settlement Risks more effectively. The continued provision of PARMS data by industry participants may not be justified.

The proposer considered the weakness of Participant-Reported PARMS Serials, for example, the participant-reported nature of the data relies on all participants reporting data consistently and accurately – which cannot be guaranteed in practice. As a result, there cannot be absolute confidence in data provided or any conclusions drawn from it. In preparation for the potential implementation of P429 and therefore removal of Participant-Reported PARMS Serials, Elexon are developing new risk dashboards to report on the Settlement Risks using more reliable data than the PARMS Serials. This centralised approach will apply any calculations and analysis consistently across all participants. By February 2023, each of the 34 Settlement Risks will have a dashboard to provide insights. Currently, six Settlement Risks have a completed dashboard. Elexon is providing regular updates to the PAB and industry as to the development of these dashboards.

When querying which PARMS Serial would remain functioning, Elexon completed its analysis on the impacts of including PARMS Serial SP01 (Delivery of Routine Performance Monitoring Reports) and SP04 (Installation of HH Metering) in this solution. As these

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<sup>4</sup> Applicable BSC Objective (d) is "promoting efficiency in the implementation and administration of the balancing and settlement arrangements".

Serials form two of the three Serials that account for Supplier Charges, the only remaining Supplier Charges will be related to SP08 (Actual Settlement Performance). Using only SP08 can increase the focus on improving true settlement performance, which could also reduce total Supplier Charges associated with PARMS Serials after capping by approximately £325,000. According to the Final Modification Report (FMR), the total charges for SP08 are approximately £400,000 per month, compared with the total Supplier Charges which is capped at approximately £725,000 per month.<sup>5</sup> (However, note that this saving mainly relates to SP01 charges. The Supplier Charges associated with SP01 ceased due to the implementation of BSC P393 in February 2020, therefore there is no immediate impact of removing SP01 from the Participant Reported PARMS Serials.) By removing SP01 and SP04, the potential Supplier Charges will be reduced and can be further reduced by suppliers maintaining an actual settlement performance above the threshold set by Elexon.

### **BSC Panel<sup>6</sup> recommendation**

The BSC Panel unanimously considered that P429 would better facilitate the BSC objective (d), and the Panel therefore recommended its approval at the BSC Panel meeting on 9 December 2021.

### **Our decision**

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 14 December 2021. We have also considered the responses to the industry consultation which are attached to the FMR.<sup>7</sup> We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of BSC objective (d<sup>8</sup>), and
- directing that the modification be made is consistent with our principal objective and statutory duties.

### **Reasons for our decision**

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<sup>5</sup> [P429 'Switching off Participant-Reported PARMS Serials' - Elexon BSC](#)

<sup>6</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and [Standard Special Licence Condition C3 of the Electricity Transmission Licence](#).

<sup>7</sup> BSC modification proposals, modification reports and representations can be viewed on the [Elexon website](#).

<sup>8</sup> As set out in [Standard Condition C3\(3\) of the Electricity Transmission Licence](#)

We consider this modification proposal will better facilitate BSC objective (d) and has a neutral impact on the other applicable objectives.

***(d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements***

We agree with the Panel that P429 would be positive in relation to Applicable BSC objective (d) and with their reasoning for it. We agree that switching off Participant-Reported PARMS Serials will remove unnecessary burden from suppliers by reducing their BSC data obligations. This is expected to reduce supplier costs for approximately 10 Full-time Equivalent (FTE) per annum as noted in the FMR. We agree that this modification will remove processes that are no longer adding value to the BSC in light of the New Risk Dashboards being developed by Elexon.

We note that this modification will require Suppliers and BSC Party Agents to update their systems, processes, or resource allocation on the basis that the data previously provided to support the Participant-Reported PARMS Serials will no longer be required, but the cost to do so is expected to be minimal.

**Decision notice**

In accordance with Standard Condition C3 of the Transmission Licence, the Authority hereby directs that modification proposal BSC P429 'Switching off Participant-Reported PARMS Serials' be made.

**Anna Stacey**

**Head of Settlement Reform**

Signed on behalf of the Authority and authorised for that purpose