











BSC Modification Proposal Form		At what stage is this document in the process?
<h1>Modification Title: BSC Section N Modernisation</h1>		<div><div>01Modification</div><div>02Workgroup Report</div><div>03Draft Modification Report</div><div>04Final Modification Report</div></div>
<p>Purpose of Modification:</p> <p>This Modification seeks to update BSC Section N ‘Clearing Invoicing and Payment’ to support Elexon’s update of the BSC Funds Administration Agent (FAA). The Modification will align the BSC with Elexon’s updated financial systems and modern banking practices to increase the efficiency of service provided to industry.</p>		
<p>Does this Modification impact any of the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions held within the BSC?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>		
	<p>Elexon recommends that this Modification should:</p> <ul style="list-style-type: none">• be raised by the Panel in accordance with provisions of Section F 2.1.1(d)(i)• not be a Self-Governance Modification Proposal• be sent directly into the Report Phase <p>This Modification will be presented by Elexon to the BSC Panel on 11 January 2024. The Panel will consider whether to raise the Modification in accordance with BSC Section F 2.1.1(d) (i) and determine how best to progress the Modification.</p>	
	<p>High Impact:</p> <p>None</p>	
	<p>Medium Impact:</p> <p>None</p>	
	<p>Low Impact:</p> <p>All BSC Parties</p>	

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Timetable		 Contact: Samraj Gill  Samraj.Gill@elexon.co.uk  0207 380 4144 Proposer: BSC Panel Proposer's representative: Ola Dawodu  Ola.Dawodu@elexon.co.uk email  020 7380 4225
The Proposer recommends the following timetable:		
Panel considers Modification proposal	11 January 2024	
Report Phase Consultation	12 January 2024 - 09 February 2024	
Draft Modification Report presented to Panel	14 March 2024	
Final Modification Report submitted to Authority	15 March 2024	

1 Why Change?

What is the issue?

[BSC Section N 'Clearing, Invoicing & Payment'](#)¹ was written over 20 years ago and therefore some sections within it are now deemed redundant and no longer align with modern ways of working (e.g. invoicing and banking practices). This results in inefficiencies and unnecessary constraints that may prevent additional benefits from being sought and realised.

As part of the Elexon Strategy and the implementation of [Elexon Kinnect](#), a cloud based platform, the Funds Administration Agent (FAA) systems are being replaced with a new version on Kinnect. The FAA transfers Trading Charges to and from BSC Parties and manages the BSC Credit Cover arrangements. Kinnect is flexible, scalable and adaptable and creating a new FAA Service on Kinnect will modernise the BSC banking and payments processes, be less resource intensive, reduce manual processes and improve controls.

Therefore a review of BSC Section N seemed timely to align with this and was completed to determine if any improvements/benefits could be applied to enable any changes to the new FAA Service which are currently restricted by the Code.

Background

Elexon carried out a preliminary review of BSC Section N to align with the opportunity of updating FAA systems. This was to identify any potential improvements to the BSC Code and look at the possibility of streamlining processes to improve efficiencies for the benefits of BSC Parties.

[Issue 107 Review of BSC Section N 'Clearing, Invoicing & Payment'](#) was first raised to review BSC Section N, the issue aimed to identify solutions to alleviate pain points and improve efficiency. The Issue Group recommended an internal review by Elexon for BSC Section N, focusing on areas such as Banking Arrangements, Calculation of Payments, Payment Procedure, and Ledger Accounts. The proposed solution, including changes to Payment Default timescales and the removal of Confirmation Notices, aimed to improve efficiency in balancing and settlement arrangements. The Issue Group suggested that the consequential Modification, arising from the Elexon review, be initiated by the BSC Panel without additional Workgroups. Additionally, the Group recommended improvements to Advice Notes and Backing Sheets, although these do not form part of the Modification but were to be considered for templates in the new FAA system.

The proposed solution encompasses the recommendations put forth by the Issue Group, The suggested changes such as eliminating Confirmation Notices to enhance efficiency have been proposed.

Sections identified as being in scope of the Section N review with no industry impacts were:

- BSC Section N4 Banking Arrangements
- BSC Section N6 Calculation of Payments
- BSC Section N8 Payment Procedure and
- BSC Section N13 Ledger Accounts

Elexon presented an example of an amendment that had no impact to Industry, to ensure that the Issue Group were comfortable with the assessment. The example presented was section 4.8 'Banking

¹ <https://bscdocs.elexon.co.uk/bsc/bsc-section-n-clearing-invoicing-payment>

Communications Links' which currently references setting up communication links with the BSC Banker. This section is now redundant as banking transactions are now all online and there is no need to set up banking communications links. The Issue Group were happy that this example would have no industry impact, and were comfortable with the assessment criteria used by Elexon. The Issue Group agreed that the lack of industry impact meant these sections did not need to be discussed further in Issue 107. The Issue Group agreed that the full review of these sections should be carried out by Elexon, and the identified improvements included in the consequential Modification.

Sections identified as being in scope of the Section N review with potential Industry Impacts were:

- BSC Section N7 Advice Notes
- BSC Section N9 Payment Default and
- BSC Section N10 Confirmation Notices in respect of a Payment Date.

Considering the potential for impacts to Industry, the Issue Group agreed that these sections would fall within scope of Issue 107, and were discussed by the Issue Group to identify potential issues and solutions.

Desired outcomes

This Modification seeks to update and modernise Section N and enable required changes recommended by Issue 107.

BSC Section N should be amended to:

- Remove and or/add existing text or processes where references are no longer required
- Re-write and/or merge existing text to simplify
- Allow existing processes to be updated and/or improved.

This will allow the following recommendations to progress forward

- Improvements to BSC Section N as identified in the aforementioned Elexon Review
- Move the Payment Default timescales 9.6.1 (b) from D+2 to D+1; and
- Removal of Confirmation Notices, with the Advice Note becoming the Invoice for VAT

This will be beneficial toward BSC Parties as it will simplify processes and alongside the implementation of the new FAA System which includes the removal of backing sheets for each charge and will be incorporated into a single Backing Sheet for all Charges which will be available from the Elexon Portal. Also the removal of Confirmation Notes, with the Advice note becoming the Invoice for VAT, this would decrease duplication as well as match that of the Balancing Services Use of System (BSUos) invoices, which are generated by National Grid. The movement of Payment Default timescales from D+2 to D+1 will allow the process within the Code of being able to draw on cash if payment is not received under BAU, the movement will provide further clarification to the D+1 Systems.

The update to Section N allows for more efficiency and merges current information to simplify and update the processes which have been in place for 20 Years as recommended by the Issue 107 Workgroup, along with this the updated FAA system will improved current processes.

Further impacts on Parties can be seen in Section 4

2 Solution

Proposed Solution:

In order to meet the desired outcomes described above, proposed amendments have been made to Section N (See attachment B)

A summary of these changes is also shown in the table below along with the impacted reference and section.

- Where the dependency within the table is showing as yes, these changes are dependent on the new FAA System being implemented.
- Where text is highlighted in red, these identify the BSC Sections which fall under EBGL impacted text under [Section F, Article 18.6.c.](#)

This solution will also amend Sections H, U, V and X-1 which will be consequential changes as part of the update to terminology in Section N

BSC Section N Amendments

Section 4. BANKING ARRANGEMENTS

Section		Ref	Summary of Change	Rationale	Dependency on new FAA System
4.1	Establishment of Accounts	4.1.1	Added new Text.	The purpose of this added text is to provide an option to allow the Clearing Account and Collection Account to be one Account if required.	No
4.2.	Funds Transfer Agreement	4.2.3	Deleted text under 4.2.3 (a)	Removed as reference to Code effective date is no longer required.	No
4.2.	Funds Transfer Agreement	4.2.3	Moved existing text under 4.2.3 (b) to 4.2.3	To re-format the section after deleting text above	No
4.3	Settlement Account	4.3.3	Added text for 4.3.3 to refer to BSCP301 and to cover requirements in 4.4 and 4.5	The purpose of this added text was to define requirements for a Settlement Account	No
4.4-4.5	Settlement Account	4.4-4.5	Deleted text and removed as Not Used.	The purpose of removing these sections was to simplify the code requirements which are now covered in revised text under 4.3.3	No
4.7	Details of Accounts	4.7	Deleted text and removed section as Not used.	Removed this section as this would be done under BAU	No

				banking practices and not required in the code.	
4.8	Banking Communication Links	4.8	Deleted text and removed section as Not used.	Removed this section as this would be done under BAU banking practices and not required in the code	No
4.9	Credit Facility	4.9.2	Deleted text reference to Go Live Date point (a) and moved text from existing point (b) to 4.9.2	Removed reference to Code effective date is no longer required.	No

Section 6. CALCULATION OF PAYMENTS

Section		Ref	Summary of Change	Rationale	Dependency on new FAA System
6.1	Settlement Runs	6.1.1	Deleted reference to 09:00 Hours and added text to refer to BSCP301 for timings	Removed reference to time specified in the code as this is covered under the process defined in BSCP301.	No
6.2	Validation by FAA	6.2.2	Deleted text reference to specific amount of difference between total debits and credits	The purpose of this is to allow flexibility of the amount stipulated and could be changed under BSCP301 if required.	No
6.4	Reconciliation	6.4.2B	Deleted Text	Removed as reference to Go Live Date is no longer relevant	No
6.6	Postponed Payments	6.6.2B	Deleted Text	Removed as reference to Go Live Date is no longer relevant	No

Section 7. ADVICE NOTES

Section		Ref	Summary of Change	Rationale	Dependency on new FAA System
7	ADVICE NOTES	7	Changed Title from Advice Notes to Invoices	Advice Note to become Invoice	Yes
7.1	Dispatch of Advice Notes	7.1-7.2	Changed references to Advice Notes to Invoices	Advice Note to become Invoice	Yes
7.3	Invoice Information	7.3.1	Added new sections 7.3.1,7.3.2,7.3.3	The purpose of this was to add text originally in Section 10	Yes

				(Confirmation Notes) into Section 7.	
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N.B All other text references to Advice Notes within Section N have also been changed to Invoice. These have not been listed separately.

Section 8. PAYMENT PROCEDURE

Section		Ref	Summary of Change	Rationale	Dependency on new FAA System
8.2	FAA's Responsibilities	8.2.1	Amended existing text to refer to BSCP301 and deleted (a,b and c)	Removed text in points a, b, c as this is process oriented and is covered in BSCP301.	No
8.3	Non-Payment	8.3.2	Deleted existing text.	Removed as already covered in 8.3.1.	No
8.4	Excess Payments	8.4.1	Deleted text reference to 11:00 and 16:00 hours and added reference to timings as stipulated in BSCP301.	Removed reference to time specified in the code as this is covered under the process defined in BSCP301	No

Section 9. PAYMENT DEFAULT

Section		Ref	Summary of Change	Rationale	Dependency on new FAA System
9.5	D+1	9.5.5	Revised text to be added to this section from 9.6	The purpose of adding this text to D+1 is allow the process within the code of being able to draw on cash if payment not received under BAU	No
9.6	D=2	9.6.1 – 9.6.2	Deleted existing text and revised and added to 9.5.	Clarification of the D+1 systems	No

Section 10. CONFIRMATION NOTICES IN RESPECT OF A PAYMENT DATE

Section		Ref	Summary of Change	Rationale	Dependency on new FAA System
10	Confirmation Notices in respect of a Payment Date	10.1-10.3	Deleted section 10.	Removed this section as reference to the Tax Invoice is to merge in Section 7.	Yes

				Advice Notes will become Invoices as will be the Tax Invoice	
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Section 13. LEDGER ACCOUNTS

Section		Ref	Summary of Change	Rationale	Dependency on new FAA System
13	Ledger Accounts	13.1-13.7	The whole section relating to Section 13 has been deleted and put as Not Used.	Removed this section as this is redundant as it is covered in BAU banking practices and not required in the code.	No

Benefits

The proposed solution will reduce duplication and simplify processes increasing efficiency for FAA and Parties as it will remove duplication such as merging all backing sheets into one singular backing sheet for all charges and the removal of Confirmation Notices, with the Advice Note becoming the Invoice for VAT as proposed by the Issue 107 Workgroup. The amendments to Section N will also remove redundancies and simplify text where required. These updates will allow the flexibility for improvements to the FAA systems that would previously have been limited by the current drafting within the BSC.

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

The Modification will better facilitate BSC Applicable Objective (d) and promote efficiency in the implementation of the balancing and settlement arrangements as it will modernise Section N and the associated processes, resulting in efficiencies for Elexon and industry by removing duplication for BSC Parties to help streamline their processes as well as helping to promote efficiency with this Modification aligning with the new FAA System.

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"/> Retail Energy Code	<input type="checkbox"/> Transmission License	<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"/> Other (please specify)	

This Modification will not impact 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	<input type="checkbox"/> ECVA Web Service	<input type="checkbox"/> Elexon Portal	<input type="checkbox"/> Other (Please specify)	

This Modification will not impact upon any BSC Systems. While there are updates being made to the FAA systems as part of their transition to cloud infrastructure that are being reflected in the legal text via this Modification, these system updates do not form part of this Modification.

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 checked="" type="checkbox"/> Licensed Distribution System Operator	<input checked="" type="checkbox"/> National Electricity Transmission System Operator	<input checked="" type="checkbox"/> Virtual Lead Party	<input type="checkbox"/> Other (Please specify)

This Modification will impact all BSC Parties where an amendment in the code has a dependency on the implementation of the new FAA System this has been stated within the table in Section 3. This is due to potential updates to the new FAA System required to processes as a result of:

- Advice Notes becoming the Invoice (and tax invoice)
- Confirmation Notes being removed (existing tax invoice)

Impacts on consumers and the environment

Impact of the Modification on consumer benefit areas:	
Consumer benefit area	Identified impact
Improved safety and reliability	Neutral
Lower bills than would otherwise be the case	Neutral
Reduced environmental damage	Neutral
Improved quality of service	Neutral
Benefits for society as a whole	Neutral

This Modification is not expected to impact any of the consumer benefit areas.

Although the impacts on consumers and the environment have been identified as neutral we believe there is a slight improved quality of service once the new FAA system has been implemented. As this is a document only change to align with the updated system Elexon believe that this can remain neutral.

Legal Text Changes

Apart from BSC Section N, this Modification will also amend the following BSC Sections shown below.

- BSC Section H;
- BSC Section U;
- BSC Section V;
- BSC Section X-1

These changes are minimal and to simply change text references from Advice Notes to Invoices and remove any reference to Confirmation Notes within the code.

See Attachment B for the Legal Text

5 Governance

Self-Governance

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

Progression route

<input type="checkbox"/> Submit to assessment by a Workgroup – A Modification Proposal which:	
Does not meet any criteria to progress via any other route.	
<input checked="" type="checkbox"/> Direct to Report Phase – 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"/> Fast Track Self-Governance – 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"/> Urgent – 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 should be submitted directly to the Report Phase, as the solution is self-evident, following the Issue 107 review. As the solution has been recommended by the Issue 107 Issue Group there would be little benefit in assessment via another industry Workgroup. This progression route would make best use of industry time and support a more expedient delivery of the changes.

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

Elxon do not believe this Proposal impacts any open SCRs.

Does this modification impact the code drafting and system development for Market wide Half Hourly Settlement (MHHS), if so, how?

Elxon do not believe this impacts the MHHS code drafting or system development.

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

Elxon believes that this Modification will have impacts on the EBGL Article 18 Terms and Conditions held with the BSC as specified in the mapping given in [Section F Annex F-2²](#).

Implementation approach

Elxon believe that this Modification should be implemented for the 7 November Standard Release 2024.

² <https://www.elxon.co.uk/the-bsc/bsc-section-f-modification-procedures/>