

PERFORMANCE ASSURANCE TECHNIQUE REVIEW – QUALIFICATION AND RE-QUALIFICATION

MEETING NAME Performance Assurance Board

Date of meeting 25 July 2019

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Purpose of paper Decision

Classification Public

Summary This paper provides an update on the review of the Qualification and re-Qualification Performance Assurance Techniques.

1. Background

- 1.1 Qualification and re-Qualification are preventative Performance Assurance Techniques. They are therefore designed to prevent issues occurring which would negatively impact Settlement.
- 1.2 The review of these techniques began in February 2019 and included consultation with an Issue 69 Working Group in July 2019.
- 1.3 ELEXON sought stakeholder feedback prior to the PAF Review commencing. This highlighted issues with these techniques, notably that:
 - the Qualification technique does not always align with risks to Settlement,
 - it does not provide sufficient assurance around off the shelf models, and
 - other BSC Parties subsidise off the shelf models.
- 1.4 With regard to re-Qualification, feedback highlighted that:
 - the technique provides limited assurance
 - can fail to detect issues that may materialise, and
 - is dependent on a participant's subjective assessment of material change.

2. Themes

- 2.1 Themes discussed were:
 - Who should be eligible for Qualification?
 - Who should be eligible for re-Qualification?
 - Should the re-Qualification technique be removed or be made stricter?
 - Should Qualification be in two parts for off the shelf models?
 - Should managed service providers be a defined BSC role?
 - Should a qualification be suspended after an extended period of dormancy?

3. Solutions

Non-contentious themes

- 3.1 The Issue 69 Working Group unanimously agreed that LDSOs should be included in Qualification.
 - 3.2 The group unanimously agreed that there was no need to create a defined role for managed service
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providers as they don't directly affect Settlement.

- 3.3 The group unanimously agreed that Qualification should not be suspended, as a new buyer's knowledge of Settlement will be the same regardless of how soon they buy an OTS after the Market Participant ID (MPID) is Qualified, and the service provider will likely operate it with the latest systems and processes.
- 3.4 Unanimous agreement from the group that LDSOs and Suppliers should be included in re-Qualification, if it is to be retained in some form.

Contentious themes

- 3.5 There were differing views on introduction of a two-stage Qualification for Off the Shelf business models. Some members were not convinced that this would be necessary as there is no real evidence of more extreme performance issues among OTS MPIDs. Others were happy that such a solution would resolve the reactive nature of the Change of Ownership process.
- 3.6 There was also no agreement on accreditation of managed service provider's systems and processes. Some members were not in favour as each managed service provider's system is different so it would be difficult to create a criteria for accreditation. Others felt that accreditation would save ELEXON resource and potentially reduce the costs of Qualification.
- 3.7 With regard to removal of the re-Qualification technique, some of the group felt that the technique was interventionist and that other techniques could be used in its place. The general view of the group was that these other techniques would be more effective in managing parties' risks during implementation of change. Others felt that it was an important technique in its current form.
- 3.8 Retention of re-Qualification with stricter processes - Many in the group felt that the technique could be more targeted and supportive of Qualified Persons. The technique name was also seen to be misleading, as the emphasis is more on maintaining qualified status. It was noted that re-Qualification is a preventative technique and that it is less useful to use it after a material change has been implemented.

4. Current position

- 4.1 We had planned to propose recommendations to the PAB in July after consulting with the Issue 69 Working Group. Since there were some differing views on the options we have decided to postpone the July update.

5. Next steps

- 5.1 We would like to invite PAB members to join a PAB sub-group in August in order to discuss these options with a view to preparing firm recommendations for a future PAB meeting.

6. Recommendations

- 6.1 We invite you to:
 - a) **NOTE** the update
 - b) **AGREE** to form a sub-group

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