

PUBLIC

# PAT Review

# Recommendations

Qualification including Re-Qualification

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## INTRODUCTION

### Qualification background

The Qualification technique is designed to assure that parties' systems and processes (developed outside of BSC Central Systems control) which may interact with BSC Systems and other participant's systems will not introduce significant risks or issues to Settlement. Applicants complete a Self-Assessment Document (SAD), which ELEXON<sup>1</sup> reviews for the Performance Assurance Board (PAB) to approve, or request the applicant submits further detail.

The technique is intended to be preventative and is important as it occurs at the very start of the balancing and settlement process, and is the first interaction an applicant will have with ELEXON.

Some Qualified Persons (QPs) are also required to Re-Qualify prior to implementing Material Changes to the systems, staff or processes they use to operate their market role. This technique is also preventative.

Additionally, QPs are required to inform ELEXON of a change of ownership (in respect of change of assets including but not limited to a change in the legal entity and/or transfer of assets to another). A letter from a registered director must detail the change of ownership and the service(s) impacted. A managed service provider's sale of "off the shelf" agent Market Participant IDs (MPID) (we cover this model in further detail in the report) is subject to the change of ownership process.

Requirements of Qualification, Re-Qualification and change of ownership are set out in BSC Section J and BSCP537, which includes this quick guide to role types subject to the different aspects of Qualification currently:

	Supplier	SMRA	UMSO	HHDC	NHHDC	HHDA	NHHDA	HH SVA MOA	NHH SVA MOA	CVA MOA	MA	VLP
Qualification Process	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Re-Qualification Initiating Process		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Removal of Qualification Process				✓	✓	✓	✓	✓	✓	✓	✓	
Annual Statement of Qualified Status Process		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Surrender of Qualification Process				✓	✓	✓	✓	✓	✓	✓	✓	
Change of Ownership Process				✓	✓	✓	✓	✓	✓	✓	✓	
Derogations Process				✓	✓	✓	✓	✓	✓	✓	✓	
Compliance with P62		✓										

<sup>1</sup> The BSC provides for ELEXON to outsource the functions related to Qualification; a Qualification Service Provider is currently contracted for this purpose.

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## Review of the Qualification technique

Stakeholder engagement took place ahead of the PAF Review commencing and this informed the scope agreed by Panel in March 2017 (paper [264/07](#)) as follows:

### Qualification

We will investigate and assess alternatives to the current Qualification process that are capable of being deployed more flexibly as and when risks to Settlement arise. We will also consider if the current approach to resourcing the Qualification process is proportionate to the benefits it provides.

### Re-Qualification

As for Qualification, we will assess alternative approaches to Re-Qualification that could provide greater flexibility in when and how the technique is applied, in order to provide more effective assurance of material changes to participant business activities.

Also included in the Panel paper was scoping specifically around Non-Traditional Business Models and Licensed Distribution System Operators (LDSO).

### Non-Traditional Business Models

We agreed to redesign Qualification and Re-Qualification to ensure that assurance is given on the right people and processes, and at the right time.

### Distribution Network Operators (DNOs)

We agreed to review if current assurance of their activities is proportionate to the role LDSOs play in key SVA and CVA processes.

It is generally agreed that prevention will provide the most efficient and effective mitigation in any assurance toolkit. However, stakeholder feedback concluded that there "is a lack of true preventative techniques under the current Performance Assurance Framework (PAF). In practice, techniques are only applied once an issue is manifest". We agree with this assessment and believe particular attention is therefore required to strengthening the Qualification technique.

The review of Qualification (including Re-Qualification) began in February 2019. Our ideas for change were developed internally and were proposed to the Issue 69 Working Group in July 2019 and then further refined with a Performance Assurance Board (PAB) sub-group.

Consideration was given to the following early proposals, some of which were not taken forward:

- a) Financial checks on applicants.  
This was originally proposed to allow ELEXON to understand the financial position of an applicant in order to gain a single view of risk they pose to Settlement. We concluded that the review would not consider such checks as Ofgem will be considering an applicant's financial position as part of their licensing process (where the role requires a licence). Under Ofgem's [Supplier Licensing Review](#), licensing will occur after an applicant becomes a BSC QP.
- b) Review of SAD questions.  
A detailed review of questions contained in the Self-Assessment Document has been suggested for some time, in order to ensure there are no gaps in risk mitigation. Further detail is provided under PAT Review Recommendations.
- c) Controlled market entry.  
A proposal aimed in particular at mitigating risk from inexperienced QPs (i.e. off the shelf models). Further detail is provided under PAT Review Recommendations.

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- d) Two-part Qualification (partial qualification with a final full qualification only once the party buying the license has passed further testing, where that model is in use).  
Initially proposed to mitigate risk posed by off the shelf MPIDs. Further detail is provided under PAT Review Recommendations.
- e) Online completion and regular review of the Self-Assessment Document.  
Our initial proposal was for a modernised process, which would include online completion of SAD questions and include intuitive questions displayed dependant on the type of service an applicant is planning to operate. Regular review detail is provided under PAT Review Recommendations. Online completion of the SAD is being developed separately under ELEXON's [Foundation Programme](#).
- f) Poor performance as a trigger for Re-Qualification.  
Re-Qualification is designed to prevent Settlement error manifesting by assessing material changes before they are made. We concluded that other PATs are likely to be more effective at dealing with issues once they have occurred.
- g) Fixed term of Qualification (e.g. 5 years)  
Initially proposed to eliminate the possibility of QPs failing to Re-Qualify for material changes made, including incrementally. Our assessment concluded that enforced Re-Qualification after a fixed term is not in keeping with the aim of the technique which is to mitigate Settlement risk during implementation of Material Changes, and would not provide proportionate assurance. See the proposal for Maintenance of Qualification.

## EXECUTIVE SUMMARY

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### Key recommendations

- Licensed Distribution System Operator (LDSO) (including Independent Distribution System Operator (IDNO)) subject to Qualification.
- Reworded Annual Statements – inclusion of upcoming changes and party size / risk profile.
- Single assessment of managed service provider's systems and processes.
- Qualification Check focusing on staff and processes after a change of ownership has occurred.
- Update Self-Assessment Document (SAD) questions and storyboards scenarios, and maintain them as category 3 configurable items.
- Track participant size and early run performance.
- Replacement of Re-Qualification with "Maintenance of Qualification".

### Next steps

If the PAB approves our recommendations we will progress any related Modifications and Change Proposals with a view to implement them in approximately 18 months.

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## PAT REVIEW RECOMMENDATIONS - QUALIFICATION

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### 1. Licensed Distribution System Operators to be subject to Qualification

#### **Recommendation**

- **New LDSOs should be required to apply for Qualification in the LDSO role**

- 1.1 An LDSO<sup>2</sup> is currently not required to be Qualified under the BSC except when acting as either an UMISO or SMRA. Despite this the LDSO role is identified as a Performance Assurance Party, subject to application of other assurance techniques - receiving BSC Audits and submission of Error and Failure Resolution (EFR) plans, for example.
- 1.2 LDSOs have numerous BSC obligations specified in BSCP515 and BSCP128, for example: Calculation of Line Loss Factor (LLF), commissioning measurement transformers, provision of accurate information (D0215). A number of these are linked to risk factors for Settlement Risks<sup>3</sup> that are currently in focus, indicating that they are material:
- i) The risk that SVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all (Risk 003)
  - ii) The risk that SVA metered data is not retrieved, such that the proportion of estimated data being used in Settlement contributes to performance standards not being met (Risk 007)
  - iii) The risk that the energisation status held in SMRS or by any party in the Supplier Hub does not match the physical energisation status of the SVA Metering System (Risk 016)
- 1.3 The Issue 69 Working Group noted that processes are becoming more fragmented in regard to who is responsible for which actions and so increasing opportunities for assurance of LDSOs would be beneficial. Inclusion of LDSOs in Qualification will mean that all participants with a material role in Settlement activities are treated in the same way. It is a time of great change in the electricity industry and it is therefore prudent to qualify any new entity that could pose a risk to Settlement.
- 1.4 It is not our intention to suggest retrospective Qualification of existing LDSOs. This would apply to all future qualifications which we expect to see periodically; only three have qualified since January 2017. Additionally, we do not see that this change will entail significant additional effort, as the UMISO and SMRS functions already require going through Qualification, completion of the SAD, provision of evidence and completion of an appropriate level of testing.
- 1.5 Later in this report, we propose that LDSOs are also included in the technique we are recommending to replace Re-Qualification. The two proposals can be considered separately.

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<sup>2</sup> The BSC does not distinguish between LDSOs and IDNOs as other industry codes may; references to LDSOs here include IDNOs.

<sup>3</sup> The Risk Evaluation Register contains full details of Settlement Risks, including the risk factors and the PAP roles responsible for risk factors and controls - <https://www.elexon.co.uk/reference/performance-assurance/performance-assurance-processes/performance-assurance-risk-evaluation-register/>

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## 2. Off the shelf participants

### **Recommendations**

- **Introduction of a Qualification check after change of ownership**
- **Single assessment of identical systems and processes used in multiple applications**

- 2.1 Off the shelf (OTS) participants are those taken through Qualification (usually by a consultancy company) with the intention of being sold to a third party in a state ready to start operating. Generally the consultancy company will contract with the new owner to offer a system which provides some degree of the “back office” functionality as a managed service – significantly for the BSC this will include processing of the data flows and exception management that underpin the SVA arrangements. The new (or subsequent) owners may chose at any points to bring some or all of the managed service elements in house or change provider; as could any party.
- 2.2 We now see a majority of new entrants coming into the market using this model. We have qualified 176 Suppliers and 143 of those have been brought through Qualification by managed service providers or consultants. There are also a number of OTS Meter Operator Agents.
- 2.3 In the main, a batch of MPIDs will be brought through Qualification at the same time, with identical details within the application. According to the current Qualification requirements each of these is assessed independently despite much of the content being duplicated.

### **Assurance and the off the shelf model**

- 2.4 OTS participants were specifically included in the scope of the PAF Review project because the PAF was originally designed with traditional participants in mind and may not sufficiently or appropriately reflect these non-traditional models, or the risks they can pose to Settlement.
- 2.5 The views of stakeholders are mixed in regard to the risk OTS pose. There is some concern that new owners of an OTS MPID could have a knowledge gap since they have not filled out the SAD and completed Qualification themselves, and there are examples of those organisations having less understanding and needing more support initially than non-OTS. However the majority feel that their risks are no greater than for any other entrant. This reflects our observations in looking at levels of compliance and issues raised under the PAF – overall we do not see OTS parties performing worse than others in the same role. In fact, analysis shows that OTS performance has been marginally better. Appendix 1 includes a table showing that there is no marked different between OTS and traditional Supplier performance for the key measure of percentage estimated volumes in Settlement, as of August 2019.
- 2.6 The Qualification Requirements provide the following criteria for assessing applicants’ plans:
- a) the ability of persons to discharge the functions in respect of which they are or wish to be appointed under the Code; and
  - b) the ability of Suppliers to perform their activities and obligations under the Code; and
  - c) the ability of systems and processes used by such persons to support such functions, activities and obligations.
- 2.7 Therefore we have considered what type of additional assurance, if any, would be useful to provide the necessary risk management for organisations operating in the OTS model against these criteria, proportionate to risk to Settlement.

### **Change of Ownership**

- 2.8 The main point of risk from the OTS model appears to be when the MPID is bought for the first time, usually by an owner who has not operated in at least the BSC arrangements if not the energy industry before. The

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current approach to mitigating this risk is the change of ownership process as set out in BSCP537 2.6; this does not apply to Suppliers. Upon notification of a change of ownership, the Performance Assurance Board (PAB) decides whether Re-Qualification is required as a result.

- 2.9 The PAB may also decide to instigate other assurance techniques such as a Technical Assurance of Performance Assurance Parties (TAPAP) audit in order to check the applicant's processes and abilities.
- 2.9.1 Although it would be ideal to seek to prevent material issues arising once an OTS party is live during the initial Qualification process, we consider this is difficult. The difficulty arises from the fact that the SAD questions are primarily about a company's future intention to comply with the BSC. It is quite possible, in fact quite common, for a managed service provider to provide fairly generic answers as to the full intention to comply, based on its standard service offering. This may be a proven service that operates with a high degree of compliance and excellent controls. However, the actual business arrangements and processes that will be used in live operations cannot be known until the OTS MPID is sold and the new owner determines how it wants to operate.
- 2.10 Our Qualification technique focuses heavily on applicants' systems and processes. ELEXON has already seen OTS models where the initial applicant does not intend to provide a managed service to the eventual MPID owner beyond support through a handover. This model presents more risk around the compliant live operations of the subsequent owner. As things stand, the entity (made up of people, processes and systems) going through the Qualification process will not to a greater or lesser degree (most significantly the people) be the eventual Performance Assurance Party (PAP). We will not have assurance around the "ability of persons to discharge the functions in respect of which they are or wish to be appointed".
- 2.11 Our initial proposal was to introduce partial qualification for managed service providers, with final qualification granted once the new MPID owner confirmed the "human" processes they intended to embed. This would provide a more equivalent level of assurance to that for traditional applicants who intend to operate the MPID themselves. In consultation with industry it was decided that such a process would be a barrier to entry and would stifle competition, particularly since the majority of new qualifications now come from managed service providers.
- 2.11.1 Our recommendation would be to introduce a Qualification check, which the PAB could request upon a change of ownership. The Qualification check was originally intended to be part of Change Proposal 1520 though the PAB agreed in July 2019 that it could be considered by the PAF Review.
- 2.11.2 This check would focus mainly on the staff and processes and we believe it would mitigate the risk when a new owner takes responsibility and allow us to determine the responsibilities between the new owner and the managed service provider. An example of questions we expect to ask as part of the qualification check is given in Appendix 2.
- 2.11.3 It is envisaged that the QSP would complete the checks and that any unresolved issues could be resolved by deployment of other PATs.

### **Single assessment of batched Qualification applications**

- 2.12 As noted above, managed service providers tend to bring several MPIDs through Qualification in one batch. Each MPID will use the same managed system yet the current requirement is for ELEXON to test said system separately for each MPID application. Considering the system remains the same in each case, this process is duplicating effort, and incurring cost, while providing no greater assurance.
- 2.13 With this in mind we recommend single assessment of identical systems and processes used in multiple applications. The intention is to place reliance on the first in the batch, or a previous successful assessment, where processes and systems remain unchanged. The process is not specifically mentioned in the BSC; however as part of the Change Proposal required when updating the SAD we would make provision for this approach.



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- 2.14 Managed service providers would be required to submit a front sheet for each of the new OTS MPID they wish to Qualify, using the previously approved SAD. They would also need to sign a declaration that the SAD remains unchanged since its last review. The PAB could direct ELEXON to carry out spot checks to confirm system or process changes have not taken place, and the SAD is still reflective of the current working procedures and systems.

### 3. Reviewing and rewording the Annual Statement

#### **Recommendation**

- **Redesign of the annual statement template to include future changes and outline party risk profile**

- 3.1 QPs (with the exception of Suppliers and VLPs) are required to send an annual statement signed by a registered director stating whether or not it has been subject to a Material Change since its last statement and, if so, whether Re-Qualification was applied for. The purpose of such a statement is to confirm that QPs are aware of their obligation to inform ELEXON of any material changes made, and provide an opportunity to evaluate any non-compliance introduced by an unassessed change. QPs seldom inform ELEXON of any implemented changes that did not trigger application for Re-Qualification, and the concern is that the annual statement is seen as a tick-box exercise only.
- 3.2 Members of the Issue 69 Working Group were unconvinced that the statement achieves anything in terms of risk mitigation and questioned the need for a signed letter, commenting that it could instead be sent by email.
- 3.3 We recognise this, but our assessment is that such a statement can add value by allowing us an opportunity to talk to parties about planned work and help mitigate any risks from a future change, rather than only alerting us to a change already implemented.
- 3.4 Additionally, we consider that providing information about a party's risk profile (e.g. current portfolio size and rate of growth, key performance metrics) within the annual statement template may help them to understand their impact on Settlement. This knowledge may inform their assessment of the materiality of changes they plan to make or have made.
- 3.5 We therefore recommend that the annual statement template be redesigned to include:
- A section for the party to list upcoming changes in progress or planned within the next year.
  - A section for ELEXON to include information about the party's size and risk profile in order to bring this to the attention of directors and senior managers.

### 4. Updating the Self-Assessment Document and storyboard scenarios

#### **Recommendations**

- **Update Self-Assessment Document (SAD) questions and storyboards scenarios, and maintain them as category 3 configurable items**

#### 4.1 The Self-Assessment Document

- 4.1.1 The SAD is the key Qualification document, where applicants describe how they intend to operate, so the PAB can assess if they are likely to have the systems, processes and infrastructure to support compliant operations when live. It should reflect current risks to Settlement where appropriate, so new entrants' plans

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are robust and reduce their negative impact on Settlement. In order to facilitate easier maintenance of the SAD and its supporting documents as relevant and current, we recommend removing BSCP537 Appendices 1, 2, and 3<sup>4</sup> from the BSCP to instead maintain them as Category 3 Configurable Items<sup>5</sup>. This will allow easier amendment to address any emerging risks identified by the Risk Evaluation Register (RER), Risk Operating Plan (ROP) and PAB Strategy. The change process for a Category 3 Configurable Item is set out in BSCP40, so the review and approval process would be proportionate and clear.

- 4.1.2 We recommend the SAD is reviewed and updated to ensure it reflects the current risks to Settlement. During such review ELEXON will also work to remove any questions and requests for evidence which do not relate to Settlement processes. ELEXON has already identified that the Simple Service section<sup>6</sup> can be removed and that the Half Hourly (HH) and Non Half-Hourly (NHH) sections<sup>7</sup> can be combined.
- 4.1.3 We have also identified common questions asked of applicants by the PAB and will assess whether the SAD and its guidance already covers such issues. If not, we will look to incorporate these in the SAD and as part of the Qualification check included in the new Change of Ownership we are proposing.

## 4.2 Storyboards

- 4.2.1 ELEXON produces a set of storyboards which we recommend be used by Applicants when designing a test programme to satisfy the Qualification Requirements. Some of these are shared with the MRA.
- 4.2.2 Most of the storyboards<sup>8</sup> describe 'normal' business processes. Some scenarios and variations focus on exceptional situations, giving an opportunity for the applicant to demonstrate their ability to respond to unusual circumstances.
- 4.2.3 We recommend the storyboards be reviewed and updated to reflect current Settlement risks. The MRA has introduced negative Data Transfer Network (DTN) testing. In order to make self-testing more robust we also recommend that the QP includes more negative tests to ensure that applicants can adequately manage a range of unexpected and/or complex scenarios; this should help to further mitigate risk to Settlement

## 5. Intended scale of operation

### Recommendation

- **Track participant size and their early run performance**

- 5.1 Applicants currently provide an intended scale of operation in their SAD responses, which is then recorded in each qualification report. Capacity testing is performed in order to demonstrate that the service "will be able to perform at the level of activity predicted by your intended scale of operation".
- 5.2 Since testing is only performed up to this scale there is a risk that any operation over this scale will present a risk to Settlement, in particular if it happens over a shorter period of time than anticipated. Since January 2015 52 NHH Suppliers have become active. Of these, six have exceeded their intended scale within their

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<sup>4</sup> Appendix 1 Self Assessment Document (SAD); Appendix 2 Testing Requirements; Appendix 3 Guidance Notes on Completing the SAD

<sup>5</sup> BSCP40 "Category 3 BSC Configurable Item – ...not amended by Modifications or Change Proposals."

<sup>6</sup> BSCP537 Section 2.2

<sup>7</sup> BSCP537 Sections 8 – 11 and 13 - 14

<sup>8</sup> <https://www.elexon.co.uk/guidance-note/sva-qualification-storyboards-test-guidelines/>

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first, fourteen within two years, and five within three years. We refer back to the prevalence of off the shelf Qualification applications, which are usually completed before the eventual owner is known let alone involved, and therefore at the time of application the aspirations of portfolio size or type can't be known.

- 5.3 MRA Entry Processes provides for pre-agreed registration caps for Suppliers<sup>9</sup>. Once the terms of the Controlled Market Entry (CME) have been reached, MRASCo performs an exit audit to ensure the registrations have been completed as expected and that the Supplier's systems are working effectively in the live market.
- 5.4 We considered whether an equivalent to CME would be an effective part of BSC Qualification. After consultation with the Issue 69 group, we have concluded that it is not necessary for the BSC to place further restrictions on Suppliers in terms of their portfolio growth after go live. However, recognising that new entities can experience challenges in the early days, we propose that the growth of new entrants is tracked and analysed against their performance at early stages, e.g. at the earlier Settlement runs. This will enable us to pick up on early warning signs of issues and risks as opposed to waiting for parties to trigger the standard flags – most likely when they to reach a sufficient size and, under the current performance monitoring approach, attain red BUSRRs against tracked risks.

## 6. Performance Assurance Technique interactions

- 6.1 Where appropriate we will be sharing the Annual Statements with other PATs, in particular the BSC Audit in order to inform entity selection, TAM and TAPAP. We will also ensure that planning meetings for the BSC Audit cover questions about changes made / planned changes – see below on Re-Qualification / Maintenance of Qualification.

## PAT REVIEW RECOMMENDATIONS - RE-QUALIFICATION

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### 7. Replace Re-Qualification with Maintenance of Qualification

#### **Recommendation**

- **Replacement of Re-Qualification with "Maintenance of Qualification"**

- 7.1 The purpose of Re-Qualification is to mitigate any risks that a change to a Qualified Person's systems, staff and processes could have on Settlement, should that change not be appropriately implemented.
- 7.2 We observe that Re-Qualification is not applied for in many cases of material change. We believe this general resistance is partly due to the amount of time Re-Qualification takes (approximately 6 months) and resource required in completing the SAD etc. And partly to the perceived risk posed to the timely completion of a party's project, whether that be a new system or offshoring processes, for example because the PAB has the ability to defer approval of a Re-Qualification application if it feels sufficient preparations have not been made.

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<sup>9</sup> <https://www.mrasco.com/becoming-a-party-to-the-mra/>

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- 7.3 Since most party-driven changes are discovered by ELEXON post implementation we consider that Re-Qualification is not the most appropriate technique to mitigate risk to Settlement. We also note that the majority of changes implemented do not result in material non-compliance; that is, we do not often see errors and failures tracking directly back to specific changes we would have expected to go through Re-Qualification.
- 7.4 A further weakness of Re-Qualification is that Suppliers and LDSOs (excluding UMISO/SMRS function) are not included. This has been debated a number of times before, and rejected as these roles have not previously been subject to Qualification, and it was believed that Suppliers couldn't negatively impact other organisations from making changes to their Qualified systems & processes.
- 7.5 We believe the PAF should contain a preventative technique around changes to what has previously been Qualified, but that Re-Qualification is not effective in this regard.
- 7.6 As part of the review we considered with the Issue 69 Working Group options for retaining and strengthening the technique to capture more material changes within it; but were unable to identify appropriate ideas. We are also not recommending amendment to the definition of "material change". We accept that the current approach as per the material change guidance<sup>10</sup>, is not highly prescriptive. However, we consider the general criteria and examples given should be sufficient to allow most changes to be clearly categorised as material or not, and there is a danger in being more prescriptive in excluding things that don't meet the exact description.
- 7.7 BSCP537 allows the PAB to initiate Re-Qualification for other purposes including general performance concerns; however we consider that deployment of other detective and corrective PATs such as the BSC Audit and EFR are more appropriate in these circumstances. This is because it defeats the purpose of Re-Qualification being a preventative technique if it is undertaken post change. In addition to that, if changes have already been implemented, but the Re-Qualification application is deferred, it is unclear on the next steps if the Qualified Person (QP) was already operating e.g. it could cause a greater risk to Settlement to ask the QP to regress. We believe alternative PATs such as EFR to be a more efficient way of working closely with the QP and monitor its milestones to resolve issues.
- 7.8 Our recommendation is to replace Re-Qualification with Maintenance of Qualification; a lighter touch, proportionate and supportive technique, which we hope will encourage parties to seek ELEXON's help and expertise more frequently for relevant changes.

### **Maintenance of Qualification**

- 7.9 Maintenance of Qualification is intended to support party-driven changes and post-implementation material change, but avoid the negative perceptions around effort and risk to change projects.
- 7.10 Changes driven by the BSC as a result of significant Modifications will not be considered within Maintenance of Qualification. The PAB sub-group was of the view that the ELEXON Change and Release function should ensure that parties understood what was required to amend their operations in line with new BSC requirements, and support affected parties in making the changes by the implementation date.
- 7.11 A more detailed description of the Maintenance of Qualification processes is in Appendix 3; in summary:
- Trigger for ELEXON intervention met.
  - Assessment of materiality and relevance of change.

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<sup>10</sup> <https://www.elexon.co.uk/guidance-note/material-change-triggers-re-qualification/>

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- Offer of proportionate support and education pre-implementation (not relevant for changes already made).
  - Proportionate tracking of the party's readiness for implementation (not relevant for changes already made).
  - Review of performance and compliance post-implementation and remedy of early issues.
  - Deployment of other Performance Assurance Techniques (PATs) if significant non-compliance is detected.

7.12 We believe the benefits of replacing Re-Qualification with Maintenance of Qualification are:

- Since Re-Qualification would no longer be required we would be able to include Suppliers and LDSOs (including IDNOs).
- Without a go/no-go decision by the PAB there is more incentive for parties to approach ELEXON when planning to make a change. But the PAB would still have powers to manage non-compliance and underperformance as now using other PATs.
- All steps in the process can be scaled up or down to be proportionate to the nature and scope of the change, so effort is not expended by ELEXON, the PAB or the party unless necessary for risk management.
- Bespoke implementation plans could be more aligned to mitigating Settlement Risks.
- Compliance with the BSC can be confirmed soon after the change as ELEXON would be supporting and tracking throughout.
- Other PATs can still be deployed if material non-compliance is witnessed.

7.13 We do, however, note some disadvantages of this recommendation:

- There is no guarantee that parties will engage proactively any more than they currently do.
- Depending on what level of tracking and assessment is required ELEXON could incur additional cost from resources (internal or outsourced) to deliver the work.
- The definition of "material change" may still be open to interpretation in some instances, though it remains a PAB judgement, which is appropriate for its risk-based oversight of the assurance framework.
- The PAB would no longer be able to pause any change (go/no-go decision).

## IMPLEMENTATION

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### 8. Operational

- 8.1 ELEXON will implement the recommendations in this report where approved by the PAB. Some will require changes to the BSC and subsidiary documents and will be put through the BSC Change process. We will work with ELEXON's change team to co-ordinate delivery, identify appropriate releases etc.
- 8.2 Other recommendations will only require adjustments to the procedure the PAB and ELEXON operates. All changes will be accompanied by appropriate communication and notification to affected parties, and further consultation on the detailed points where required to ensure the resultant amendments are as efficient and effective as possible.
- 8.3 The programme of change to implement these recommendations will not preclude other improvements being recommended or delivered as business as usual.

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## **9. Modifications and Change Proposals**

### **9.1 LDSO subject to Qualification (and Maintenance of Qualification)**

9.1.1 BSC Modification will be required to Section J.

9.1.2 Change Proposal will be required to BSCP537 and to the appendices including the SAD.

### **9.2 Reviewing Annual Statement**

9.2.1 Modification will be required to BSC Section J 3.5.2 to replace the requirement to provide a written statement.

### **9.3 Qualification checks**

9.3.1 Change Proposal will be required to BSCP537 to include all QPs.

### **9.4 Updating the SAD**

9.4.1 Change Proposal will be required to remove BSCP537 Appendix 1, 2 and 3 from the BSCP and instead maintain these as category 3 configurable items.

### **9.5 Updating the storyboards**

9.5.1 Change Proposal not required, just an update to internal procedures

### **9.6 Replacing Re-Qualification with Maintenance of Qualification**

9.6.1 BSC Modification will be required to remove references to Re-Qualification in Section J.

9.6.2 Change Proposal will be required to remove Re-Qualification from BSCP537.

9.6.3 Update to internal procedures and other documents e.g. Material Change and Triggers for Re-Qualification.

## APPENDIX 1

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The table below shows as of August 2019 the number and proportion of active Half Hourly (HH) and Non-Half Hourly (NHH) Supplier MPIDs which entered the market in both the traditional and off the shelf models, and whether they were at the time of reporting performing above or below the BSC standard for energy settled on Actual or Estimated volumes.

This is only one measure, but it serves as a good gauge of overall performance and controls of a Supplier, and indicates that off the shelf Suppliers perform equivalently to traditionally set up Suppliers.

		<b>Off the shelf</b>	<b>Traditional</b>
	<b>No. of Suppliers</b>	78	65
<b>Number</b>	<b>Below 97% standard</b>	34	29
	<b>Below 99% standard</b>	22	18
	<b>Currently in EFR</b>	12	15
<b>%</b>	<b>Below 97% standard</b>	44%	45%
	<b>Below 99% standard</b>	28%	28%
	<b>Currently in EFR</b>	15%	23%

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## APPENDIX 2

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### Check Details

#### Post Qualification Check details

Check Name	Post Qualification Check
Company Name	
Market Participant ID (MPID)	
Role type	
Your Post Qualification Check Date	
Contact details for return of documentation	<a href="mailto:qualification@elexon.co.uk">qualification@elexon.co.uk</a>
Your auditors	

#### Executive Summary

Balancing and Settlement Code Procedure (BSCP) 537 Section 2.6 outlines the Change of Ownership Process under the BSC. Upon Change of Ownership of a Qualified Person, the Performance Assurance Board (PAB) make a decision on whether the Qualified Person is require to:

- Re-Qualification; or
- Not Re-Qualification is not required; or
- Undergo a Post Qualification Check is six months after go-live.

The Post Qualification Check provides assurance to the PAB that the new owner of the Qualified Person is meeting its obligations under the BSC. ELEXON will check their staff and processes meet the requirements under the BSCP537 and/or Section J of the BSC and report the findings back to PAB.

This document forms the basis of the Post Qualification Check.

#### What are we looking for:

- Evidence that the Qualified Person has sufficient staff and processes in place to meet their obligations under the BSC;
- Evidence that the Qualified Person has sufficient training and Local Working Instructions (LWIs) to cover absences and future growth;
- Evidence that the Qualified Person has sufficient exception reporting in place; and
- Evidence that the Qualified Person has sufficient escalation processes in the event of exceptions.

Evidence of the responses can be provided as an attachment.



## General Questions

Question	Response
Please can you provide an overview of your organisational structure including key people and teams involved in BSC operations along with clear definition of roles?	
What training do you provide to staff that perform BSC processes?	
How often is this training reviewed?	
How often to you refresh training for staff that perform this process?	
Please can you provide an example of your LWI for exception reporting?	
Please can you provide an example of your working instruction for change management?	
How often are working instruction documents reviewed and updated?	
How do you ensure that your processes and the information contained within the working instructions match and meet BSC obligations?	
What steps do you take to ensure that when industry changes are made that working instructions and staff are sufficiently updated and informed?	
How do you ensure that these changes are being performed correctly?	
How do you ensure that when there is an absence, that work is covered by a member of staff that is trained in the process?	
How do you intend to accommodate future growth and ensure that there are sufficiently trained staff to manage the increased workload?	
What procedures do you have in place to ensure that an audit trail is kept to track and monitor BSC Processes?	

How do you ensure that the audit trails contain enough information for an independent person to be able to complete any outstanding BSC processes or tasks?	
What procedures do you have in place to record, track and monitor ad-hoc requests not coming across the DTN?	
Where data is to be sent or received to or from Parties by agreed methods other than via the DTN, demonstrate how you: <ul style="list-style-type: none"> <li>- Manage the approval or agreement of receipt/sending of data in an agreed record and retain the agreement of the method as well as the actual data received or sent; and</li> <li>- Ensure that timescales surrounding this data are adhered to.</li> <li>- Please provide an overview of the process, confirming management of information by spreadsheet and/or e-mail.</li> </ul>	
What procedures do you have in place to monitor exceptions where BSC processes have not been successful i.e a dataflow that was rejected/ not sent?	
What procedures do you have in place to resolve different exception types i.e. material error codes, rejection flows etc	
What timescales do you have in place to resolve any exceptions?	
What internal escalation processes do you have if exceptions are not resolved within these timescales? If you are using third parties, please detail the procedures for each one.	
How often is this reported to senior management and what information is provided within this report? Are there KPIs that this process is measured against?	
How do you make sure that the handover process between the managed service and staff is completed effectively?	

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Please provide an overview of backup procedures including schedule of backups, checks in place for monitoring the backup interface and processes to escalate any backup failure.

**Additional Post-Qual Check questions for OTS MOAs**

Are you aware of your BSC obligations as a Qualified MOA, including the Codes of Practice you must adhere to?

Will you perform all MOA-related activities or do you intend to use third party agents?

If you intend to use third party agents, please list them and provide a brief description for each one, including their MOCOPA accreditation status, if applicable. Please also confirm which BSC-related activities they will carry out on your behalf and the length of your contract with each third party agent.

How will you ensure that the quality of work performed by yourselves and third party agents, if any, meet the required standard?

How will you ensure that you and any third party agents are compliant when carrying out BSC-related activities?

## APPENDIX 3

The following diagram shows the proposed approach to Maintenance of Qualification, where parties make material changes. The first process is used before the changes are made; if a material change is detected post-implementation, the second process is to be followed

Party-driven Changes		Material Changes post-implementation	
Trigger	Material change planned and described in Annual Statement	Trigger	Detected that a material change has been made
Assessment	ELEXON determines if the change is of interest and how or why. Review PAP's Risk and Impact Assessment	Assessment	ELEXON requests Risk and Impact Assessment and/or other information about the change. Determine if non-compliant
Education and Support	ELEXON offers support and education (appropriate to the risk and scale of the change)	Education and Support	Not applicable
Assess, track and report on readiness pre-implementation	Parties provide confirmation or evidence of readiness and ELEXON tracks (appropriate to the risk and scale of the change)	Assess, track and report on readiness pre-implementation	Not applicable
Assess and report on compliance post-implementation	ELEXON reviews performance indicators and other measures of compliance, and works with parties to remedy any early issues	Assess and report on compliance post-implementation	ELEXON reviews performance indicators and other measures of compliance, and works with parties to remedy any early issues
PAT deployment (if necessary)	If significant non-compliances are detected, trigger EFR, Audit etc. as appropriate	PAT deployment (if necessary)	If compliant PAB issues reminder letter. If significant non-compliances are detected, trigger EFR, Audit etc. as appropriate