

# CP Assessment Report

## CP1520 'Clarification to the Change of Ownership process in BSCP537'

**ELEXON**



### Committee

Performance Assurance Group

### Recommendation

Approve

### Implementation Date

18 December 2019



### Contact

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### About This Document

This document is the Change Proposal (CP) Assessment Report for CP1520 which ELEXON will present to the Imbalance Settlement Group (ISG) at its meeting on 22 October 2019, the Performance Assurance Board (PAB) at its meeting on 30 October 2019 and the Supplier Volume Allocation Group (SVG) at its meeting on 5 November 2019. The Committee(s) will consider the proposed solution and the responses received to the CP Consultation before making a decision on whether to approve CP1520.

There are three parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, and proposed implementation approach. It also summarises the ISG, PAB and SVG's initial views on the proposed changes and the views of respondents to the CP Consultation.
- Attachment A contains the proposed redlined changes to deliver the CP1520 solution.
- Attachment B contains the full responses received to the CP Consultation.
- Attachment C contains the Proposal Form.

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# 1 Why Change?

## Background

### Qualification

Qualification is a process by which Supplier Volume Allocation (SVA) Parties, SVA Party Agents and Central Volume Allocation (CVA) Meter Operator Agents (MOAs), are required to demonstrate their ability to fulfil their respective obligations under the BSC and its associated Code Subsidiary Documents (CSDs). It involves testing of systems and processes, with the testing facilitated by the Qualification Service Provider (QSP).

The SVA Parties, SVA Party Agents and CVA MOAs that are required to undergo Qualification under the BSC are:

- SVA MOAs;
- CVA MOAs;
- Data Collectors (DCs);
- Data Aggregators (DAs);
- Meter Administrators;
- Suppliers;
- Licensed Distribution System Operators (LDSOs) when acting in their capacity as Unmetered Supplies Operators (UMSOs) and Supplier Meter Registration Agents (SMRAs); and
- Virtual Lead Parties (VLPs).

The high level Qualification process under the Code is split into CVA Qualification and SVA Qualification. [BSCP70 'CVA Qualification Testing for Parties and Party Agents'](#) outlines the process for CVA Qualification.

[BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators'](#) outlines the process that SVA market participants must follow in order to become a Qualified person under the BSC. These processes include Qualification, the Removal of Qualification, Re-Qualification and the Change of Ownership process. This CP1520 focusses on SVA Qualification and hence only impacts BSCP537.

### Change of Ownership and re-Qualification

A Change of Ownership under the BSC means there is a change in the legal entity and/or transfer of assets to another legal entity that owns a company that has completed Qualification (a "Qualified Person"). BSCP537 Section 2.6 'Change of Ownership Process', provides guidance on the information required to be provided by the Qualified Person in order to complete the Change of Ownership process. This process does not apply to Qualified Persons who are Parties to the Code other than LDSOs when acting in their capacity as either an UMSO or an SMRA.

Where the Change of Ownership process results in a Material Change to the staff, processes or systems, any Qualified Person (except for Suppliers and VLPs) must submit the appropriate application as described in the 'Re-Qualification Process' in BSCP537 Section 2.2 and Section J, 3.5. The [Material Change and Triggers for re-Qualification](#)



#### Qualification Service Provider (QSP)

A Qualification Service Provider is procured by BSCCo to provide a Qualification Testing environment and support market participants the testing requirements going through the Qualification process.

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[Guidance](#) provides additional advice on what might constitute a Material Change and therefore trigger re-Qualification.

## What is the issue?

Section 2.6.1 of BSCP537, 'Change of Ownership Process', requires 'Applicants' to provide a signed Qualification Letter following a Change of Ownership. The Qualification letter states that 'they are applying to undergo the Qualification Requirements and Qualification Processes in accordance with BSC Section J'<sup>1</sup>.

However, as a participant undergoing the Change of Ownership process will already have completed Qualification, it is inappropriate to say that they are applying to further undergo the Qualification Requirements. As such, the Qualification Letter is not appropriate for this purpose.

In addition, the PAB is required to determine if a Party Agent is undergoing a Material Change under the Change of Ownership process. Where a participant has not been operational when the Change of Ownership occurs, the subsequent transition to being operational could be considered a Material Change, e.g. due to significant change in staff and processes. The Material Change and Triggers for re-Qualification Guidance will therefore also need to be updated.

The Change of Ownership process is not a requirement for a Qualified Person that is acting in its capacity as a Supplier or VLP.

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<sup>1</sup> [Section J: Party Agents and Qualification under the Code](#)

### Proposed solution

CP1520 proposes to introduce a new Change of Ownership letter template into BSCP537, which the Qualified Person will use to confirm that it will continue to fulfil its obligations, despite the Change of Ownership of the company.

In addition to the Change of Ownership letter, Qualified Persons (other than BSC Parties) will be required to provide a separate statement confirming whether a Material Change has been made as per BSCP537 section 2.6.1.

The solution to this CP will amend section 2.6 of BSCP537 to amend the process. This includes changing 'Applicant' to 'Qualified Person' and citing the Change of Ownership letter. Further, CP1520 proposes to allow PAB to make a decision on whether the Qualified Person, if it is not a BSC Party, needs to Re-Qualify.

CP1520 will also change the 'Material Change and Triggers to re-Qualification' guidance notes to ensure SVA Party Agents are aware of what constitutes as a Material Change to their staff, systems or processes.

### Proposer's rationale

The requirement to use the Qualification letter for the Change of Ownership process in BSCP537 is causing confusion for market participants. This change will provide clarity to all those who qualify for the Change of Ownership process by introducing a revised process with a dedicated Change of Ownership Letter.

### 3 Impacts and Costs

#### Central impacts and costs

##### Central impacts

The solution to this CP only requires changes to BSC documentation. There are no BSC Central System impacts.

Central Impacts	
Document Impacts	System Impacts
<ul style="list-style-type: none"><li>BSCP537</li><li>Material Change and Triggers for re-Qualification guidance note</li></ul>	<ul style="list-style-type: none"><li>None</li></ul>

##### Central costs

The central implementation costs to implement the document only changes for CP1520 will be approximately £840.

#### BSC Party & Party Agent impacts and costs

The following positive impacts will result from CP1520.

Anticipated BSC Party and Party Agent impacts are outlined in the table below:

BSC Party & Party Agent Impacts	
BSC Party/Party Agent	Impact
Parties/ Party Agents who use the Change of Ownership process	The processes that CP1520 will introduce will have a positive impact on BSC Party/Party Agents as the new steps will provide clarity, and reduce confusion.

##### Participant impacts and costs

Three respondents out of eight said in the CP1520 consultation this Change would have a minimal impact if they were to go through a Change of Ownership.

None of the market participants that responded to the CP1520 consultation said they would incur any costs from CP1520.

## 4 Implementation Approach

### Recommended Implementation Date

CP1520 is proposed for implementation on 18 December 2019 as part of an ad-hoc December 2019 BSC Release.

This is the earliest opportunity this CP can be implemented to provide clarity for market participants going through the change of Ownership process.

All respondents to the CP1520 consultation agreed with the implementation approach.

### ISG, SVG and PAB's Initial views

CP1520 was presented to the ISG on 20 August, PAB on 29 August and SVG on 3 September 2019 respectively. All three committees noted that CP1520 had been raised and noted the proposed progression timetable.

An ISG member questioned the proposed Implementation Date, wishing to understand why CP1520 wasn't proposed for implementation as part of a scheduled BSC Release. ELEXON noted that SVG approval of CP1520 is due on for 5 November 2019, only two Working Days before the scheduled November 2019 BSC Release on 7 November 2019, which would not give adequate notice to market participants. ELEXON added there is already a BSC ad-hoc Release scheduled for 18 December 2019. Therefore, there is an opportunity to implement CP1520 earlier than February 2020, in order the benefits can be realised more promptly.

Both PAB and SVG members provided no further comments on CP1520, and agreed the change was needed to create clarity in the Change of Ownership process.

## 6 Industry Views

This section summarises the responses received to the CP Consultation. You can find the full responses in Attachment B.

Summary of CP1520 CP Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the CP1520 proposed solution?	7	1	0	0
Do you agree that the draft redlining delivers the intent of CP1520?	8	0	0	0
Will CP1520 impact your organisation?	3	5	0	0
Will your organisation incur any costs in implementing CP1520?	0	8	0	0
Do you agree with the proposed implementation approach for CP1520?	8	0	0	0
Do you have any further comments on CP1520?	0	8	0	0

The majority of respondents agreed with the CP1520 proposed solution. Three respondents noted that CP1520 would have a minimal impact on their company. All market participants agreed with the draft redlining, the implementation approach and all confirmed that they would incur no costs.

One market participant did not agree with the CP1520 proposed solution as they did not believe that the roles of Supplier Meter Registration Agent (SMRA) and Unmetered Supplies Operator (UMSO) should align with other industry party processes for change of ownership. ELEXON responded to confirm that CP1520 did update the table which sets out which Applicants and Qualified Persons are subject to the processes, but this was to align with footnote 19 in BSCP537 which is an already existing obligation:

*'This process does not apply to Qualified Persons who are Parties to the Code other than LDSOs when acting in their capacity as either an UMSO or an SMRA.'*



## 7 Recommendations

We invite the **ISG, PAB and SVG** to:

- **APPROVE** the proposed changes to BSCP537 for CP1520;
- **APPROVE** CP1520 for implementation on 18 December 2019;
- **NOTE** that CP1520 was presented to the ISG on 22 October 2019; and
- **NOTE** that CP1520 will also be presented for decision to the
  - PAB on 30 October 2019; and
  - SVG on 5 November 2019.

## Appendix 1: Glossary & References

### Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
BSC	Balancing and Settlement Code
BSCP	Balancing and Settlement Code Procedure
CP	Change Proposal
CPC	Change Proposal Circular
CSD	Code Subsidiary Document
CVA	Central Volume Allocation Agent
DA	Data Aggregator
DC	Data Collector
ISG	Imbalance Settlement Group
LDSO	Licensed Distribution System Operator
MOA	Meter Operator Agent
PAB	Performance Assurance Board
QSP	Qualification Service Provider
SAD	Self Assessment Document
SMRA	Supplier Meter Registration Agents
SVA	Supplier Volume Allocation
SVG	Supplier Volume Allocation agent
UMSO	Unmetered Supplies Operator
VLP	Virtual Lead Party

### External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
2	BSCP537	<a href="https://www.elexon.co.uk/csd/bscp537-qualification-process-for-sva-parties-sva-party-agents-and-cva-meter-operators/">https://www.elexon.co.uk/csd/bscp537-qualification-process-for-sva-parties-sva-party-agents-and-cva-meter-operators/</a>
2	Material Change and Triggers for re-Qualification	<a href="https://www.elexon.co.uk/guidance-note/material-change-triggers-re-qualification/">https://www.elexon.co.uk/guidance-note/material-change-triggers-re-qualification/</a>

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External Links		
Page(s)	Description	URL
2	BSCP70	<a href="https://www.elexon.co.uk/csd/bscp70-cva-qualification-testing-for-parties-and-party-agents/">https://www.elexon.co.uk/csd/bscp70-cva-qualification-testing-for-parties-and-party-agents/</a>