

PERFORMANCE ASSURANCE FRAMEWORK REVIEW RECOMMENDATION – MAINTENANCE OF QUALIFICATION

MEETING NAME	Performance Assurance Board
Date of meeting	26 February 2020
Paper number	PAB229/06
Owner/author	Sophie Bentley
Purpose of paper	Decision
Classification	Public
Summary	This paper seeks approval from the Performance Assurance Board to not proceed in implementing one of the Performance Assurance Framework (PAF) recommendations 'Maintenance of Qualification'.

1. Background

- 1.1 As a requirement of [BSCP537: SVA Qualification Process for BSC Parties, Party Agents and CVA Meter Operators](#), all organisations who are Qualified, except Suppliers and Virtual Lead Parties (VLPs), are required to maintain their Qualified status through the re-Qualification process.
- 1.2 The purpose of re-Qualification is to mitigate any risks that a change to the Qualified Person's staff, systems or processes which they use to operate in their market role, could have on Settlement.
- 1.3 Qualified Persons (except Suppliers and VLPs) are required to complete a Risk and Impact Assessment to determine if any changes could be viewed as Material. The guidance note [Material Changes and Triggers for re-Qualification](#) should be followed.
- 1.4 In many cases Qualified Persons are either not applying for re-Qualification or ELEXON are made aware of the changes too late in the process for re-Qualification to take place. Re-Qualification takes approximately six months and therefore would not be useful as a preventive technique in these cases.
- 1.5 On 26 September 2019 (PAB224/11), PAB members approved the PAF recommendations which the Market Entry team are currently progressing for implementation.
- 1.6 The recommendations currently being progressed are:
 - Updating the Self-Assessment Document (SAD) and Storyboards and removing Appendices 1, 2 and 3 from the BSCP537 to make the SAD a category 3 item;
 - LDSO Qualification (not just UMSO and SMRA);
 - Qualification check for Change of Ownerships (including Suppliers);
 - Single SAD Assessments;
 - Update Annual Statement to include future changes and party size/performance
 - Monitor size and early run performance
- 1.7 The Performance Assurance Framework (PAF) review paper (PAB224/11) also recommended that we replace re-Qualification with 'Maintenance of Qualification'.
- 1.8 Maintenance of Qualification would be more of a supportive technique to try and encourage Party Agents to come forward for us to be able to help implement those changes.

PERFORMANCE ASSURANCE FRAMEWORK REVIEW

RECOMMENDATION – MAINTENANCE OF QUALIFICATION

2. Maintenance of Qualification and benefits

- 2.1 A more detailed description of the 'Maintenance of Qualification' process is provided in Appendix 1; but in summary:
- Trigger for ELEXON intervention met.
 - Assessment of materiality and relevance of change.
 - Offer 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 for early issues.
 - Deployment of other Performance Assurance Techniques (PATs) if significant non-compliance is detected.
- 2.2 ELEXON considered that the main benefits of 'Maintenance of Qualification' would be:
- To provide bespoke implementation plans which could be more aligned with mitigating Settlement Risks.
 - Without a go/no-go decision required by the PAB there is more incentive for Party Agents to approach ELEXON when planning to make a change. But the PAB would still have powers to manage non-compliance and underperformance as now by using other PATs.
 - Compliance with the BSC can be confirmed soon after the change as ELEXON would be supporting and tracking throughout.
 - The process could be scaled up or down to be proportionate to the change.
 - To include Suppliers and LDSOs.

3. Recommendation

- 3.1 Since the recommendations have been approved, the Market Entry team have been working to try and develop the recommendations ready for implementation.
- 3.2 After review and consideration of 'Maintenance of Qualification'. ELEXON believes that it should not be implemented.
- 3.3 Matters for further consideration identified when attempting to implement 'Maintenance of Qualification', are:
- Some parts of the recommendation are already used in practice e.g. support and tracking applicants when re-Qualification was not an option. In this instance if a Qualified Person notified us of a Material Change, but there wasn't enough time to re-Qualify we would have to work with the OSM to monitor their change. No additional benefit would be realised.
 - Qualified Persons still might not advise us of material changes before implementation and no additional means of compelling them exist under the BSC.
 - Other PATs that are already in place could be utilised e.g. performance monitoring, BSC audit etc., which achieve the benefits already.
 - Providing bespoke support would require the highest level of technical expertise and involvement from dedicated subject matter experts who wouldn't necessarily have the capacity to assist a completely ad hoc system. In addition, these subject matter experts would have limited access to company specific data.
 - Support from experts within Elexon would need to be provided within a specific timeframe, which may not always be possible due to conflicting restraints such as Significant Code Reviews or BSC Release schedules.

PERFORMANCE ASSURANCE FRAMEWORK REVIEW

RECOMMENDATION – MAINTENANCE OF QUALIFICATION

- The Qualification Service Provider (QSP) uses the SAD as the work paper to follow a uniform structure. A bespoke approach for each Maintenance of Qualification means that a bespoke work paper would need to be produced for each Material Change.
- 3.4 After documenting the detailed steps to implementation, we have concluded that the benefits of the change are not proportionate with the amount of work required to effect the change.

4. Next steps

- 4.1 With the above points considered, there are still some improvements that can be made to the current re-Qualification process that will enhance it. These include:
- ELEXON is currently working on the recommendation to make the SAD a Category 3 Configurable Item. This means that the SAD can be updated on an as-needed basis e.g. annual review, to align to risks and update in line with market changes, which will improve re-Qualification;
 - PAB would have the ability to approve any subsequent changes to the SAD questions without the need to follow the change process;
 - PAB could issue a warning letter if Qualified Persons were to make changes to their systems without informing us. This could encourage them to keep us updated; and
 - As Suppliers and LDSOs were recommended to be part of 'Maintenance of Qualification. We could still include Suppliers and LDSOs in re-Qualification, if PAB approve.

5. Recommendations

- 5.1 We invite you to:
- a) **NOTE** the update on the PAF recommendation 'Maintenance of Qualification;
 - b) **COMMENT** on the update to re-Qualification;
 - c) **DETERMINE** that re-Qualification is not replaced with Maintenance of Qualification; and
 - d) **DISCUSS** whether Suppliers and LDSOs should be considered to be included in re-Qualification.

Appendices

Appendix 1 – Maintenance of Qualification process

For more information, please contact:

Sophie Bentley, Senior Market Entry Analyst

Sophie.bentley@elexon.co.uk

020 7380 4280

PERFORMANCE ASSURANCE FRAMEWORK REVIEW

RECOMMENDATION – MAINTENANCE OF QUALIFICATION

APPENDIX 1

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

