ELEXON

CHANGES TO QUALIFICATION PROCESSES

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Section A: Background

Elexon recognises that the current Qualification processes will no longer be fit for purpose following the transition to the Market-wide Half Hourly Settlement (MHHS) Target Operating Model (TOM).

We have identified that these changes will need to be effective in line with various milestones within the MHHS plan. The Qualification Approach and Plan sets out when the enduring qualification requirements will be in place.

These changes and new processes have been developed with support of the MHHS Performance Assurance Working Group (PAWG), and considered any necessary changes to the Balancing Settlement Code (BSC) and BSC Procedure (BSCP) documents. The processes in the following sections follow discussions between Elexon and the PAWG, and those with the Performance Assurance Board (PAB).

This document sets out the requirements for BSCP537 – Qualification Process for SVA Parties, SVA Party Agents, VLPs, AMVLPs. AMVLP Agents and CVA MOAs.

This document outlines the following processes:

- Changes to Qualification processes (for new applicants)
- Changes to Re-Qualification process
- Removal of Annual Statement of Qualified Status
- Creation of Renewal of Qualification process
- Changes to Surrender of Qualification process

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Section B: Outline of changes made Qualification processes

1. Qualification process changes (for new applicants)

1.1 It was recognised that there can be situations where a Party completes Qualification, but does not immediately begin operating. This can lead to situations where processes or systems subsequently change before operations begin.

1.2 Therefore, it is proposed to add a step in the current Qualification Process as follows:

"Once a Qualified Person has completed their Qualification, as part of the new process they need to assign at least one MSID to complete their qualification. If they don't meet the necessary criteria within 6 months of their approval date then they may need to undergo Re-Qualification."

1.3 This provides greater assurance that new applicants still have suitable processes and system capabilities in place to meet the BSC Obligations at the point they begin operations.

1.4 The change has been red-lined in section 2.1.22 of BSCP537.

2. Creation of Renewal of Qualification process

2.1 An enhancement was identified to ensure that Parties continue to meet their obligations, maintaining compliant processes and systems over time. Currently, these checks are only performed if a Qualified Person notifies Elexon and initiates the Re-Qualification process.

2.2 Therefore, it is proposed to create a new technique under the Performance Assurance Framework, 'Renewal of Qualification'. This process will be initiated by Elexon on a proposed 3-yearly cycle for all Qualified Persons and will consist of the below;

2.2.1 Qualified Persons will carry out a subset of Qualification testing scenarios.

2.2.2 Elexon assesses the output of these tests to ensure that the Qualified Person continues to meet the Qualification requirements.

2.2.3 If the assessment concludes that requirements are not met, the Qualified Person will enter the Re-Qualification process.

2.3 The Renewal for Qualification technique will be introduced post MHHS with a phased approach. This will involve participants under taking the Renewal of Qualification 2-4 years after having completed MHHS qualification. To enable a spread of activity after which the regular cycle of 3 years will commence.

2.4 This does not prevent a Qualified Person making material changes outside of their Renewal of Qualification timetable. In these scenarios, Elexon are able to make the relevant adjustments to ensure that these changes are managed appropriately, or the Re-Qualification process is initiated.

2.5 This provides greater assurance that existing Qualified Persons remain compliant as processes and systems change, through creating a lighter touch qualification on a time bound basis.

2.6 The changes have been red-lined in section 2.2 of BSCP537.

3. Re-Qualification process changes

3.1 It was noted that the current Re-Qualification process could be a barrier to making positive changes to a Qualified Persons systems or processes. Such improvements may improve the accuracy of Settlement, but may not be implemented as it may trigger the Qualified Person to have to undergo Re-Qualification.

3.2 It is proposed to remove the part of the Re-Qualification process where the Qualified Person initiates the process. This is replaced by a new step whereby Re-Qualification can instead be initiated by Elexon or the PAB. It is expected that this would typically be triggered if a Renewal of Qualification process indicates one or more requirements are no longer being met, or the Party notifies Elexon of a system or process change it is implementing.

3.3 The changes have been red-lined in section 2.3 of BSCP537.

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4. Removal of Annual Statement of Qualified Status

4.1 The PAB previously highlighted concerns of the value and level of assurance provided by the Annual Statement of Qualified Status process.

4.2 It is felt that this process produces minimal, if any, benefit in ensuring a Qualified Person remains compliant with all its necessary obligations. Additionally, the PAB is aware of the large amount of time it takes Elexon to operate this process, including chasing up all Parties to ensure a full set of Statements are received.

4.3 It is proposed to remove this process entirely.

4.4 The new Renewal of Qualification process (above) would be able to highlight any issues in a more effective manner. Those issues would be addressed through further actions and may trigger a Re-Qualification.

4.5 This change has been reflected in the red-lined version of BSCP537.

5. Changes to Surrender of Qualification process

5.1 The future changes to the Settlement Timetable were noted. In particular, the impact of this on the Surrender of Qualification process was investigated.

5.2 Currently, the BSC states a specific timescale for a Qualified Person's date of Surrender to be approved. These timescales match the existing Settlement Run timescales, but only refer to the number of months, not explicitly linking this to the Settlement Runs.

5.3 Given the potential change to the Settlement Timetable, and the constraint outlined above, it is proposed that rather than setting out a specific time-period for Surrender of Qualification, the requirements will instead refer to specific Settlement Runs. This will enable flexibility as the timescales for the Settlement Runs change.

5.4 As currently, the process will only apply to Qualified Persons who are not Parties to the BSC (i.e. the process will not apply to Suppliers, LDSOs, or other BSC Parties who instead will complete Market Exit process as set out in Section A of the BSC).

5.5 This change will be reflected in Section J of the BSC.

Appendix 1: Initial draft of redline changes to BSCP537

(Separate document)

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