

# MINUTES

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**MEETING NAME** BSC Panel

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**Meeting number** 289

**Date of meeting** 11 April 2019

**Venue** ELEXON Ltd, 350 Euston Road, NW1 3AW

**Classification** Public

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## ATTENDEES AND APOLOGIES

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<b>Attendees</b>	Michael Gibbons	MG	BSC Panel Chairman
	Colin Down	CD	Ofgem Representative
	David Lane	DL	DSO Representative
	Derek Bunn	DB	Independent Panel Member
	Diane Dowdell	DD	Industry Panel Member
	Jon Wisdom	JW	National Electricity Transmission System Operator Representative
	Lisa Waters	LW	Industry Panel Member
	Mark Bellman	MBe	Industry Panel Member
	Phil Hare	PH	Independent Panel Member
	Stuart Cotten	SC	Industry Panel Member
	Tom Edwards	TE	Industry Panel Member
	Mark Bygraves	MB	ELEXON CEO
	Lawrence Jones	LJ	Modification Secretary
	Victoria Moxham	VM	Panel Secretary
	Claire Kerr	CK	Panel and Committee Support Manager
	Jason Jackson	JJ	Panel and Committee Support Manager
	Nigel Perdue	NP	ELEXON Director of Operations
	Lawrence Jones	LJ	ELEXON (Part Meeting)
	Ivar Macsween	IM	ELEXON (Part Meeting)
	Kevin Woollard	KW	Centrica
	Chris Wood	CW	ELEXON (Part Meeting)
	Katie Wilkinson	KWi	ELEXON (Part Meeting)
	Mike Smith	MS	ELEXON (Part Meeting)
	John Lucas	JL	ELEXON (Part Meeting)
	Roger Harris	RH	ELEXON (Part Meeting)
	Nick Baker	NB	ELEXON (Part Meeting)
	Douglas Alexander	DA	PAB Chairman (Part Meeting)
<b>Apologies</b>	Mitch Donnelly	MD	Industry Panel Member
	Stew Horne	SH	Consumer Panel Member
	Victoria Pelka	VP	Consumer Panel Member

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## 1. Apologies

- 1.1 The Chairman confirmed the apologies of Mitch Donnelly; Victoria Pelka and Stew Horne nominated Tom Edwards and Phil Hare respectively as their alternates.

## MODIFICATION BUSINESS (OPEN SESSION)

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## 2. Change Report and Progress of Modification Proposals – (289/03)

- 2.1 The Modification Secretary provided an update on open Modifications and Change Proposals.
- 2.2 ELEXON highlighted concerns raised over a reduction in consultation responses, Workgroup attendance and associated issues with quoracy. ELEXON noted that it believed that these issues were the result of the industry prioritising which changes to support given the volume of change.
- 2.3 A Panel Member volunteered to join Workgroups that were not quorate. ELEXON welcomed the offer and thanked the Member.
- 2.4 A Panel Member noted that with a reduction in available resource and an increase in volumes of industry Change it was inevitable that resource constraints would impact the progression of Change. MB highlighted the risk that the BSC Panel and wider industry could be seen to be slowing down change. The Panel Member noted that with the introduction of the [Retail Energy Code](#) (REC) it appeared that the steer from the Authority was that it might benefit the market to rely less on industry led Change and instead to facilitate industry Change driven by Code Managers.
- 2.5 A Panel Member suggested that contacting Parties directly might help improve response rates and Workgroup attendance. ELEXON noted that this approach is already followed but that it hadn't framed such contacts in the suggested context of asking Parties to contribute for the greater good of the wider industry.
- 2.6 One of the Modifications struggling for quoracy is [P385](#). A Panel Member highlighted a potential lack of understanding around P385 and in particular, where the biggest material impact of defaulting parties comes from. The Panel Member noted that the most significant material exposure likely sits outside of the BSC under RO, Capacity Market (CM) or other market arrangements.
- 2.7 The National Electricity Transmission System Operator (NETSO) Representative noted that the Connection and Use of System Code ([CUSC](#)) and Grid Code ([GC](#)) were experiencing similar issues in respect of consultation response rates and Workgroup attendance.
- 2.8 The Panel Chairman noted that the CUSC had taken the approach of prioritising industry change and that this approach had attracted both positive feedback and criticism.
- 2.9 A Panel member noted that historically the Panel had avoided determining the priority of Modification Proposals in order to mitigate the risk that the Panel might be seen to be exercising undue influence over BSC Change processes. In addition, the Panel Member noted that this is important as this might not be in the industry's best interest. They also commented that the bigger market participants no longer have the level of resources available that they might once have had.
- 2.10 A Panel Member highlighted the concern that lower industry engagement with BSC Change processes could result in decisions being made and Changes agreed which reflect an inappropriately narrow range of views.
- 2.11 The Panel Chairman noted that the Panel had previously agreed to reduce the quoracy requirement to five including the Proposer and the attendance rate required to retain voting rights to 50%; suggesting that further reductions might damage the credibility of the BSC Change process.

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- 2.12 A Panel Member noted that similar concerns around the industry's ability to cope with the current volume of change were discussed at the [Independent Suppliers Forum](#). The Panel Member highlighted that attendees of this forum were keen to have more information and engagement in respect of upcoming changes. The Panel Member encouraged ELEXON to attend external forums in order to improve industry engagement with BSC Change.
- 2.13 A Panel Member agreed that ELEXON's attendance at more external forums could have a positive impact, noting that they had received a lot of feedback from industry attendees at the Trans European Replacement Reserve Exchange ([TERRE](#)) [industry day](#) held on 16 January 2018. They noted that this feedback was overwhelmingly positive in respect of ELEXON work to support the industry and that attending more external industry events and forums would provide new opportunities for ELEXON to showcase its expertise and the innovative solutions it is able to deliver for the benefit of the industry.
- 2.14 A Panel Member reminded the Panel that one of the reasons the industry moved away from the Pooling and Settlement Agreement and developed the BSC was that under the Pool arrangements any Party could block an industry change and as a result change and innovation was rare. The Panel Member noted that industry change shouldn't be driven or prioritised based on which Parties it benefits or dis-benefits but should instead be driven in line with the BSC Objectives.
- 2.15 The NETSO Representative suggested that ELEXON and National Grid should work together to identify and share good practice in respect of managing industry change.
- 2.16 A Panel Member noted that the industry was likely to be experiencing change fatigue and suggested that it might be helpful if the Panel was provided with a tracker which collated a view of change across the market not only under the BSC.
- 2.17 A Panel Member highlighted an instance of good practice whereby the Electricity Networks Association ([ENA](#)) helps parties complete consultation responses in person or over the phone. ELEXON noted that it already operates similar practices but that it would look to expand this. In addition, ELEXON noted that it also provides a lot of guidance and support to Proposers in drafting and progressing Modification Proposals with a view to reducing the resource burden placed on parties to support BSC Change. ELEXON also supported the proposal to engage with industry via existing forums.
- 2.18 A Panel Member noted that if ELEXON assigned priorities to BSC Changes it might become even more difficult to achieve quoracy for low priority changes.
- 2.19 The Panel Chairman noted that while increased phone and face-to-face engagement with customers around BSC Change would undoubtedly have a positive impact this was less likely to mitigate against the issues experienced around quoracy.
- 2.20 A Panel Member noted that these issues were being discussed in terms of two distinct approaches, industry led change (open governance) and Code manager led change (closed governance). The Panel Member suggested that a hybrid approach combining the benefits of each approach might be the most effective solution. The Panel Member described arrangements whereby a Code manager might progress change in a transparent and open way with close engagement with the industry or the authority by exception rather than as standard. The Panel Member suggested that it would be sensible to engage with the industry to gain views as to whether BSC parties would support a hybrid of these open and closed governance models.
- 2.21 ELEXON noted that it was requesting an extension to [P374](#) and that the modification would subsequently be presented at the [July 2019 Panel meeting](#). ELEXON thanked a Panel Member for providing someone from his organisation to become a P374 Workgroup Member and therefore making P374 quorate.
- 2.22 ELEXON provided an update [CP1516](#) 'New Interconnector Fuel Type Categories: ElecLink & IFA2', noting that each new Interconnector would require a new Fuel Type to be approved by the Panel. A Panel Member noted

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that they were aware of additional Fuel Types which should be introduced and queried whether it might be more efficient to include these additional fuel types within the BSC Change already being progressed. ELEXON noted that with the constraints being faced in respect of the Balancing Mechanism Reporting Service (BMRS) it would need to investigate whether this would be achievable.

2.23 In respect of [P371](#) ('Inclusion of non-BM Fast Reserve actions into the Imbalance Price calculation'), a Panel Member noted that this BSC Change would likely impact a very limited number of Settlement Periods and that a robust cost-benefit exercise should be undertaken in order to ensure that this change was good value. ELEXON confirmed that the Workgroup was considering a number of options so that a cost-proportionate solution could be taken forward.

2.24 The BSC Panel:

- a) **APPROVED** a two-month extension to the P374 Assessment Procedure; and
- b) **NOTED** the contents of the April Change Report.

## 3. **P385 'Improving the efficacy and efficiency of Section H Default provisions' – (289/04)**

- 3.1 [P385](#) proposes amendments to the Default arrangements in BSC Section H 'General' in order to increase visibility to industry of Parties at risk and enable earlier potential remedial action by the BSC Panel.
- 3.2 A Panel Member noted that the objectives for this Modification were appropriate and should be supported. However the Panel Member queried the difference in timescales between the electricity and gas markets suggesting that those for electricity should be tightened and brought in line with those in place for Defaults within the gas market.
- 3.3 A Panel Member noted that it would be important to ensure that this Modification didn't make it more difficult to identify Suppliers which are likely to fall into Default. The Panel Chairman noted that the Modification intended to make it easier to identify such instances.
- 3.4 A Panel Member noted that more important than the ability to identify potential instances of Default early was the ability for the industry to take action to mitigate the material impact of such instances and thereby reduce the impact on consumers.
- 3.5 A Panel Member suggested that it would be beneficial to model historic Defaults in order to validate the effectiveness of this Modification at reducing the impact of instances of Default. The Panel Member reiterated that the greatest impact of Defaults and the Supplier of Last Resort (SoLR) processes would result from market arrangements other than the BSC. The Panel Member suggested that this risk might be better mitigated against via a Cross Code change rather than by attempting to lead this change through the BSC.
- 3.6 A Panel Member suggested that an additional Term of Reference could reference what kinds of information relating to Credit Default levels could be published on the BMRS, subject to confidentiality considerations.
- 3.7 The NETSO Representative noted that the Electricity System Operator ([ESO](#)) had not considered timescales for Defaults but that it had raised a Modification with a view to limiting the level of credit risk exposure parties can take on. They noted it would be of benefit for ELEXON and the ESO to work closely to deliver an aligned solution.
- 3.8 A Panel Member highlighted a concern that parties are able to move credit cover monies around between Code bodies and therefore timing their default with each to exploit the arrangements, thereby increasing their effective exposure to credit risk. The Panel Member noted that Ofgem should consider how this might be avoided.

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- 3.9 A Panel Member noted that they would encourage Code bodies to work together to arrive at an effective solution. Noting that the Smart Energy Code (SEC) was also looking to address the risk associated with credit Default and that the SEC would be taking note of the work being undertaken by other Code bodies.
- 3.10 A Panel Member noted that shortening the timescales in place around the Default and SoLR processes might help to mitigate the associated risk, but that a balance would need to be struck between mitigating this risk by aggressively reducing timescales and ensuring that the arrangements do not result in Suppliers failing in scenarios, which might otherwise have been recoverable.
- 3.11 ELEXON noted that this change may drive an increase in Section H Defaults which may inadvertently impact small Suppliers. ELEXON also noted that the Panel would still have the opportunity to decide on what action to take in these instances which should avoid any unintended impacts on small Suppliers.
- 3.12 The BSC Panel:
- a) **AGREED** that P385 progresses to the Assessment Procedure;
  - b) **AGREED** the proposed Assessment Procedure timetable;
  - c) **AGREED** the proposed membership for the P385 Workgroup; and
  - d) **AGREED** the Workgroup's Terms of Reference, subject to the requested additions.
- 4. P372 'Speeding up the approval process for the publication of BSC data on the BMRS' – (289/06)**
- 4.1 [P372](#) proposes to simplify the governance arrangements and reduce the timescales for the publication of BSC data on the Balancing Mechanism Reporting Service (BMRS).
- 4.2 A Panel Member noted that in principle moving requirements out of the Code and into Balancing and Settlement Code Procedures (BSCPs) was generally a sensible way forward when trying to achieve greater flexibility. The Panel Member noted that this seemed to be a straightforward and sensible Modification Proposal, which may have been the reason for the low response rate.
- 4.3 The Deputy Chairman noted that the introduction of a new Panel Committee as an additional recommendation of the Workgroup outside of the P372 solution could be overly bureaucratic. A Panel Member noted that the Workgroup thought this would be beneficial, as it would provide the opportunity for new interested parties and experts to identify and drive forward improvements to the BMRS. The Panel Member added that the membership of the new committee, bringing together users and interested stakeholders in the BMRS, would make it distinct from existing committees and offer benefits to the long term maintenance and development of the BMRS platform.
- 4.4 A Panel Member queried whether this new Committee would exist as a decision body in respect of changes to the BMRS or if it was envisioned that this new Committee would actively manage change. The Panel Member suggested that the best solution might be to establish a framework, such as a User Group, whereby relevant stakeholders and experts are able to submit views and solutions while the BSC Panel retained decision making authority in respect of proposed changes.
- 4.5 ELEXON noted that in terms of resource and cost impact there would be no difference between that required to support a new Committee and a new User Group. ELEXON noted that the introduction of such a group was not an obligation imposed by the Modification and that the Modification could be approved without approving the creation of this new Committee.
- 4.6 A Panel Member queried why changes to BMRS would not instead be decided on by the Imbalance Settlement Group ([ISG](#)). A Panel Member responded to note that while some changes would still need to be

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decided on by the ISG, the Modification sought to provide an alternative mechanism whereby De Minimis Changes to the BMRS could be introduced more quickly.

- 4.7 A Panel Member suggested that this Modification Proposal should be progressed as a Self-Governance Modification. The Panel discussed the appropriateness of assigning this Modification with Self-Governance status. ELEXON confirmed that the Workgroup believed that the solution would be likely to have a material impact on competition (Self-Governance criteria (a) (ii)) by promoting fair and equal access to information and thus exclude it from the Self-Governance route, however Panel members believed that this positive impact did not qualify as a material impact. The Ofgem Representative noted that he doesn't have a specific view on whether this modification should be self-governance or not, but he acknowledged the Panels views on it, and noted there has been a wider steer from Ofgem to industry to ensure that they fully consider whether modifications should be treated as self-governance, and that if they do class it as self-governance, the Authority can challenge this if it had concerns. The Panel Chairman held a vote and the Panel unanimously agreed to progress this Modification Proposal under Self-Governance. It was confirmed that progressing as a Self-Governance Modification would not adversely impact the timescales for implementation.
- 4.8 A Panel Member noted that the BMRS currently provided a singular source for industry data in respect of Balancing and Settlement. The Panel Member noted that it was worth considering how quickly the BMRS is able to react to changing industry needs; particularly on the basis that if new competing data services need to be established in order to fill gaps that the BMRS isn't quick enough to close there will be an associated cost impact to the industry and therefore to consumers.
- 4.9 A Panel Member queried the removal of an obligation to issue Credit Default notices to Parties from Section V paragraph 4.2.7, noting that this obligation had not been included in the new CSD, unlike all the other removed text. ELEXON confirmed that this paragraph required the notices to be published or issued to Parties. Given that the obligation was being discharged by publishing (and not issuing to Parties) it was not seen as necessary to keep this. Further, the removal would have better aligned with the Section M paragraphs cross-referenced in paragraph V4.2.7, which do not mention issuing Credit Default notices to Parties. However, it was agreed by the Panel to keep the original wording in place as this would maintain the status-quo and avoid the removal of obligations from the code.
- 4.10 The BSC Panel:
- a) **AGREED** that P372:
    - o **DOES** better facilitate Applicable BSC Objective (c); and
    - o **DOES** better facilitate Applicable BSC Objective (d);
  - b) **AGREED** an initial recommendation that P372 should be approved;
  - c) **AGREED** an initial Implementation Date of:
    - o 27 June 2019 as part of the June 2019 BSC Release if an Authority decision is received by 20 June 2019; or
    - o 5 Working Days after Authority decision if received after 20 June 2019.
  - d) **AGREED** the draft legal text;
  - e) **AGREED** the draft changes to the new CSD and BSCP40;
  - f) **AGREED** an initial view that P372 should be treated as a Self-Governance Modification;
  - g) **AGREED** that P372 is submitted to the Report Phase;
  - h) **NOTED** the draft Terms of Reference for the proposed new Panel Committee; and



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- i) **NOTED** that ELEXON will issue the P372 draft Modification Report (including the draft BSC legal text) for a 10 Working Day consultation and will present the results to the Panel at its meeting on 9 May 2019.

## 5. P364 'Clarifying requirements for registering and maintaining BM Units' – (289/07)

- 5.1 ELEXON provided an update to the Panel on [P364](#), which seeks to simplify the process for the registration and maintenance of Balancing Mechanism (BM) Units, and improves the permissible configurations of BM Units. P364 applies only to BM Units that are not Supplier BM Units or Interconnector BM Units.
- 5.2 The BSC Panel:
  - a) **AGREED** that P364:
    - o **DOES** better facilitate Applicable BSC Objective (c); and
    - o **DOES** better facilitate Applicable BSC Objective (d);
  - b) **DETERMINED** (in the absence of any Authority direction) that P364 is a Self-Governance Modification Proposal;
  - c) **APPROVED** P364;
  - d) **APPROVED** an Implementation Date of:
    - o 27 June 2019 as part of the June 2019 BSC Release;
  - e) **APPROVED** the draft legal text in Attachment A;
  - f) **APPROVED** the draft redlined changes to BSCP15 and BSCP68 in Attachments B and C respectively; and
  - g) **APPROVED** the P364 Modification Report.

## 6. P382 'Amendments to the BSC to reflect the United Kingdom's withdrawal from the European Union without a deal' – (289/08)

- 6.1 The Balancing and Settlement Code (BSC) contains multiple references to European Union (EU) legislation and bodies. Additionally, it also contains text introduced as a result of implementing various EU legislation. Retaining these references and text following the United Kingdom's (UK's) withdrawal from the EU without a deal ('no-deal Brexit') will mean that the BSC is no longer technically accurate.
- 6.2 ELEXON presented this Modification Proposal to the Panel for decision.
- 6.3 ELEXON noted that it had changed its recommendation to state that the Panel should reject this Modification in light of new information regarding the Brexit arrangements, primarily the recently announced delay to BREXIT.
- 6.4 A Panel Member queried whether it would be better to defer decision rather than to reject the Modification. ELEXON noted that there would be limited impact from deferral. ELEXON noted that Section F of the BSC mandates that the Panel make a decision whether to approve or reject the Modification. However noting also that Section B of the BSC charges the Panel with the efficient and economic management of the Code which could be interpreted as to permit deferral on the basis that this decision would ensure the most efficient and economic management of the Code.
- 6.5 A Panel Member noted that the UK might leave the EU with a deal negating the requirement for this Modification. ELEXON noted that if the UK did successfully agree a deal for its exit from the EU no changes would need to be made to the Code. The Panel Member queried whether the possibility of a new or amended deal being agreed should be considered. ELEXON noted that the UK Government had firmly stated that it would not amend or re-negotiate the deal proposed for the UK's exit from the EU.

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- 6.6 A Panel Member queried if it would be possible to withdraw the Modification. ELEXON noted that it was not possible to withdraw the Modification at this stage of the Modification Procedure.
- 6.7 A Panel Member noted that if it was possible to defer the Modification this would be the most appropriate way forward. ELEXON noted that this would be possible but that changes in circumstances or agreements between the April 2019 Panel meeting and the eventual implementation might require changes to be made to the legal text and therefore require further industry consultation anyway.
- 6.8 A Panel Member suggested that the Panel should instead approve the Modification but with a delayed implementation triggered by the UK's exit from the EU. ELEXON noted that an implementation date was required for a Modification's approval. ELEXON suggested that the Panel could approve the Modification with an implementation date set for five working days after the November Panel meeting.
- 6.9 A Panel Member noted that the BSC should be able to define what it needs to be effective and when its text comes into effect. The Panel Chairman noted that the discussion and common sense indicated that the best way forward would be to defer without a date fixed for implementation.
- 6.10 A Panel Member noted that they wanted to avoid asking the industry to consult on this Modification again. The Panel Member suggested that the best way to avoid this would be to progress this Modification with a delayed implementation.
- 6.11 The Panel Chairman noted that it was impossible to tell for certain when the UK would be leaving the EU and that the Panel should seek to arrive at a common sense solution on that basis. A Panel Member suggested that the Modification could be approved with an implementation date to be triggered by a Panel vote when enough information was available to make a decision. The Panel Chairman noted that this was a sensible solution.
- 6.12 The Panel Chairman noted that the primary reason the Panel was hesitant to defer this Modification was because ELEXON might need to change the legal text and consult with the industry again. Further, the Panel Chairman noted that the Panel was inclined to identify and pursue a more common sense solution which mitigated this eventuality while ensuring the BSC was ready to ensure its compliance as quickly as possible following a no-deal exit from the EU.
- 6.13 ELEXON's Legal Representative noted that the option of building a trigger for implementation into the Code of the changes being introduced by this Modification had been discussed internally but that concerns had been raised that it would be difficult to phrase and that conditionality could make the Code difficult to understand. A Panel Member noted that while it might damage the clarity of the Code this might still be the preferable option of those available.
- 6.14 The Panel Chairman noted that deferral was Ofgem's preference. ELEXON noted that the guidance from Ofgem had been to process Code changes to ensure compliance is achieved as quickly as possible following the UK's exit from the EU.
- 6.15 A Panel Member noted that 10 October 2019 was likely to be the most appropriate date until which to defer this decision. A Panel Member noted they were concerned that the decision today might set a precedent in respect of deferral. A Panel Member requested that a note be made to make it clear that a precedent had not been set and that this was an action taken in extenuating circumstances.
- 6.16 The BSC Panel:
- a) **DEFERRED** all decisions on P382 until the October Panel meeting on 10 October 2019, or such point as there is certainty over the manner in which the UK will leave the EU.

## 7. P384 'The publication of European Electricity Balancing Guideline (EB GL) balancing data by BMRS' – (289/09)



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- 7.1 ELEXON provided the Panel with an update on the [P384](#) solution, costs, impacts and risks. The Panel was invited to progress P384 to the Report Phase.
- 7.2 A Panel Member noted that they were supportive of this Modification provided that the data was still published on the EU platform. ELEXON confirmed that the revised solution ensured that the data was published on the EU platform, which would ensure data was available to users and would meet ESO and BSCCo obligations.
- 7.3 The Panel Chairman queried the wording around the risks discussed within the Modification Proposal. ELEXON clarified that under the original solution, P384 would impact the P344 'Project TERRE' delivery timeline, but under the revised solution it would not.
- 7.4 The BSC Panel:
- b) **AGREED** that P384 progresses directly to the Report Phase;
  - c) **AGREED** that P384:
    - o **DOES** better facilitate Applicable BSC Objective (c); and
    - o **DOES** better facilitate Applicable BSC Objective (e);
  - d) **AGREED** an initial recommendation that P384 should be approved
  - e) **AGREED** an initial P384 Implementation Date of 18 December 2019;
  - f) **AGREED** the draft legal text;
  - g) **AGREED** an initial view that P384 should be treated as a Self-Governance Modification; and
  - h) **NOTED** that ELEXON will issue the P384 Draft Modification Report (including the draft BSC legal text) for a 10 Working Day consultation and will present the results to the Panel at its meeting on 9 May 2019.

## NON-MODIFICATION BUSINESS (OPEN SESSION)

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### 8. Minutes of Meeting 288 and Actions arising

- 8.1 The minutes of the previous meeting were agreed and an update on the actions provided.
- 8.2 In response to Panel action 288 (01) (regarding financial exposure of suppliers under the Capacity Market (CM) arising from Supplier Defaults), NP noted that ELEXON's subsidiary, EMR Settlement Ltd (EMRS) was unable to provide this information without the agreement of Electricity Settlements Company (ESC) but currently there is 100% exposure as all funds previously received from suppliers have been returned to suppliers since the CM suspension. The new arrangements to receive voluntary payments had not yet been established by ESC although this was underway.
- 8.3 A Panel Member queried whether BEIS had requested this data from EMR. ELEXON noted that it would find out.
- ACTION 289/01**
- 8.4 In response to Panel action 288 (02) (querying whether Ofgem investigates instances of Suppliers failing to publish or delaying publication of their financial accounts), the Ofgem Representative noted that Ofgem is liaising with the relevant supplier to understand the reasons for the late FITs payments as well as next steps. The Ofgem rep noted that the "Statement of FIT terms" is a contractual arrangement between the generator and the FIT Licensee, so Ofgem doesn't have jurisdiction. This is also the case with Power Purchase Agreements, which are private contracts between generators and suppliers. The Ofgem rep noted he is

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unable to discuss the specifics of Ofgem's engagement with particular in terms of any licence breaches, but that in general Ofgem takes compliance very seriously and would take appropriate action if we identified a breach. A Panel Member noted that the Panel should be primarily concerned with whether or not Ofgem was tracking such failures as early indicators of a potential Supplier default.

- 8.5 In respect of the Panel action 287 (08), in relation to 2019 impacts of Renewable Obligation (RO) payments, the Ofgem Representative also noted that Ofgem was not comfortable sharing its estimate of the market wide financial exposure resultant from the recent spate of failing Suppliers. The Ofgem Representative cited that it was not sufficiently confident in the accuracy of the estimate due to the uncertainty inherent in the events and financial circumstances leading up to a Supplier failing and the possibility of an administrator making a payment to creditors. In addition, noting that the number of Suppliers which have left the market, and the size of their portfolios was on the public record and that any interested party could therefore produce their own estimate.
- 8.6 A Panel Member noted that they were aware of the challenges in producing a reliable estimate of materiality for such events and suggested that this was not sufficient reason to not produce an estimate which they knew industry would find very useful. The Panel Member noted that in the majority of instances, the administrator for a failed Supplier is unlikely to find funds to uphold the failed Suppliers financial obligations.
- 8.7 A Panel Member queried why the Panel action log was kept confidential even in respect of actions arising from public papers. ELEXON agreed that a public version of the actions log could be published along with public Panel papers at future Panel meetings.

**ACTION 289/02**

## 9. Chairman's Report

- 9.1 The Panel Chairman noted that the dinner prior to the annual BSC meeting on 11 July 2019 had now been confirmed to take place on 10 July 2019 at the Charlotte Street Hotel.
- 9.2 In addition, the Panel Chairman noted that two Panel members would be required to review the BSC Annual report, which will be presented on 11 July 2019. Noting that this should not be a hugely onerous piece of work and that this work will need to be completed in May and June 2019. Diane Dowdell and Lisa Waters volunteered to review the report.

## 10. ELEXON Report – 289/01

- 10.1 MB provided an update on recent activities and developments relevant to the BSC and ELEXON since the last Panel meeting.
- 10.2 MB highlighted paragraph 2.3 within the ELEXON report noting that the review of Code governance was on going. MB referred to an article in Utility Week, noting that a Panel Member and other industry members were quoted drawing comparisons between different codes and code bodies.

## 11. Distribution Report - Verbal

- 11.1 DL had nothing to report.

## 12. National Grid Report – Verbal

- 12.1 The NETSO Representative noted that it would provide updates on industry engagement with industry change processes.
- 12.2 MB noted that people move around the industry regularly and that as such better engagement between ELEXON and the NETSO would be beneficial in respect of aligning contact lists and better co-ordinating industry engagement.

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- 12.3 A Panel Member noted that it would be helpful for the market if clarity was provided around contacts, roles and responsibilities within the new Electricity System Operator (ESO) and Ofgem. The Panel Member noted that it was sometimes difficult to identify the correct contact for a query.

**ACTION 289/03**

## **13. Ofgem Report – Verbal**

- 13.1 The Ofgem Representative provided an update on the 'Retail Supplier Compliance and Enforcement Report' noting that this is a six monthly publication and that the most recent edition covered the period between September 2018 and February 2019.
- 13.2 The Ofgem Representative then provided an update on Avro, noting that Ofgem had published a final order to Avro to require it to become a DCC user by 25 July 2019 and not to acquire any new customers until it was a DCC user. The Ofgem Representative then provided an update on SSE noting that SSE missed its gas smart meter installation target for 2018 and had therefore paid out £700k into a consumer redress fund. In addition the Ofgem Representative noted that SSE did reach its target in February 2019 within two months of the deadline.
- 13.3 The Ofgem Representative provided an update on iSupply Energy, noting that Ofgem had been investigating iSupply breaching the price cap for customers on prepay meters. The Ofgem Representative noted that Ofgem decided to close the case, due to iSupply's good conduct whilst Ofgem worked with it on the breach and the actions it took to rectify the issue.
- 13.4 The Ofgem Representative provided an update on the Licensing review, noting that Ofgem made its 'policy decision' today (11 April 2019) on new licensing requirements for suppliers under the Supplier Licensing Review. The Ofgem Representative noted that this decision confirmed Ofgem's initial proposals, though it had made some refinements following feedback from stakeholders.

## **14. Report from the SVG – 289/01b**

- 14.1 The Panel noted the report from the SVG.

## **15. Report from the PAB (A) – 289/01c**

- 15.1 The Panel noted the report from the PAB.

## **16. Report from the PAB (B) – 289/01d**

- 16.1 The Panel noted the report from the PAB.

## **17. Report from the TDC – 289/01e**

- 17.1 The Panel noted the report from the TDC.

## **18. Trading Operations: BSC Operations Headline Report – 289/02**

- 18.1 The Panel noted the BSC Operations Headline Report.

## **19. System Price Analysis Report (SPAR) – ISG 215**

- 19.1 The Panel noted the System Price Analysis Report.

## **20. Update on the Implementation of the Recommendations from the review of Metering Dispensations and Non-Standard BM Units – (289/10)**

# MINUTES

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- 20.1 ELEXON provided the Panel with an update on the actions that ELEXON has taken to implement the recommendations from the review of Metering Dispensations and non-standard BM Units.
- 20.2 A Panel Member queried why so many Metering Dispensations were required for Grid Supply Points (GSPs). ELEXON noted that they were required in the early 1990s, at certain shared GSP sites in England and Wales, with the move from metering at Bulk Supply Points (typically 66kV), for Settlement purposes, to metering at GSPs (typically 132kV). This was due to the impracticality and cost associated with installing Settlement Metering Equipment at the new (post-privatisation) 132kV commercial interface at the root of the individual feeders for each Licensed Distribution System Operator's (LDSO's) Distribution System – the Defined Metering Point (DMP). At such shared GSP sites the 'minority' LDSO's feeders were metered at the DMP and the 'majority' LDSO's feeders were not. The 'majority' LDSOs registered the Metering Equipment NG had installed on its supergrid transformer (SGT) circuits, which were not at the DMP, but fed the 132kV busbars. This required the 'majority' LDSO to apply for a Metering Dispensation and use difference metering with the 'minority' LDSO's metering, to determine the Metered Volumes for the 'majority' LDSO's GSP.
- 20.3 The Panel Chairman noted that the Transmission Operator (TO) and the ESO had not been very responsive in supporting the resolution of this issue. The NETSO Representative noted that they did not have any influence over the TO in order to help progress this work. The Panel Chairman noted that this might highlight issues with the Account Registration process.
- 20.4 A Panel Member noted that it might be worth considering that the TO was no longer represented on the BSC Panel. The Panel Member queried whether Ofgem might be able to investigate this as part of its Code Review. The Ofgem Representative suggested that it would be better to treat this as an immediate concern and to try to resolve this outside of the Code Review. The Panel Chairman noted that ELEXON would consider this and return to the Panel with a recommended solution.

## ACTION 289/04

- 20.5 The BSC Panel:
- a) **NOTED** the progress made towards the implementation of the recommendations from the review of Metering Dispensations and non-standard BM Units.

## 21. Approval of amended Replacement Reserve Schedule Methodology – (289/11)

- 21.1 ELEXON invited the Panel to approve minor clarifications to the Replacement Reserve (RR) Schedule Methodology, a previous version of which was approved at the 14 February 2019 Panel meeting.
- 21.2 The Panel Chairman queried whether Panel Members felt that this issue warranted a formal consultation.
- 21.3 A Panel Member noted that they were in favour of the proposal but also that they had struggled with the highly technical nature of the subject. The Panel Member suggested that it might benefit the market for ELEXON to produce a video guidance note to support industry understanding of this subject. ELEXON noted that it would consider this.

## ACTION 289/05

- 21.4 The BSC Panel:
- a) **APPROVED** version 1.1 of the RR Schedule Methodology Document to become effective as version 2.0 on 7 November 2019.

## 22. Any other Business

# MINUTES

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- 22.1 MB gave an update on Electricity Market Reform (EMR), noting that in the time since the earlier discussion (paragraph 8.2) a circular had been issued by EMRS announcing an account had been established in order to facilitate Parties making voluntary payments against their suspended Capacity Market obligations.

## **23. Next Meeting**

- 23.1 The next meeting of the BSC Panel will be held at the offices of ELEXON Ltd, 350 Euston Road, London NW1 3AW on Thursday 09 May 2019.