

BSC PANEL GOVERNANCE CHANGES

MEETING NAME	BSC Panel
Date of meeting	14 November 2019
Paper number	296/04
Owner/author	Jason Jackson
Purpose of paper	For decision
Classification	Public
Summary	This paper sets out three issues around Panel governance where ELEXON believes there is scope for improvement and puts forward solutions to address them. For the purposes of our consideration of the issues and the proposed solutions these issues will be grouped into two changes. Firstly, the governance arrangements for BSC Panel Alternates and secondly the BSC Panel's conducting of Modification Business via teleconference. This paper also seeks the Panel's agreement that two Mods be brought forward to address the issues.

1. Governance arrangements for BSC Panel Alternates

Background

- 1.1 The issues discussed within this paper were presented by ELEXON at the [October 2019 BSC Panel meeting](#) and were briefly discussed. Through these discussions it was noted that the Grid Code and Connection and Use of System Code (CUSC) have formalised pooled alternate arrangements within their respective Panel's governance arrangements.
- 1.2 ELEXON has engaged with the Grid Code Technical Secretary and reviewed the Grid Code and CUSC arrangements for Panel Alternates. In the case of the Grid Code, Alternates are appointed by election and are appointed to represent each type of Panel Member (Supplier, Onshore Transmission licensees, Offshore Transmission licensees and Generators). It was also noted that in the case of the Grid Code, given that too few Panel Alternates were appointed by this election process Panel Alternates are appointed for a given meeting by the absent Panel Member rather than being selected on a rotational basis. It is ELEXON's view that while a pooled and rotational arrangement for Alternates might help to reinforce independence, while there is not currently concern over the independence of BSC Panel Members or Alternates it would be better to keep the solution simple and retain the practices currently in place which have and continue to work well.
- 1.3 It was also considered at the October 2019 Panel meeting whether Consumer Panel Members would need to be considered as a special case. ELEXON has discussed this with one of the Consumer BSC Panel Members from Citizen's Advice. Consideration has been given to ensuring the best possible representation of consumer interests through the revised governance arrangements for Alternates.
- 1.4 Since alternates do not represent the Panel Member(s) that appointed them, any votes that are cast by an alternate should be cast uniformly. For example, it would be incompatible with the provisions relating to impartiality for an alternate casting two votes to cast the first vote in favour of a proposal and the second vote against the proposal.
- 1.5 While it makes sense that a Panel Member who is also appointed as an Alternate could have additional votes for each Panel Member they have been appointed as an Alternate for, these provisions can unduly concentrate power in an individual and undermine the rules relating to quorum and robust decision-making. For example, at the extreme, a quorate meeting (of 7 members, including the chair) could carry a decision supported by a single member. The table below illustrates how this might work where five Members object to a proposal, one alternate Member (appointed by 6 absent Members) supports the proposal and one Member

BSC PANEL GOVERNANCE CHANGES

– the chair – gets no vote. This gives an overall result that supports the proposal where five of the six voting members in attendance actually voted to reject to the proposal.

Member	Appointed Alternate	Attending	Vote to Support	Votes to Reject	No Vote
A (Chair)	B	A			1
B (Vice Chair)	Alpha	B		1	
C	Beta	C		1	
D	Gamma	D		1	
E	Delta	E		1	
F	Epsilon	F		1	
G	Tau	Tau	1		
H	Tau	Tau	1		
I	Tau	Tau	1		
J	Tau	Tau	1		
K	Tau	Tau	1		
L	Tau	Tau	1		
Total Votes			6	5	1

- 1.6 Further, the BSC is ambiguous regarding whether alternates attending on behalf of more than one Panel Member can count towards a quorum multiple times. The drafting of BSC Section B4.3.2 states that a quorum shall be determined based on the number of Panel Members present in person or by their alternates. An extreme interpretation of this provision suggests that a quorum could be reached by the Chairman and single voting alternate (attending and voting on behalf of six Panel Members). This appears counterintuitive to good governance and that a quorum should be based on the number of individuals in attendance (whether Panel Member or Alternate and whether attending in person or via tele/videoconference).
- 1.7 It is ELEXON's view that the current process for appointing Alternates should be re-examined and that each Alternate (whether a Panel Member or Alternate) should only be permitted to be appointed by one Panel Member. Thereby restricting the number of votes a participating Panel Member may cast to two (2).
- 1.8 The ambiguity over the contribution BSC Panel Alternates make towards quoracy and voting undermines good governance and is not in line with good governance best practice.

Proposed Solution

- 1.9 The solution would amend BSC Section B2.10, B4.3 and the BSC Panel Terms of Reference in order to clarify the contribution that BSC Panel Alternates make towards quoracy and voting. The amendments would clarify that a quorum is based on the number of individuals present (whether Panel or Alternate and whether attending in person or via tele/videoconference). And that Alternates may only stand in for a single Panel Member, thereby only casting one vote in the case that they are a Panel Alternate and only casting two votes in the case that the appointed Alternate is also a Panel Member. In addition that a Panel Member with two votes must vote uniformly in order to stress the importance for independence.

BSC PANEL GOVERNANCE CHANGES

- 1.10 These arrangements would ensure that provided one of the Consumer BSC Panel Members is able to attend either in person or by tele/videoconference they would be able to cast two votes in-line with consumer interests. In the event that neither Consumer Member can attend they will, as currently, each be free to appoint an alternate to stand and vote in their stead. Where no Consumer BSC Panel Member or Alternate is able to attend and a BSC Change is deemed to be important to or have a significant impact on consumers, a Consumer BSC Panel Member or Alternate would be permitted to join the relevant BSC Panel meeting by teleconference for an individual change item, in order to join the discussion and cast their vote, thereby ensuring the best possible representation of consumer interests at all BSC Panel meetings.
- 1.11 Additionally as currently BSC Panel Alternates will receive all of the same correspondence received by BSC Panel Members in respect of on-going BSC Panel business, in order to ensure that Alternates are up to date on Panel business spanning multiple meetings. This will mitigate the risk of Alternates being put in a position where they are required to vote on business about which they are not adequately informed.

Justification against the Applicable BSC Objectives

- 1.12 ELEXON believes that the changes to clarify and improve the governance arrangements for BSC Panel Alternates will also better facilitate the achievement of BSC Objective (d), "Promoting efficiency in the implementation and administration of the balancing and settlement arrangements". ELEXON believes that these changes will improve BSC Panel governance and that it will better align to the BSC Panel Objectives, particularly Objective (c) "that the Code is given effect without undue discrimination between Parties or classes of Party".

2. Modification Business via Teleconference

Background

- 2.1 The BSC (Section B4.4.79B)) requires all Modification business, other than for Urgent Modification Proposals, to be conducted in person.
- 2.2 If the Panel Chairman considers it to be appropriate, a meeting of the BSC Panel can be held via teleconference. For example, to discuss what action to take for a Defaulting Party, which is an important and significant event. It therefore seems inconsistent to allow some, but not other important and significant decisions via phone.
- 2.3 Modification [P287](#) was raised in 2012 to allow the BSC Panel to conduct Modification Business via teleconference. The perceived need for and urgency of the Modification at the time was driven by concerns over travel arrangements being impacted by the 2012 London Olympics. Given the nature of the change this Modification was progressed as a Self-Governance Modification. While the BSC Panel raised P287 it also rejected the Modification. It was the BSC Panel's view that the change may have a detrimental impact on the BSC Panel's ability to properly consider potential changes.
- 2.4 However, ELEXON believes it is worth re-considering this change. Video/tele conferencing facilities have greatly improved since 2012 when this Modification was first raised, and the dynamic of BSC Panel meetings has developed significantly since 2012. It is ELEXON's view that efficiencies could be derived from the flexibility that this Modification would have introduced. It is also ELEXON's view that allowing Panel Members to attend BSC Panel Meetings by teleconference will better facilitate the engagement and participation of smaller, time poor market participants and those based farther afield.

BSC PANEL GOVERNANCE CHANGES

Proposed Solution

- 2.5 The solution would amend BSC Section B4.4 along with the BSC Panel Terms of Reference in order to allow the BSC Panel to make decisions on Modifications business via teleconference. While setting clear expectations that wherever practicable BSC Panel members will still be expected to attend Panel meetings in person. Face to face meetings engender the best engagement and support the Panel's obligations regarding transparency. However, the Panel should not require face-to face meetings at the expense of missing key expertise and insight from otherwise absent members. It is therefore ELEXON's view that the benefits of allowing Members to dial in would offset any disadvantages. This proposal would better support the Panel's independence and impartiality by ensuring continuity through meetings and in particular of Modification business.
- 2.6 The Terms of Reference and steer from the BSC Panel Chairman, therefore, should indicate that Panel Members should attend Panel Meetings in person wherever possible. However, such a policy should provide for meetings to be held by teleconference (or video-conference) by exception. All Panel business should be able to be discussed via teleconference, but only subject to the agreement of the Chairman, and no objections from Panel Members.
- 2.7 The current provision where a Panel meeting can only be held by teleconference if it is deemed appropriate by the Panel Chairman will remain unchanged by this Modification. If the Panel Chairman does not deem it appropriate to hold the meeting via teleconference then Panel Members must still attend the meeting in person, as currently. The Terms of Reference should also mandate that Panel Members should attend at least two thirds of Panel Meetings in person.

3. Justification against the Applicable BSC Objectives

- 3.1 ELEXON believes that this change better facilitates the achievement of BSC Objective (d), "Promoting efficiency in the implementation and administration of the balancing and settlement arrangements"; and considers it self-evident that allowing the BCS Panel to conduct Modification Business via teleconference better facilitates efficiency, by allowing Panel Members to take a more efficient approach to making decisions on Modification Business where it is deemed appropriate.

4. Progression

- 4.1 ELEXON recommends that the Panel comments on and endorses the solutions set out within this paper. Subject to the Panel's endorsement, ELEXON will present draft Modification Proposals to the BSC Panel and invite the Panel to raise them in accordance with the provisions of Section F 'Modification Procedures'.
- 4.2 ELEXON will recommend that the Modifications be progressed directly to the Report Phase as the proposals are self-evident as the solutions are clearly defined and the impacts limited to the Panel and BSCCo, and that both changes progress under self-governance as it is considered to meet the criteria set out in Annex X-1.

BSC PANEL GOVERNANCE CHANGES

5. Impacts & Costs

5.1 The proposed solutions are expected to impact:

- The BSC Panel; and
- ELEXON as the Balancing and Settlement Code Company (BSCCo).

5.2 Both changes would be Code only and have no effect on ELEXON's activities, BSC Parties, BSC Party Agents, BSC Systems, Code Subsidiary Documents or contractual arrangements with service providers.

5.3 Costs to implement are estimated as:

- Modification Business by Teleconference – 1 day FTE, equating to approximately £240
- Governance arrangements for BSC Panel Alternates – 2 days FTE, equating to approximately £480

6. Recommendations

6.1 We invite you to:

- a) **AGREE** these issues should be resolved;
- b) **COMMENT** on the proposed solutions;
- c) **ENDORSE** the proposed solutions inclusive of any amendments or additions proposed by the BSC Panel; and
- d) **NOTE** that draft Modification Proposals will be brought to the December 2019 BSC Panel meeting.

Appendices

Appendix 1 – Minutes of discussion at the [October 2019 BSC Panel meeting](#)

Appendix 2 – Panel's original consideration of Modification Proposal [P287](#)

For more information, please contact:

Jason Jackson, Panel & Committee Support Manager

Jason.Jackson@elexon.co.uk

020 7380 4187

BSC PANEL GOVERNANCE CHANGES

Appendix 1: Minutes of discussion at the October 2019 BSC Panel meeting

- 7.1 ELEXON noted a paper which it plans to present at the November 2019 BSC Panel meeting, detailing proposed solutions for a number of BSC Panel Governance changes. A PM noted that in respect of the change impacting the representation and voting rights of BSC Panel Member Alternates, there might need to be a special case considered for the Consumer BSC Panel Members. The PM encouraged ELEXON to engage with the BSC Panel members from Citizens Advice to ensure that they were comfortable with the change and that consumer interests would continue to be appropriately represented through BSC Panel voting and discussion at every BSC Panel meeting regardless of Consumer Panel Member attendance.
- 7.2 The NGESO Representative suggested ELEXON might benefit from engaging with the Grid Code as it had seen success and efficiencies through using a shared pool of Panel Alternates.
- 7.3 The BSC Panel discussed the history of the proposed Panel Governance changes and the previously rejected Modification to allow BSC Panel change business to be conducted via teleconference. The BSC Panel noted the far improved relationship between ELEXON and the BSC Panel in recent years. The BSC Panel discussed and agreed the benefit of having BSC Panel Members attend meetings in person and that this should remain the steer and expectation from the BSC Panel Chairman regardless of the facility to conduct meetings remotely.
- 7.4 A PM suggested that items one and two; "The current rules are unclear regarding the contribution Alternate Members make towards quoracy and voting, and this ambiguity undermines good governance." and "The current process for appointing Alternates should be re-examined and operated as a pool, as Alternates are intended to be independent and not representing the Member they replace." should be considered in tandem given their interdependency and interaction. The PM also noted that given the often complex nature of BSC Panel business, particularly BSC Change business, would require that BSC Panel Member Alternates are kept up to date and informed of proceedings in order to ensure that the proposed solution to introduce a shared pool of BSC Panel Member Alternates would be effective.

BSC PANEL GOVERNANCE CHANGES

Appendix 2: Panel's original consideration of the Modification Proposal P287

- 7.5 One Panel Member had concerns about allowing Modification Business to be discussed via teleconference, and requested that there be guidance as to what circumstances Panel meetings would be conducted in this manner. It was noted that Panel can already discuss non-Modification Business via teleconference at the Chairman's discretion and that P287 would allow for consistency. The Panel agreed that the changes to the Code should not be overly prescriptive, and that it should be left to the Chairman and the Panel to decide this between them.
- 7.6 The Panel also considered how frequently Panel meetings could be conducted via teleconference if P287 was approved. The Panel Chairman noted that Panel meetings would only be held via teleconference in extreme circumstances, like an ad-hoc meeting convened at shorter notice or the upcoming Olympics. The Panel agreed that meetings conducted face to face would continue to be normal practice.
- 7.7 The Panel noted that, under the current arrangements, Panel Members can dial into a Panel meeting to discuss Modification Business. However, these Panel Members would not be able to vote on this business. The Panel noted that Panel Members can send an Alternate if they were unable to attend a meeting, and that these Alternates would be able to vote in their place at the meeting.
- 7.8 The Panel agreed with the proposed Implementation Date and the legal text.