

COVID-19 UPDATE

MEETING NAME	BSC Panel
---------------------	-----------

Date of meeting	9 April 2020
------------------------	--------------

Paper number	301/04
---------------------	--------

Owner/author	Victoria Moxham
---------------------	-----------------

Purpose of paper	For information
-------------------------	-----------------

Classification	Public
-----------------------	--------

Summary	This briefing note provides the BSC Panel with an update on some of ELEXON's key activities and actions taken in response to COVID-19 and the associated lockdown, in particular to ease the burden on BSC Parties and Party Agents.
----------------	--

Please note this paper is public with a confidential attachment.

1. Background

- 1.1 This paper summarises the actions ELEXON has taken since 12 March to respond to issues that have arisen as a result of COVID-19 and the subsequent lockdown. The situation is changing rapidly, so we will provide an update at the April Panel meeting on any new actions or actions where the status has changed.

2. Overall

- 2.1 The first phase of ELEXON's response has been to bed-in remote working since the office closed on 12 March whilst ensuring no drop in service to our customers. This has gone well with minimal IT issues and no impact to operational services. Where appropriate, workarounds set out in our Business Continuity plans have been enacted.
- 2.2 From 16 March we moved into the second phase of our response, which was to assess (and then enact) how ELEXON can ease operational burden on BSC Parties and Party Agents (see below for examples).
- 2.3 The third phase will require us to consider how we sustain our services over the coming weeks, potentially months, as we adjust to a new 'normal'. This may require reallocation of individuals and de-prioritisation of non-core activities if we start to suffer a loss in staff availability due to the virus.

3. Easing the burden on BSC Parties/Party Agents and adapting Settlement processes

- 3.1 We've been engaging with BSC Parties and Party Agents to understand the impacts of COVID-19 on their operations. We have established a triage process for questions received from customers.
- 3.2 In response, we've progressed a number of actions that are within the BSC scope, with a view to easing the operational burden on BSC Parties and Party Agents and, where possible, address concerns which have been raised around cashflow issues, although we recognise that industry faces much more significant issues than these:
 - We've accelerated the process to reduce the Credit Assessment Price (CAP) which is used to determine the amount of collateral required to be posted with us by Suppliers.
 - We presented a series of recommendations to the Performance Assurance Board (PAB), to relax a number of the Performance Assurance Techniques (PATs). These decisions (Risk Management Determinations) were made by the PAB in accordance with its powers under Section Z of the BSC or within the processes defined under the relevant BSCPs. Specifically:

COVID-19 UPDATE

- Suspension of the Error and Failure Resolution (EFR) process, maintaining the option to apply EFR in extreme circumstances
- Suspension of Technical Assurance visits
- Postponement of Technical Assurance of Performance Assurance Party (TAPAP) checks
- Delay to finalisation of the BSC Audit (for this decision we will present a paper to the Panel seeking its approval of an amendment to the Terms of Reference of the BSC Audit once we have a clear indication of revised timescales).
- Ongoing review of other PATs
- Suspension of Supplier Charges from March 2020 onwards (Supplier Charges are liquidated damages incurred by Suppliers if they fail to meet certain performance levels, achievement of which will be impacted by the current government guidance on social distancing). This sits beyond the PAB's scope of Risk Management Determinations and requires a change to the current rules. ELEXON is drafting a Modification to enable this.
- The PAB also asked ELEXON to investigate the feasibility of deferral of Supplier charges for January and February 2020.
- More detail is provided on Supplier Charges in section 4.
- A small industry workgroup was held on 1 April to investigate two main areas that Suppliers are reporting as having a considerable impact:
 - Use of inappropriate estimates in Settlement
 - Energy moved from pre-lockdown to post-lockdown days (or vice versa) when some Suppliers have taken recent (real or deemed) readings and others have not
 - We are assessing and drafting guidance on potential solutions identified in the workgroup and aiming to issue guidance to industry on 3 April 2020.
- We've implemented a change in working practice to enable more than two seasonal reductions in Demand Capacity (DC). This is to address concerns that artificially high DC values could lead to artificially high (and damaging) Credit Cover requirements.
- We've drafted a Modification Proposal to address certain obligations that we can't meet due to lockdown, largely around the need for 'wet signatures' and hard copies of documentation.
- We investigated whether there would be value in seeking Panel approval to increase the £500 threshold on invoices to ease the administrative burden on Parties, particularly those who make manual payments. However, analysis indicated that of the top 30 Parties receiving regular advice notes, the last Advice Notes averaged £11,000 so an increase in the threshold would have little benefit.

3.3 We will provide a further update to the Panel at its 9 April meeting on any developments or additional initiatives being progressed.

4. PAB recommendation to defer January and February 2020 Supplier Charges

4.1 At its meeting on 26 March the PAB agreed to enable the suspension of Supplier Charges from March 2020 onwards, and to defer Supplier Charges for January and February 2020. Both decisions were subject to ELEXON investigating their feasibility and also developing a final solution.

COVID-19 UPDATE

Supplier Charges from March onwards

- 4.2 Our Legal, Change and Settlement Operations teams have been working on developing a solution to achieve suspension of Supplier Charges from March onwards. The solution will be delivered via an Urgent Modification and we'll be seeking the PAB's approval to recommend that the Panel raises the Urgent Modification. The crux of the rationale we'll be applying is that the government advice around lockdown will have an impact on Suppliers' ability to meet performance standards.

Deferral of January 2020 and February 2020 Supplier Charges

- 4.3 This is harder to achieve. While the PAB or Panel could possibly defer a set of Supplier Charges, as there are no clear provisions in the BSC to permit this, there is a risk that any Party could make a legal claim for us to recoup these Charges or make a claim against another Party. That risk would likely come from one of the Parties that would normally receive Supplier Charges rather than pay them. Given this, and taking into consideration the likely level of the charges, our conclusion is that deferral of the January and February Supplier Charges would introduce a risk that outweighs any potential benefit.
- 4.4 We have advised the PAB of this conclusion and sought its agreement by 3 April 2020 that Supplier Charges for January and February 2020 are not suspended.
- 4.5 The January and February Supplier Charges are yet to be calculated, but the December 2019 Supplier Charges schedule is included as Attachment 1 for the Panel's information.

5. Recommendations

- 5.1 We invite you to:
- a) **NOTE** the update provided.

Attachments

Confidential Attachment A – December 2019 Supplier Charges

For more information, please contact:

Victoria Moxham, Customer Operations Director

victoria.moxham@elexon.co.uk

07919 044679