

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

P404 'Moving the Self Assessment Document and associated documents from BSCP537 and making them a Category 3 BSC Configurable Item'

This Modification aims to move Balancing and Settlement Code Procedure (BSCP) 537 Appendices 1 'Self Assessment Document', 2 'Testing Requirements' and 3 'Guidance Notes on completing the SAD' to a new Category 3 BSC Configurable Item.

This will facilitate quicker change to the Self Assessment Document (SAD) and its supporting documentation, with the new Category 3 BSC Configurable Item being owned and managed by the Performance Assurance Board (PAB).



The BSC Panel initially recommends **approval** of P404

This Modification is expected to impact:

- Performance Assurance Parties
- Qualification Applicants
- ELEXON as the Balancing and Settlement Code Company (BSCCo)
- Qualification Service Provider

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About This Document

This is the P404 Draft Modification Report, which ELEXON will present to the Panel at its meeting on 9 April 2020. It includes the responses received to the Report Phase Consultation on the Panel's initial recommendations. The Panel will consider all responses, and will agree a final recommendation on whether to approve P404.

There are six parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises the Workgroup's key views on the areas set by the Panel in its Terms of Reference, and contains details of the Workgroup's membership and full Terms of Reference.
- Attachment A contains the draft redlined changes to the BSC for P404.
- Attachment B contains the draft Self Assessment Document.
- Attachment C contains the redlined changes to the PAB Terms of Reference.
- Attachment D contains the full responses received to the Panel's Report Phase Consultation.
- Attachment E contains the P404 Proposal Form.



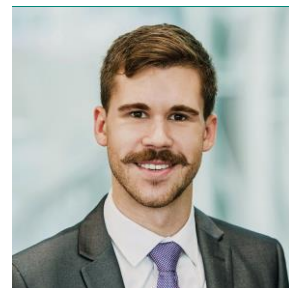
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Why Change?

The current location of the Self Assessment Document (SAD) and its supporting documentation in [BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators'](#) means that a Change Proposal (CP) is required to make any changes. This can limit the Performance Assurance Board's (PAB's) ability to ensure that it fully aligns with identified emerging risks.

ELEXON's Performance Assurance Framework (PAF) Review project recommended the SAD and its associated documents were moved to a Category 3 BSC Configurable Item. This will enable the PAB to periodically review the SAD to ensure it continues to provide assurance that participants can fulfil their BSC role and obligations. The PAB endorsed this recommendation at its meeting in September 2019 and recommended that the Modification be raised at its meeting in February 2020.

Solution

This Modification proposes to move the SAD and its associated documents (BSCP537 Appendices 1, 2, and 3) to a new Category 3 BSC Configurable Item under ownership of the PAB.

As a Category 3 BSC Configurable Item, it will follow its own change process whereby the PAB shall review the document at least annually. The PAB shall consider any new information supplied by ELEXON and ensure consistency with emerging risks identified by the Risk Evaluation Register (RER), the Risk Operating Plan (ROP) and the PAB Strategy. There will be no explicit requirement for the PAB to consult Parties when reviewing the document, however it shall have the opportunity to do so if it feels appropriate.

Impacts & Costs

This Modification will not have any direct impacts on any Parties or Party Agents. Parties will no longer be able to raise a Change Proposal to amend the SAD or its associated documents. However ELEXON actively engages with industry during the development of the RER and ROP, which will be reflected in updates to the SAD.

Further, a Party will be able to engage with ELEXON directly to highlight any concerns or suggestions for change, which ELEXON will present to the PAB for consideration.

Implementation

The Panel, in agreement with the PAB and ELEXON, recommend an Implementation date of:

- 25 June 2020 as part of the June 2020 BSC Release.

Recommendation

The Panel initially recommends that P404 **does** better facilitate Applicable BSC Objective **(d)** and so should be **approved** as a Self-Governance Modification.

2 Why Change?

What is the issue?

Due to the emergence of new opportunities for market participants (for example the Trans European Replacement Reserves Exchange (TERRE) product, amongst others), there is a growing requirement for the SAD to become more flexible, to continue to provide assurance that participants can fulfil their BSC role.

As the SAD and its associated documents are currently appendices to BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators', any changes require a BSC CP. This can limit the PAB's ability to ensure that it aligns with emerging risks identified by the RER, the ROP and PAB Strategy.

By removing the SAD and associated appendices from BSCP537, the PAB will be able to ensure that it fully reflects the current risks to Settlement on a more flexible basis.

Background

PAB Endorsement

At the PAB's meeting on 26 September 2019, ELEXON presented a paper ([PAB224/11](#)) containing recommended changes to the Performance Assurance Techniques (PATs). Among these recommendations was that the SAD (BSCP537 Appendix 1), along with its associated documents (Appendices 2 and 3) be moved from [BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators'](#), and placed in a new Category 3 BSC Configurable Item under PAB ownership.

This Modification aims to carry forward this recommendation as endorsed by the PAB in September 2019, and subsequently recommended by majority to be raised under Section F2.1.1(d)(vi) at its meeting on 26 February 2020 ([PAB229/09](#)).

The PAB member that expressed concern over this Modification was cautious that moving the SAD to a Category 3 BSC Configurable Item would take it out of the scope of CP governance, meaning that Parties would no longer be able to raise a CP to change the SAD. ELEXON notes that while this is true, Parties would still be able to raise any concerns or proposed changes directly with ELEXON, who will inform the PAB for consideration. Parties will also be able to actively engage in changes to the SAD, through industry consultations on the development of the RER and the ROP.

Performance Assurance Framework Review

The Performance Assurance Framework (PAF) consists of a suite of techniques that can be applied to Performance Assurance Parties to help mitigate any risks that market participants may pose to the integrity of Settlement. The current risk based PAF was introduced by [P207 'Introduction of a new governance regime to allow a risk based Performance Assurance Framework \(PAF\) to be utilised and reinforce the effectiveness of the current PAF'](#) in 2007. The techniques fall into four categories:

- Detective;
- Preventative;
- Remedial; and



What is the Risk Evaluation Register?

The Risk Evaluation Register (RER) sets out the Settlement Risks that have been identified. It classifies risks by Party type. The RER is reviewed annually in accordance with [Section Z5.5.3](#).

What is the Risk Operating Plan?

The Risk Operating Plan (ROP) is a key Performance Assurance document that sets out how ELEXON will seek to mitigate Settlement Risks. It creates a prioritisation and focus of that risks identified in the RER.

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- Incentive.

Qualification and re-Qualification are preventative techniques designed to ensure that new entrants, or existing participants undergoing significant changes have satisfactorily developed their systems and processes so that they will not pose a risk when live or once the significant changes are implemented.

The third workstream of [ELEXON's PAF Review](#), assessed the continued suitability and effectiveness of PATs. It recommended changes, including those relating to the SAD and its associated documents to PAB at its meeting on 26 September 2019 as outlined above.

Proposed solution

[P404 'Moving the Self Assessment Document and associated documents from BSCP537 and making them a Category 3 BSC Configurable Item'](#) proposes to move the SAD and its associated documents (BSCP537 Appendices 1-3) from [BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators'](#) to a new Category 3 BSC Configurable Item. This new document shall be under control of the PAB as the Panel Committee responsible for overseeing Qualification and re-Qualification.

As a Category 3 BSC Configurable Item, the SAD and its associated documents will not be subject to the CP Process in [BSCP40 'Change Management'](#).

Category 3 BSC Configurable Items have their own change process. The proposed change process for the new Category 3 BSC Configurable Item shall require:

- the PAB to review the document at least annually.
- the PAB to consider any new information supplied by ELEXON in reviewing the document, and ensure consistency with emerging risks identified by the RER, the ROP and the PAB Strategy.

There will be no explicit requirement for the PAB to consult Parties when reviewing the document, however it shall have the opportunity to do so if it feels appropriate.

ELEXON proactively engages with Parties during each Performance Assurance Operating Period (PAOP) through consultation and workgroups in order to feed industry views into the development RER and ROP, any changes to which will be reflected in updates to the SAD. Further, a party will be able to inform ELEXON directly of any proposed changes, which it will present to the PAB for consideration.

Moving the appendices from BSCP537 to a new Category 3 BSC Configurable Item, will mean the SAD and its supporting documents are no longer considered as Code Subsidiary Documents. Only the Code and Code Subsidiary Documents can place obligations on Parties and/or Party Agents. However as the obligations associated with Qualification and re-Qualification are contained in [Section J 'Party Agents and Qualification Under the Code'](#), applicants will still be mandated under the Code to respond to the questions and guidance in the SAD.

A Modification is required to implement this proposed Solution as [Annex X-1 'General Glossary'](#) refers to the Qualification Document as the annexes to BSCP537 and so will need amending to reflect the solution.

Expected Benefits

The desired outcome of this Modification is to enable the SAD and its associated documents to be more flexible to change without requiring a formal CP. This will enable more responsive amendment to address any emerging risks identified by the RER, the ROP, and the PAB Strategy. As such, this Modification will ensure that the Qualification and re-Qualification techniques continue to provide effective assurance to industry and the PAB.

Further, there will be fewer resource requirements on market participants assessing change, and on ELEXON in progressing change, as amendments to the SAD and its

associated documentation can reasonably be governed outside the formal BSC Change processes.

Legal text

The proposed legal text changes to BSC Section X Annex X-1 'General Glossary' can be found in Attachment A. The draft new Category 3 BSC Configurable Item can be found in Attachment B.

Applicable BSC Objectives

The Panel believes this Modification will **better facilitate**:

- **Applicable BSC Objective (d)** as placing the SAD in a Category 3 BSC Configurable Item under PAB control will allow a more flexible and tailored approach to change, based on the amendments being made under PAB jurisdiction. This review process will allow the PAB to ensure the SAD is updated in a timely manner as new risks are identified by the RER, The ROP, and the PAB Strategy. This will ensure that the Qualification and re-Qualification techniques are effective in mitigating risks to Settlement.

The Panel believes that P404 will be **neutral** against all other Applicable BSC Objectives.



What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

(g) Compliance with the Transmission Losses Principle

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Indicative industry costs of P404

We did not identify any industry costs resulting from the implementation of P404. This was confirmed by respondents to the Report Phase Consultation.

Following the change, Performance Assurance Parties undergoing re-Qualification and Qualification Applicants will need to refer to the new Category 3 BSC Configurable Item for questions and guidance, but the questions will not be changed by this Modification.

Estimated central implementation costs of P404

The central implementation costs for P404 will be approximately £840 to implement the necessary document changes.

P404 impacts

Impact on BSC Parties and Party Agents	
Party/Party Agent	Impact
Performance Assurance Parties	We do not envisage any direct impact on any Parties or Party Agents as a result of this Modification. Any Qualification Applicants or Performance Assurance Parties undergoing re-Qualification or will be required to complete the same set of questions to support their application, but after the implementation of this Modification, the same questions will be contained in a new Category 3 BSC Configurable Item. Whilst we do not envisage any impacts, this can be confirmed through the Report Phase Consultation.
Qualification Applicants	

Impact on the National Electricity Transmission System Operator
We do not envisage any impacts on the National Electricity Transmission System Operator as a result of this Modification.

Impact on BSCCo	
Area of ELEXON	Impact
Market Entry	The Market Entry team will be required to update its guidance and processes to reflect the new location of the Qualification Document.

Impact on BSC Systems and process	
BSC System/Process	Impact
None	N/A

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Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Impact
Qualification Service Provider	The Qualification Service Provider will need to refer to the new Category 3 BSC Configurable Item when carrying out activities associated with its role.

Impact on BSC Settlement Risks	
We do not envisage any impact on BSC Settlement Risks arising from this Modification as the Qualification and re-Qualification process and associated questions are not changing.	

Impact on Code	
Code Section	Impact
BSC Section X Annex X-1 'General Glossary'	The definition of Qualification Document will need to be amended to reflect the new location of the SAD and its associated documents.

Impact on Code Subsidiary Documents	
CSD	Impact
BSCP537 'BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators'	References to the SAD and its associated documents will need to be amended to reflect the new location in a Category 3 BSC Configurable Item.
BSCP537 Appendix 1 'Self Assessment Document (SAD)'	This Modification will move the contents to the appendices to BSCP537 into a new Category 3 BSC Configurable Item.
BSCP537 Appendix 2 'Testing Requirements'	
BSCP537 Appendix 3 'Guidance notes on completing the SAD'	

Impact on other Configurable Items	
Configurable Item	Impact
PAB Terms of Reference	The PAB Terms of Reference will be amended to clarify the PAB ownership and responsibilities relating to the new Category 3 BSC Configurable Item.

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Impact on a Significant Code Review (SCR) or other significant industry change projects

As this Modification does not seek to amend any processes or obligations contained in the BSC or its subsidiary documents, we do not believe there will be an impact on any open SCR or any other significant change projects. An SCR exception was sent to Ofgem on 27 February 2020. Ofgem confirmed this on 10 March 2020.



Recommended Implementation Date

The Panel recommends an Implementation Date for P404 of:

- 25 June 2020 as Part of the June 2020 BSC Release.

This is the next available release.

Self-Governance

P404 will not materially change the content of BSC Section X-1 and will not change the content of the SAD or its supporting documents.

The Panel noted that while P404 will change how Parties engage with changes to the SAD and its supporting documents, as the CP process will no longer be applicable, ELEXON actively engages with Parties during each PAOP through consultation and workgroups in order to feed industry views into the development RER and ROP.

As such, the Panel believes that Parties still have the opportunity to contribute to the amendment of the SAD and its supporting documents and as such we wouldn't consider this a material impact on the Self-governance criteria that would require Authority approval.

What are the Self-Governance Criteria?

A Modification that, if implemented:

(a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions, except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:

- (i) correcting minor typographical errors;
- (ii) correcting formatting and consistency errors, such as paragraph numbering; or
- (iii) updating out of date references to other documents or paragraphs;

(b) is unlikely to have a material effect on:

- (i) existing or future electricity consumers;
- (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity;
- (iii) the operation of the national electricity transmission system;
- (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
- (v) the Code's governance procedures or modification procedures; and

(c) is unlikely to discriminate between different classes of Parties.

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6 Panel's Initial Discussions

The request to raise this Modification was presented to the BSC Panel at its meeting on 12 March 2020 (300/06). The Panel agreed to raise this Modification on the recommendation of the Performance Assurance Board (in accordance with F2.1.1(d)(vi)) and agreed with all recommendations set out in section 7 of the Initial Written Assessment. The Panel also agreed to send P403 directly to the Report Phase as it considered the P404 solution to be self evident and would not benefit from Workgroup assessment.

A Panel Member expressed caution that the SAD would be moved out of the CP governance process, and requested that ELEXON inform industry ahead of the proposed annual review to allow it to feed in any concerns. ELEXON noted that the proposed governance process allowed Parties to raise any concerns at any time, but agreed to inform industry ahead of the PAB's annual review. We have reflected this in the attached draft new Category 3 BSC Configurable Item.

7 Report Phase Consultation Responses

The Report Phase Consultation was issued 17 March 2020 with responses due 31 March 2020. We received one consultation response which is summarised below. You can find the full responses in Attachment C.

Summary of P404 Report Phase Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the Panel's initial view that P404 does better facilitate Applicable BSC Objective (d) than the current baseline?	1	0	0	0
Do you agree with the Panel's initial recommendation that P404 should be approved?	1	0	0	0
Do you agree with the Panel's initial view that the redlined changes to the BSC deliver the intent of P404	1	0	0	0
Do you agree that the draft Category 3 BSC Configurable Item in attachment B delivers the intent of P404?	1	0	0	0
Will P404 impact your organisation?	0	0	1	0
Will your organisation incur any costs in implementing P404?	0	1	0	0
Do you agree with the Panel's recommended Implementation Date?	1	0	0	0
Do you agree with the Panel's initial view that P404 should be treated as a Self-Governance Modification?	1	0	0	0

Applicable BSC Objectives

The respondent agreed with the Panel's initial recommendation that P404 does better facilitate Applicable BSC Objective (d). They noted that it was essential that the Qualification process is dynamic and flexible to reflect the risks posed by new and existing market participants. The respondent believed that this was particularly important given the increase in non-traditional business models.

Impacts and costs

The respondent did not believe that they change would directly or immediately affect them, but they noted that if they were required to re-Qualify the content of the SAD may be different to when they initially completed Qualification. The respondent did not view this as a negative.

The respondent did not provide any other rationale with their views.

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8 Recommendations

We invite the Panel to:

- **AGREE** that P404:
 - **DOES** better facilitate Applicable BSC Objective **(d)**;
- **DETERMINE** (in the absence of any Authority direction) that P404 is a Self-Governance Modification Proposal;
- **APPROVE** P404;
- **APPROVE** an Implementation Date of:
 - **25 June 2020** as part of the June 2020 BSC Release;
- **APPROVE** the draft legal text;
- **APPROVE** the creation of the new Category 3 BSC Configurable Item 'Self Assessment Document';
- **DELEGATE** ownership of the new Category 3 BSC Configurable Item to the PAB;
- **APPROVE** the redlined changes to the PAB Terms of Reference; and
- **APPROVE** the P404 Modification Report.

Appendix 1: Glossary & References

Acronyms

Acronym	
Acronym	Definition
BSCCo	Balancing and Settlement Code Company (<i>ELEXON</i>)
BSCP	Balancing and Settlement Code Procedure
IWA	Initial Written Assessment
PAB	Performance Assurance Board (<i>Panel Committee</i>)
PAOP	Performance Assurance Operating Period
PAF	Performance Assurance Framework
PAT	Performance Assurance Technique
RER	Risk Evaluation Register
ROP	Risk Operating Plan
SAD	Self Assessment Document
TERRE	Trans European Replacement Reserve Exchange

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
4	PAB224	https://www.elexon.co.uk/meeting/pab224/
4	PAB229	https://www.elexon.co.uk/meeting/pab-229/
3, 4, 5	BSCPs	https://www.elexon.co.uk/bsc-and-codes/bsc-related-documents/bscps/
4	Modification P207	https://www.elexon.co.uk/mod-proposal/p207/
4	PAF Review	https://www.elexon.co.uk/reference/performance-assurance/performance-assurance-framework-review/
5	BSC Sections	https://www.elexon.co.uk/bsc-and-codes/balancing-settlement-code/
11	BSC Panel 300	https://www.elexon.co.uk/meeting/bsc-panel-300/

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