	ELEXON as Ba	lancing and Settlement
	Low Impact:	
•	None	
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	ation Proposal form	© 2020 all rights reserved

P411 Mod Title: Including new LDSOs in Qualification to mitigate potential risks to Settlement

BSC Modification Proposal Form

At what stage is this document in the process? 01 Modification

Workgroup Report

Draft Modification

Final Modification

Report

Report

02

03

04

Purpose of Modification: This Modification aims to improve the effectiveness of the Qualification Performance Assurance Technique (PAT) by requiring new Licensed Distribution System Operators (LDSOs) to undergo Qualification in this role. This will provide assurance to industry participants that new LDSOs are able to fully execute their BSC Role and obligations when active in the market.

Is this Modification likely to impact any of the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions held within the BSC?

 \Box Yes \boxtimes No

The Proposer recommends that this Modification should:

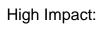
- be a Self-Governance Modification Proposal
- be sent directly into the Report Phase

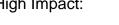
ELEXON will present this Modification to the BSC Panel at its meeting on 9 July 2020. The Panel will consider the Performance Assurance Board's (PAB's) recommendation and determine whether to raise the Modification and subsequently how best to progress it.

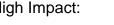
New LDSOs

Medium Impact:

- Qualification Service Provider: and
- Code Company (BSCCo)







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Timetable	Proposer: BSC Panel	
The Proposer recommends the following time	Proposer's representative:	
Modification raised by BSC Panel		
Initial Written Assessment to BSC Panel	9 July 2020	Lawrence Jones, ELEXON
Report Phase Consultation	14 July 2020 - 27 July 2020	
Draft Modification Report presented to Panel	13 August 2020	BSC.change@elexon.
Publish Self-Governance Modification Report	17 August 2020	<u>co.uk</u>
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Any questions?

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1 Why Change?

What is the issue?

Licensed Distribution System Operators (LDSOs) (including Independent Distribution Network Operators (IDNOs), which the BSC does not distinguish between for Market Entry) have numerous responsibilities and obligations under the BSC. In particular there are many processes and requirements contained in BSCP515 'Licensed Distribution' and BSCP128 'Production, Submission, Audit and Approval of Line Loss Factors' which are linked to factors in Settlement Risks.

While LDSOs are required to complete Qualification in the roles of Supplier Meter Registration Agent (SMRA) and Unmetered Supplies Operator (UMSO), there is currently no preventative assurance related to the activities they undertake in the role of LDSO. As such any new LDSO that enters the market has the potential to pose a risk to the effectiveness of the processes specific to this role, and thus pose a risk to the integrity of Settlement.

We therefore consider that LDSOs should complete Qualification before they commence operations in the market.

Background

Following its Performance Assurance Framework (PAF) Review, ELEXON presented a paper to the Performance Assurance Board (PAB) (PAB224/11) containing recommended changes to the Performance Assurance Techniques (PATs). Among these recommendations was that new LDSOs be made subject to the Qualification technique.

LDSOs are required to Qualify in their capacity as SMRA and UMSO, and are identified as Performance Assurance Parties. As such, LDSOs are subject to the BSC Audit and Error and Failure Resolution (EFR) techniques. This provides ongoing assurance that LDSOs are able to fulfil their role once operational, but there is not currently any preventative assurance provided to market participants for activities relating to the LDSO role.

This Modification aims to carry forward this recommendation as endorsed by the PAB, and subsequently recommended to be raised by the PAB under Section F2.1.1(d)(vi) at its meeting on 25 June 2020 (PAB233/09). This will provide assurance to market participants that new LDSOs will be able to fulfil their BSC role and obligations before they go live.

Performance Assurance Framework Review

The 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 <u>P207</u> 'Introduction of a new governance regime to allow a risk-based <u>Performance Assurance Framework (PAF) to be utilised and reinforce the effectiveness of the current PAF' in 2007</u>. The techniques fall into four categories:

- Detective;
- Preventative;
- Remedial; and
- Incentive.

Qualification is a preventative technique designed to ensure that new entrants have satisfactorily developed their systems and processes so that any potential risks to Settlement when live have been sufficiently mitigated.

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

2 Solution

Proposed Solution

This Modification proposes to include new entrant LDSOs in the scope of the Qualification technique in the role of LDSO.

The inclusion of LDSOs in the Qualification technique will require a new role specific section to be added to the SAD. The new section will contain questions and guidance for new entrants to respond to that relate specifically to the role of an LDSO. New entrant LDSOs will be required to respond to this section in addition to the SMRA and UMSO roles that they are currently required to Qualify as.

The Qualification Service Provider's scope will be extended to review and assess the responses that new LDSOs provide to ensure that they do not pose a significant risk to Settlement.

Changes to the Self Assessment Document

As a Category 3 BSC Configurable Item, changes to the SAD are made through a dedicated change process overseen by the PAB. In reviewing the SAD, the PAB shall assess whether any amendments to the document may help reduce risks. The PAB is not required to consult Parties on any changes to the SAD, though it may do so if it believes it would be appropriate.

This BSC Modification will draft the changes to <u>Section J 'Party Agents and Qualification Under the Code</u>' and <u>BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators'</u> in order to require new LDSOs to Qualify in this role. Changes to the SAD to facilitate this Modification will be approved by the PAB as part of the implementation phase.

Re-Qualification

This Modification does not propose to also extend re-Qualification as the PAF review also recommended significant changes to the re-Qualification processes. It is therefore more efficient for the extension of the scope of re-Qualification to any additional parties to also be considered under this piece of work. The recommendation to review the re-Qualification technique will be progressed subsequent to this Modification.

Benefits

The aim of this Modification is to provide assurance to market participants that new LDSOs are able to fully carry out their BSC Role and execute their obligations. By including the LDSOs it will ensure that the Qualification technique is fully effective at mitigating any risks to Settlement that new entrants may pose.

The Modification will also bring LDSOs in line with other Performance Assurance Parties by subjecting them to the Qualification PAT.

3 Relevant Objectives

Impact of the Modification on the Relevant Objectives:		
Relevant Objective	Identified impact	
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral	
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral	
(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	Neutral	
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Positive	
(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]	Neutral	
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral	
(g) Compliance with the Transmission Losses Principle	Neutral	

Applicable BSC Objective (d)

We believe this Modification will better facilitate Applicable BSC Objective (d) as it will provide preventative assurance that new LDSOs are able to fulfil the BSC obligations and responsibilities associated with this role. This will mitigate the need for detective and corrective action to be taken against new LDSOs once they have gone live, which will ensure that the BSC arrangements can be delivered effectively and efficiently.

4 Potential Impacts

Impacts on BSC Parties

Impacted Parties			
□Supplier	□Interconnector User	□Non Physical Trader	□Generator
□Licensed Distribution System Operator	□National Electricity Transmission System Operator	□Virtual Lead Party	⊠Other (Please specify) New entrant LDSOs

This Modification will impact new entrant LDSOs by requiring them to complete Qualification in this role. For clarity it will not impact existing LDSO's operating in the market.

Impacts on Core Industry Documents

Impacted Core Industry Documents			
□Ancillary Services Document	□Connection and Use of System Code	□Data Transfer Services Agreement	□Use of Interconnector Agreement
□ Master Registration Agreement	□Distribution Connection and Use of System Agreement	□System Operator Transmission Owner Code	□ Supplemental Agreements
Distribution Code		□Transmission License	□Other (please specify)

We do not anticipate any impacts on other Core Industry Documents.

Impacts on BSC Systems

Impacted Systems				
□CRA		□PARMS	□SAA	□BMRS
□EAC/AA	□FAA		□NHHDA	□SVAA
□ECVAA	□ECVAA Web Service	□ELEXON Portal	□Other (Please specify)	

There will be no impacts on any BSC Systems for this Modification.

Legal Text Changes

This Modification will require changes to <u>BSC Section J 'Party Agents and Qualification under the Code'</u> and <u>BSCP537 'Qualification Process for SVA Parties</u>, <u>SVA Party Agents and CVA Meter Operators'</u> to place an explicit obligation on new LDSOs to Qualify in this role. The Modification will also require consequential changes to the SAD which will be approved as part of implementation.

5 Governance

Self-Governance

□ Not Self-Governance – A Modification that, if implemented:		
materially impacts the Code's governance or modification procedures	 materially impacts sustainable development, safety or security of supply, or management of market or network emergencies 	
□ materially impacts competition	□ materially impacts existing or future electricity consumers	
 □ materially impacts the operation of national electricity Transmission System □ is likely to discriminate between different classes of Parties 		
□ does not involve any amendments to the EBGL Article 18 Terms and Conditions related to Balancing; except to the extent required to correct an error or as a result of a factual change		

Self-Governance – A Modification that, if implemented:

Does not materially impact on any of the Self-Governance criteria provided above

This Modification will not place additional operational requirements on new entrant LDSOs in comparison to LDSOs already operational. Rather, it seeks to provide assurance that new entrant LDSOs can fulfil the BSC obligations that are already applicable. As such, we do not believe that including new LDSOs in the Qualification technique will materially impact the Self-Governance criteria. This Modification **should** therefore be treated as a Self-Governance Modification.

Progression route

Submit to assessment by a Workgroup -: A Modification Proposal which:		
does not meet any criteria to progress via any other route.		
Direct to Report Phase – A Modification Proposal whose solution is typically:		
$\hfill\square$ of a minor or inconsequential nature	\boxtimes deemed self-evident	
□ Fast Track Self-Governance – A Modification Proposal which meets the Self-Governance Criteria and:		
is required to correct an error in the Code as a result of a factual change including but not limited to:		
□ updating names or addresses listed in the Code	□ correcting minor typographical errors	
 correcting formatting and consistency errors, such as paragraph numbering 	 updating out of date references to other documents or paragraphs 	
□ Urgent – A Modification Proposal which is linked to an imminent issue or current issue that if not urgently addressed may cause:		
 a significant commercial impact on Parties, Consumers or stakeholder(s) 	a Party to be in breach of any relevant legal requirements.	
\square a significant impact on the safety and security of the electricity and/or gas systems		

The solution to be implemented by this Modification was developed by ELEXON's PAF Review with support from representatives from across the industry. It was endorsed by the PAB and subsequently requested to be raised as a Modification by the PAB. As such, we deem that the solution is self-evident and will not benefit from Workgroup Assessment.

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

We do not believe that this Modification will impact on any ongoing SCRs. Therefore, we will request that this Modification be treated as an SCR Exempt Modification.

Does this Modification impact any of the EBGL Article 18 Terms and Conditions held within the BSC?

We do not anticipate any impact on the EBGL Article 18 Terms and Conditions held within the BSC.

Does this Modification impact on end consumers or the environment?

We do not anticipate any impact on consumers or the environment as a result of this Modification as it does not seek to materially amend any operational BSC processes.

Implementation approach

We propose that this Modification should be implemented on 5 November 2020 as part of the November 2020 BSC Release.