

Minutes

BSC Panel

Meeting number **313**

Venue **Video Conference**

Date of meeting **Thursday 8 April 2021**

Classification **Public**

Attendees and apologies

Attendees

Michael Gibbons	MG	BSC Panel Chair
Phil Hare	PH	Deputy BSC Panel Chair (and Alternate for DD)
Colin Down	CD	Ofgem Representative (Part-Meeting)
Jon Wisdom	JW	NGESO Panel Member
Andrew Colley	AC	Industry Panel Member
Lisa Waters	LW	Industry Panel Member
Mark Bellman	MBe	Industry Panel Member
Rhys Kealley	RK	Industry Panel Member
Tom Edwards	TE	Industry Panel Member
Derek Bunn	DB	Independent Panel Member
Fungai Madzivadondo	FM	Distribution System Operator Representative
Ed Rees	ER	Consumer Panel Member
Mark Bygraves	MB	Elexon CEO
Victoria Moxham	VM	Elexon Director of Customer Operations, Panel Secretary
Nigel Smith	NS	Elexon CFO
Angela Love	AL	Elexon Director of Future Markets and Engagement
Claire Kerr	CK	BSC Administration and Configuration Manager
Lawrence Jones	LJ	Modification Secretary
Harriet Higgins	HH	Ofgem (Part-Meeting)
Abid Sheikh	AS	Ofgem (Part-Meeting)

Attendees and apologies

Jonathan Coe	JC	Ofgem (Part-Meeting)
Tariq Hakeem	TH	National Grid (Part-Meeting)
Ben Smith	BS	National Grid (Part-Meeting)
Lewis Heather	LH	CEPA (Part-Meeting)
Reg Platt	RP	Emergent Energy (Part-Meeting)
Justin Andrews	JA	Elexon (Part-Meeting)
Nicholas Brocklesby	NB	Elexon (Part-Meeting)
Elliott Harper	EH	Elexon (Part-Meeting)
Peter Frampton	PF	Elexon (Part-Meeting)
Chris Welby	CW	Elexon (Part-Meeting)
Hussein Osman	HO	Elexon (Part-Meeting)
Mehdi Jafari	MJ	Elexon (Part-Meeting)
Roger Harris	RH	Elexon (Part-Meeting)
Douglas Alexander	DA	Elexon (Part-Meeting)
Iain Nicoll	IN	Elexon (Part-Meeting)
Oliver Meggitt	OM	Elexon (Part-Meeting)
Nicholas Rubin	NR	Elexon (Part-Meeting)
Sara Vaughan	SV	BSCCo Board Member (Observer) (Part-Meeting)

Apologies

Diane Dowdell	DD	Chair Appointed Industry Panel Member
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1. Introduction

- 1.1 The Chair noted apologies from Diane Dowdell and that Phil Hare was acting as her Alternate.

Part I: Non-Modification Business (Open Session)

2. New Settlement systems and processes – (Verbal)

- 2.1 Ben Smith (BS) (Settlements Manager) and Tariq Hakeem (TH) (Project Team Lead in the Settlements Team) at National Grid ESO [presented](#) on their Settlement System replacement project.
- 2.2 TH explained that the current core system, Ancillary Services Billing (ASB), is over ten years old and changes to this are now time-consuming and costly. The project to replace it with a new flexible Oracle product started in January 2021 and will take around 24 months to complete (estimated completion date is Q1 2023). Four separate Releases are expected in the course of the project.
- 2.3 BS noted that NG would be spending £13million which is a significant investment on a new Settlement system for NGESO. As the market continues to evolve towards short term purchasing and new Ancillary Services products are needed nearer to real time, the new system will allow the changes to be made far more efficiently. A Panel Member emphasised that NGESO needs to ensure that it thoroughly tests the system before it is launched. BS agreed that testing is critical and confirmed that testing will be carried out at various stages (hence there being four separate Releases). A Panel Member queried whether any external participants would

be involved in testing noting that early engagement with parties would be key. TH confirmed that NGESO would be engaging with parties who provide Ancillary Services, particularly as the method for how they receive information would be changing.

- 2.4 A Panel Member noted that this could be an opportunity for NGESO to engage with a wider group of Parties to ensure that the information they will receive suits their needs or whether there is anything missing. TH agreed and noted that at a minimum, NGESO would supply what it currently does but intends to share an increase in data/reports in a more user-friendly format going forwards.
- 2.5 BS advised that NGESO would be happy to return to the BSC Panel in six months' time to provide an update on the progress of the project.
- 2.6 The BSC Panel:
 - a) **NOTED** the update.

3. Code Modification Decision Timings – (Verbal)

- 3.1 Jonathan Coe (JC), who works in the Code Governance Team at Ofgem [presented](#) on Code Modification decision timings.
- 3.2 Ofgem proposes to take a new approach to the way a Code Modification processes, involving an initial assessment, setting of an expected decision date set and publication of this information on Ofgem's website. The assessment will be based on the importance, urgency and impact of the Modification, taking into account its strategic priorities. A Panel Member queried on what basis Ofgem is going to decide what is of more importance and whether there will be a criteria of how things are being allocated. JC advised that Ofgem will take into account what was included in the Final Modification Report, discussions had at Panel meetings, developing discussions had at Workgroups as well as considering the overall impact on consumers.
- 3.3 A Panel Member requested that where Ofgem has to re-set dates, that these are realistic so that they will not be continuously pushed back. JC reiterated that this had been discussed internally; Ofgem's Senior Leadership Team want to take a strategic approach and be as transparent as possible; they do not want this viewed as an enabler for Ofgem to extend decision dates.
- 3.4 MB queried how quickly Ofgem will carry out the assessment process and make the decision date ready for publication. Additionally, he queried whether there would be early indication from Ofgem during the development of the Modification if it is obvious to Ofgem that a particular Modification was low on Ofgem's priority list. JC advised that Ofgem does not intend to add a specific timeline on when it will make decision dates by but endeavours to make this decision as quickly as possible i.e. in a number of days in the majority of cases. He noted that Ofgem is aware of all Modifications that are due to be issued for decision from all Code Bodies as Ofgem is invited to attend all Modification Workgroup meetings.
- 3.5 The Chair queried how the new assessment process compares to the old KPI process. In relation to Ofgem's performance of its KPIs, JC advised that industry is able to review this in Ofgem's Annual Report; while the 90% target had not been met in recent years, there had been justifiable reasons on a number of Modifications.
- 3.6 JC also provided an update on code modernisation, noting that Ofgem is supportive of change that delivers positive improvements to the existing governance arrangements. While Ofgem continues its work started in the Code Governance Review, he presented Ofgem's views on the areas it wished the Codes to prioritise in modernising themselves: rationalisation, taking steps to ensure the Codes embrace equality and diversity and progressing their digital transformation. The Chair queried the meaning and level of ambition in the context of rationalisation. JC clarified that Ofgem sees this as removing unnecessary and redundant text to help codes become clearer and more accessible.
- 3.7 A Panel Member queried whether there was a timeframe for something more fundamental from BEIS/Ofgem. JC noted that COVID-19 had delayed the Codes Review but that Ofgem/BEIS's intention is to issue a consultation later this year. The reforms set out in the consultation propose significant changes to the existing regulatory framework for gas and electricity markets. To achieve the aims set out, Ofgem expects that implementation of reforms will take a number of years and that the delivery of some elements may need to be staggered.
- 3.8 A Panel Member noted that Ofgem had described the Retail Energy Code (REC) as the industry best-practice code and asked whether this meant that all Code Administrators should be moving their Codes towards the REC in the interim. JC advised that, while Ofgem is supportive of other codes looking to the REC and

considering whether its provisions should be adopted into their codes, any changes must be considered in the context of each Codes' own objectives and circumstances. Each Code Body will need to make a judgement as to whether it improved that Code.

- 3.9 The BSC Panel:
a) **NOTED** the update.

Part II: Modification and Change Business (Open Session)

IWA: Initial Written Assessment | **AC:** Assessment Procedure Consultation | **AR:** Assessment Report

RC: Report Phase Consultation | **DMR:** Draft Modification Report

4. Change Report and Progress of Modification Proposals – (313/03)

- 4.1 The Modification Secretary [presented](#) the Change Report and progress of Modification Proposals.
- 4.2 The Chair remarked that he was pleased that Ofgem had approved [P390 'Allowing extensions to Elexon's business and activities, subject to additional conditions'](#), especially given it had originally been submitted to Ofgem in May 2020.
- 4.3 A Panel Member queried when Ofgem intended to make a decision on [P399 'Making the identity of Balancing Service providers visible in the Balancing Services Adjustment Data'](#), noting that Ofgem has issued a Request for Information (RFI) to Parties requesting details of their activity throughout the Winter period. The Ofgem Representative advised that Ofgem intends to make a decision on P399 in April 2021.
- 4.4 In relation to [P410 'Changing imbalance price calculations to comply with the Imbalance Settlement Harmonisation regulations'](#), NGESO (Proposer) intends to submit a revised harmonisation methodology for approval, which will allow the continued use of the Market Index Price and remove the defect being addressed by P410. Should this revised proposal be approved by Ofgem, P410 will be withdrawn. With the agreement of the Proposer, work on P410 is paused until an Ofgem decision is made.
- 4.5 In relation to [P412 'Ensuring non-BM Balancing Services providers pay for non-delivery imbalances at a price that reflects the real-time value of energy'](#), the fourth Workgroup meeting was held on 7 April 2021. The Workgroup does not believe that any of the four options are better than the current baseline and as such, the Proposer has requested for the Workgroup to carry out some analysis on the impacts on the various solution options (which is expected to take a couple of months). A Panel Member advised that at the Workgroup meeting, NGESO had stated it intended to conduct a cost/benefit analysis (CBA) on the four solution options. The Panel Member asked for clarity on whether the CBA would focus on BSC and only P412 matters or wider cost/benefits e.g. if all non-BM Providers were to join the BM. The Panel Member strongly preferred the latter option and believed it would be a lost opportunity if it were too narrowly focused. The NGESO Panel Member noted the comments and agreed to confirm the scope outside of the meeting.
- 4.6 The Modification Secretary provided an update on the REC Consolidation Significant Code Review (RCC SCR). Ofgem provided Elexon with its minded to position on its metering policy on 7 April 2021 (was expected 1 April 2021). The Modification Secretary stated that there were still a number of areas that required clarification with Ofgem. They also detailed how the Authority Led SCR Modification Proposal, for the REC SCR would work. A new Authority-Led SCR Modification Report would contain an evaluation of the proposed Authority Led SCR Modification, an assessment of the extent to which the proposed Authority Led SCR Modification would better facilitate achievement of the Applicable BSC Objectives, a detailed explanation of the Panel's reasons for that assessment and a timetable for implementation of the Authority Led SCR Modification, including the date with effect from which such Modification could take effect. The Modification Secretary also confirmed that the drafting for the associated assurance arrangements would need to be done over the next few months in collaboration with RECCo and that a transition period post-RCC go-live in September 2021 has been recommended and is being considered by Ofgem.
- 4.7 MB noted that under the minded to position of 7 April, some aspects of metering are to be removed from the BSC to the REC. He observed that the Panel had previously expressed concern that moving arrangements from a mature assurance regime to one that did not yet exist under the REC would impact on settlement risks. He therefore queried how an assessment of such a Modification, even though it was an Authority Led SCR Modification, could be concluded by the Panel to better facilitate the achievement of the Applicable BSC Objectives. VM reiterated that now Elexon had received Ofgem's minded to position, Elexon can ensure a transition plan is put in place so that no risk to Settlement is introduced as a consequence. Further, the BSC

redlined changes are not a 'copy and paste' approach (they are complicated and intertwined); dedicated resource will be required to make these substantial changes.

- 4.8 Elexon emphasised that in the BSC, the term Meter Operator Agent (MOA) does not distinguish between a CVA MOA and a SVA MOA (only SVA MOA is being transferred to the REC). Therefore some drafting will need to remain within the BSC as it refers to CVA activity.
- 4.9 Harriet Higgins (HH) from Ofgem reiterated Ofgem's appreciation of Elexon providing resource on this issue in line with its proposed timescales. She noted that is not straightforward from the BSC perspective, but highlighted that Ofgem is having to look at the bigger picture for this change.
- 4.10 The Modification Secretary also provided an update on the Market Domain Data (MDD) Targeted Charging Review (TCR). A Panel Member highlighted that the SVG was concerned about the costs and queried where this is being financed; the SVG did not believe this should be borne by BSC Parties as this is to facilitate another Code. The Modification Secretary noted the question and went on to separately confirm that to deliver Ofgem's TCR, these changes are required and would therefore be taken from the BSC Demand-Led budget; there is contingency within this pot for unknowns. Elexon confirmed that it had not specifically planned for these changes. However, he asked the Panel to note that these changes are being carried out on legacy systems; our work to progressing the Elexon Kinnect platform is vital as volumes of data increase.
- 4.11 The Modification Secretary advised that Elexon is now attending the Cross-Code Steering Group (CCSG), which will be formally introduced as part of the REC Consolidation (RCC) drafting. The purpose of the CCSG is to support the development of change proposals that impact multiple industry codes.
- 4.12 A Panel Member queried how the CCDG will work with Panels expressed concerns that this could conflict existing lines of governance. Elexon advised that it is working with Ofgem on some potential changes to BSC Section F.
- 4.13 Finally, the Modification Secretary noted three upcoming Modifications:
- one to update the Article 18 mapping in the BSC to reflect the network code on emergency and restoration (NCER) provisions, subject to Ofgem approval;
 - one to implement Ofgem's TCR SCR conclusions out of the recommendations from the BSUoS Taskforce; and
 - a Brexit Modification following the post-Brexit agreement.
- 4.14 The BSC Panel:
- a) **APPROVED** a three month extension to the P410 Assessment Procedure;
 - b) **APPROVED** a six month extension to the P412 Assessment Procedure;
 - c) **NOTED** the contents of the April Change Report.

5. **CP1539 'Inclusion of LCCC as an Affected party in Metering Dispensation application' – (313/12)**

- 5.1 MB observed that no Party appears to reject the principle that the Low Carbon Contracts Company (LCCC) be informed of these matters, but that it is being questioned whether the BSC is the best mechanism to put an obligation on the Metering Dispensation Applicants. Elexon advised that it is currently legally unclear as to whether the LCCC should already be made aware by the Applicant. Further, there are BSC Section V provisions for Elexon to pass relevant information to the LCCC but this is not always possible due to requested confidentiality from Applicants. This CP therefore aims to provide the missing clarity to ensure this process is always carried out.
- 5.2 The BSC Panel:
- a) **NOTED** that CP1539 was presented to the ISG and SVG for decision on 6 April 2021, whereby the ISG unanimously approved, and the SVG unanimously rejected CP1539;
 - b) **APPROVED** the proposed changes to BSCP32 for CP1539; and
 - c) **APPROVED** CP1539 for implementation on 24 June 2021 as part of the scheduled June 2021 Release.

6. **P379 'Multiple Suppliers through Meter Splitting' – Final Report – (313/04)**

(Lewis Heather (LH) from CEPA joined the meeting)

- 6.1 Elexon advised that it is currently carrying out a lessons learned exercise which it will share with the Panel in due course. A Panel Member suggested that Elexon includes how the development of Elexon's White Paper led to the Modification being raised and the overall conclusions. Another Panel Member suggested that as part of the narrative, Elexon should also highlight how a concept that was originally perceived as relatively straightforward by Elexon evolved into something so complicated. Another Panel Member commented that although originally vaunted as relatively simple, it soon became apparent to the Workgroup that this was actually highly complex – to such a degree that it would be best be treated under a Significant Code Review (SCR). They noted that one of the purposes of Workgroups is to identify unintended consequences and other implications of a proposed change; the P379 Workgroup in this case quickly identified that this would be a complex change that was farther-reaching than just the BSC. Elexon agreed to include these observations as part of its lessons learned exercise.
- 6.2 A Panel Member queried whether on reflection, CEPA believed the brief they were given was the best way of considering innovation matters and that framing this as a CBA was the best approach. LH from CEPA noted that both they and Elexon were conscious of the differing information available to and from incumbents and non-incumbents. As part of its approach to ensuring that equal weight was given to non-incumbents, CEPA attempted to gather feedback from a number of stakeholders that fed into the conclusions of the CBA. Fifty-four stakeholders attended the stakeholder workshop and semi-structured interviews conducted with 12 participants. However, one of the most challenging elements in relation to innovation was to embrace views of both new entrants to the market and those outside of the sector. LH advised that CEPA's approach was to look at the level of confidence in innovation that would need to meet the level of cost. He believed it was the right approach to follow but that going even further, potentially a specific workshop may have also been appropriate to work through the implications of such diverse stakeholder participation. However, overall he still believed the approach taken and 'the ask' from Elexon was appropriate for this initiative.
- 6.3 The Chair noted that the two applications (Electric Vehicles (EVs) and heat pumps) that CEPA thought would most likely benefit from this approach are also high on the government agenda in heading towards net zero. He therefore queried whether the final report attributed a value to the reduction in carbon emissions that would have arisen. LH confirmed that CEPA did not quantify these; it would be difficult to do so given the uncertainties around the extent of take up. A Panel Member noted that the Panel may have to make recommendations in the future where the balance of the decision hangs on anticipated carbon savings. Elexon commented that the Modification Proposal form has since been updated to identify whether a Modification is consistent or inconsistent with net zero; there are already provisions to identify CO2 emissions where material. These have never been used across any Code Bodies but it is recognised that this area needs to be considered carefully in the future.
- 6.4 The BSC Panel:
- a) **NOTED** the P379 Final Report.
- 7. Issue 83 'Ensuring that the Buy Price Price Adjustment reflects all additional balancing costs incurred by NGESO' – (313/05)**
- 7.1 The BSC Panel:
- a) **NOTED** the Issue 83 Report.

Part III: Non-Modification Business (Open Session)

8. Minutes of previous meetings & Actions arising

- 8.1 The BSC Panel approved the draft minutes for BSC Panel meeting 312, subject to a minor amendment to section 2.8. Elexon presented the actions and associated updates for the April Panel meeting.

9. Chair's Report

- 9.1 The Chair highlighted a number of items that the BSCCo Board discussed at its meeting on 31 March 2021:
- Government policy has highlighted that businesses and its customers need to prepare a plan for meeting the net zero target; Elexon therefore needs to consider how it can do more to support this objective. As such a paper is being taken to the Board in a few months' time.
 - The Board discussed [P416 'Introducing a route of appeal for the Annual Budget in line with the proposals for the Retail Energy Code'](#). The Chair highlighted that the P416 Assessment Procedure Consultation was

issued on 7 April 2021 and noted that the Board intended to provide a response to this Modification, similar to the way it did for [P324 'Review of BSCCo's governance: introducing improved accountability to BSC Parties'](#).

9.2 The Chair noted that he and MB met with Martin Cave (Chair) and Jonathan Brearley (CEO) of Ofgem on 19 March 2021 and with senior BEIS officials. In both meetings the importance of the net zero target and the success of MHHS was emphasised. Additionally he noted that an Inaugural Panel Chair meeting is taking place on 19 April 2021 and both Ofgem and BEIS will be in attendance.

9.3 The Chair also advised that for the Annual BSC Meeting, due to be held on 8 July 2021, the proposed speaker, Anne-Marie Trevelyan (Energy Minister) had now confirmed that she is unable to attend the meeting live. However, she will be providing a BSC-focused video with her key messages. Additionally, Elexon had proposed that a senior BEIS official is in attendance to answer any questions and answers. Elexon had also made enquiries for a second speaker which it hoped to confirm at the next BSC Panel meeting.

10. **Elexon Report – (313/01)**

10.1 MB highlighted the twentieth anniversary of the BSC.

10.2 VM also reported that the Risk Operating Plan (ROP), which details what the PAB will be focussing on over the next year, had been issued for [consultation](#) (and closes on 16 April 2021). This includes four main areas:

- Addressing actions that are identified from market issues identified from the BSC Audit;
- Understanding and mitigating the impacts of potential transition of risk to the REC;
- Supporting the recovery of the market following the COVID-19 pandemic; and
- Providing proof performance assurance within the CVA market.

11. **Distribution Report**

11.1 The DNO Representative did not have any updates to report.

12. **National Grid Report**

12.1 The NGESO Panel Member noted that the Frequency and Risk Control report had been issued. This is one of the final actions that NGESO had to take following the incidents on 9 August 2019. This should allow more flexibility in operating the system and an improvement to system security.

12.2 The NGESO Panel Member also noted that its C16 Consultation had been issued, which includes the proposal for the ODFM service to be included in cashout this summer. This consultation closes on 19 April 2021.

12.3 Finally, he advised that Ofgem won its appeal to the Competition and Markets Authority (CMA) in relation to SSE's challenge to CUSC Modifications [CMP317 & CMP327: Removing Generator Residual and excluding assets required for connection](#).

13. **Ofgem Report**

13.1 The Ofgem Representative noted that the Code Panels supported carrying out its Cross-Code survey after last year's interruption; this will be issued later this year.

13.2 Ofgem had published a [Call for Evidence](#) on NGESO's Performance over 2020/21 with responses due by 3 May 2021.

13.3 Further, Ofgem had published its forward work plan which also includes a section on the Codes Governance Review.

14. **Tabled Reports**

14.1 The BSC Panel noted the reports from the ISG, SVG, PAB, TDC, and the System Price Analysis report.

15. **BSC Sandbox Final Report for Emergent Energy – (313/06)**

15.1 The Panel warmly welcomed the first BSC Sandbox application from Reg Platt (RP) CEO of Emergent Energy. RP advised that the application is in relation to an ongoing issue that Emergent Energy has been in engagement with Elexon on for a number of years. RP noted that significant investment had been made so far and as such was pleased to be able to use the Sandbox process to take it further.

- 15.2 A Panel Member queried whether the proposed solution is applicable for all private networks that are DNO-connected. Elexon confirmed that it is.
- 15.3 A Panel Member expressed concern that 10,000 customers seemed a high figure for the purposes of a trial as this could result in an error which would surpass the Trading Dispute threshold. Elexon confirmed that it had to include a cap but expected the actual figure to be significantly lower than this. RP confirmed that the customer numbers would initially be in the hundreds rather than thousands and that the number of sites currently available to trial is approximately nine, with the potential for more sites to become available. Further, the numbers of customers on a site can vary considerably but believed that a single metric for a cap is best as it provides consistency when evaluating settlement and consumer risk. There was some discussion about a figure which satisfied the Panel's concern of settlement errors and Emergent Energy's need to gain suitable business experience over a variety of sites, customer types etc. The Panel concluded, with RP's agreement, that a condition be included to amend the number of customers to 2,000.
- 15.4 A Panel Member queried what the non-compliance is that Elexon is actually acknowledging. Elexon confirmed that its understanding is that there are situations where customers are being double counted in Settlement. This is a result of arrangements not being put in place to facilitate third party Suppliers who are supplying on a private network (i.e. differencing or full settlement solution). It is the Third Party Supplier's responsibility to establish these arrangements prior to commencing supply. There is no way for the private network operator to ensure these arrangements are in place for customers with third party Suppliers to ensure the correct data enters Settlement.
- 15.5 A Panel Member queried how this would fit in with DNO/TO charges. RP confirmed that DNO/TO charges are all incurred and paid at the boundary point. Additionally, these charges are also incurred and paid on the Metering Points for the customers who are being supplied by third party suppliers. Further, Elexon confirmed that the private network operator appoints the Boundary Point Supplier and thus the arrangements would be made known to any new Supplier at the boundary as part of procurement if the private network operator chose to change Supplier.
- 15.6 A Panel Member noted that Emergent Energy are not a qualified Half Hourly Data Collector (HHDC) and therefore queried who would be collecting the data. Elexon confirmed that the Supplier of the site will need to continue to use qualified Agents for the collection and submission of data into Settlement processes.
- 15.7 A Panel Member suggested that for any future Sandbox applications, Elexon should present a more detailed risk assessment and why/how they have mitigated certain risks. Elexon advised that it carried out a risk assessment (which can be found as an attachment to the paper) which in this case it found to be minimal: one risk is that aggregation is not carried out correctly and secondly, that there may not be a complete inventory of the site. However, Elexon confirmed that an Audit would be carried out for both of these risks. Additionally, a Panel Member did not believe that Elexon's report provided enough detail on the reporting requirements for the trial or on the transition plan at the end of the trial (or if the trial was suspended). Elexon agreed to provide a more robust risk assessment and further detail on the reporting and transition plan for all future applications.
- 15.8 A Panel Member noted that BEIS's review of licence exemptions may reduce the benefits of generation located behind the meter, which in turn may affect the attractiveness of the proposed solution against the existing full Settlement option. Elexon advised that this will be trialled on the basis that nothing changes but would reconsider this depending on the outcome of the review.
- 15.9 A Panel Member observed that the PAB was not provided with the proposed number of customers for this trial and suggested that in future, Elexon should provide a greater amount of detail to the PAB if the Panel is relying on their assessment of risks in order to make a recommendation to Ofgem. Elexon agreed to provide further detail in future when presenting to the PAB.
- 15.10 A Panel Member queried why two years had been proposed for the trial. Another Panel Member commented that two years stems from discussions had at the Workgroup around when certain trials can be measured in terms of their success. Some effects may be seasonal (annual) in which case, parties need a couple of years to build the evidence base. Elexon noted that in discussions with RP, it was identified that the greatest challenges to test in the trial occur in establishing the trial and when customers switch to or from third party Suppliers. The timelines maximise the opportunity for switches, and therefore for testing the efficacy of the proposal. RP confirmed that in case of early successful results they would be looking to raise a Modification before the conclusion of the derogation, which in turn provides greater benefits to the industry.
- 15.11 A Panel Member noted that [Issue 88 'Clarification of BSC Arrangements relating to Complex Sites'](#) and the SVG's proposed Issue Group to amend the BSC and BSCP550 in order to allow for the Shared SVA Metering

Arrangements to be carried out by an individual party may be impacted by this application. Another Panel Member reiterated that those that are currently charged at the Boundary Point Meter should continue to do so to prevent any issues arising. Elexon advised that in effect, the data from the Boundary Point Meter is being replaced with a new figure that excludes those volumes that are supplied by a third party. Another Panel Member queried what happens to the third party Supplier volumes. Elexon advised that the third party would have their own MPAN so would be supplied as normal.

- 15.12 The Panel also requested for Elexon to provide a note for the Panel on the substantial discussion had at the Panel meeting to capture the number of different issues discussed. Elexon agreed to provide this and circulate to the Panel before its 13 May 2021 meeting.

ACTION 313/01

- 15.13 The BSC Panel:

a) Recommended **APPROVAL** of the derogation request from Emergent Energy, subject to the following conditions:

- The maximum number of customers across any number of sites supplied under the trial is 2000; and
- The maximum duration of the derogation is two years from the date of commencement.

16. Options for smoothing BSCCo Costs – (313/07)

- 16.1 Following various discussions on the BSCCo 2021/22 budget with the Panel and some parties, Elexon presented options for smoothing out BSCCo costs, for example occasional large investments in IT systems.
- 16.2 A Panel Member observed that if Elexon carries costs between periods, it should consider who is bearing them. For example, this could be a competition issue for generators who treat the BSC more as a fixed cost in comparison to Suppliers. Elexon commented that it recognised that retaining costs does not necessarily appeal to all and observed that a number of Parties are content with the current arrangement.
- 16.3 A Panel Member put forward the argument that all non-attributable i.e. non site-specific costs are akin to network costs, given Ofgem's decision to approve [P396 'Revised treatment of BSC Charges for Lead Parties of Interconnector BM Units'](#). There is therefore the argument to treat them the same as residual charges.
- 16.4 The Chair noted the Panel's response to the 2021/22 Business Plan where it was made clear that some Parties did not like the major underspend of Elexon Kinnect one year (leading to a give back) and then a demand for the Elexon Kinnect programme the following year. A Panel Member commented that it would depend on how easy it would be to predict or forecast an over or underspend. They therefore believed it would be more efficient to return the funds (as currently) so that the cost is reflective. MB also clarified that Elexon does not leave it until the year end to return any underspend; Elexon continues to re-forecast throughout the year as detailed in Elexon's monthly KPI report which results in lower monthly invoices of BSC Charges in the remainder of the year.
- 16.5 Another Panel Member suggested that the issue is really limited to large capital expenditure, such as the investment required for the New Electricity Trading Arrangements (NETA). However, a conversation with industry would need to take place if a proposal was put forward to repeat that approach. Another Panel Member commented that receiving back any underspend and then requesting funds again could be viewed as inefficient. However, the Panel Member also noted that they do not believe this should be a serious issue, although recognising that it could cause cash flow issues for some parties. Elexon noted that this year would involve the most significant investment for the Elexon Kinnect programme and therefore anticipates this year being closer to budget. In addition, it may not be appropriate to introduce such a change when the investment for this programme will be nearing completion. Other areas of the budget, where there may be significant fluctuations year on year, notably the demand-led, are always going to prove difficult regardless.
- 16.6 A Panel Member queried whether there would be an issue for Elexon to have access to debt or there would be cash flow issues if it was to take the smoothing approach as they were concerned that this approach would generate additional costs for consumers. Elexon confirmed that having access to debt financing is a significant challenge for Elexon as it has no security to offer. When Elexon borrowed money successfully for NETA, the bank had the assurance of the BSC funding obligations on industry, but there is no guarantee that we would be successful again in this regard given the arrangements are complex for a lender to grasp. Elexon believes that capitalisation and spreading costs in the future, due to Elexon's funding model, presents significant liquidity issues and considerations around cash flow.

- 16.7 A Panel Member suggested that improving engagement with industry on major projects such as the Elexon Kinnect programme itself may be beneficial for transparency. There would then be better visibility of the overall cost of the programme which may provide more assurance to parties – for example reporting on the financial progress of such projects in their own regard so that Parties can easily take an opinion as to whether the project is overspending even when it is spread over a few years. Elexon advised that a Transformation Committee (sub-Committee of the BSCCo Board) had been set up to improve the governance of the Elexon Kinnect programme. However, Elexon agreed that improvements could be made to engaging further with Parties on the overall cost of the programme.
- 16.8 The Panel overall agreed that at this time, the current process of returning underspend back to Parties should be continued. It also agreed that a formal consultation on this matter was not required, but requested Elexon to engage with smaller parties e.g. through forums such as Energy UK to see whether they have a particular view which might further influence this opinion.
- 16.9 The BSC Panel agreed in light of the discussion:
- a) **NOT** to formally explore further at this time but to discuss this with industry informally during industry engagement.

17. **New Digital Trading Operations Report – (313/08)**

- 17.1 Elexon gave the Panel with a demonstration of the digital changes it had made to the Trading Operations Report to create a far more interactive interface to enable Parties to interrogate data in a highly flexible manner.
- 17.2 MB noted that this is one of a number of improvements that Elexon has recently introduced or is working on that relate to the BSC services we offer to our customers. A full list can be found at the following [webpage](#).
- 17.3 A Panel Member asked how many market participants had downloaded the CSV versus how many had downloaded the backing spreadsheets. Elexon advised that this is approximately four downloads per month for the backing data and 13 downloads per month for the report but in its first month the new system had been visited almost 450 times.
- 17.4 A Panel Member queried how long the archived pages on the Elexon website would be provided. Elexon noted that this had not yet been confirmed; however it was helpful to receive feedback that pages such as these would still like to be made available, whether this is on the website or the Elexon Portal. Further, Elexon responded that on each webpage for the report, there is a survey available for customers to submit further suggestions for improvements. This aims to steer further development of the report by creating new views of the data and removing those views that are no longer relevant.
- 17.5 The Panel was overall deeply impressed with this development and thanked Elexon for taking the initiative and the hard work.
- 17.6 The BSC Panel:
- a) **NOTED** the new digital version of the Trading Operations Report.

18. **Review of the Credit Assessment Price (CAP) calculation process – (313/09)**

- 18.1 The BSC Panel:
- a) **NOTED** the analysis presented in the paper;
- b) **NOTED** the Credit Committee's concern over the CAP calculation process not reflecting the System Prices over events of System stress; and
- c) **NOTED** the decision of the Credit Committee for the CAP calculation process to proceed as currently designed.

19. **Next meeting**

- 19.1 The next meeting of the BSC Panel will be held remotely on Thursday 13 May 2021.