











BSC Modification Proposal Form		At what stage is this document in the process?
<p><b>PXXX</b></p> <p><b>Mod Title: Publication of Performance Assurance Parties' impact on Settlement Risk</b></p>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p><b>Purpose of Modification:</b></p> <p>The Modification seeks to increase the effectiveness of all detective and investigative Performance Assurance Techniques (PATs) including Error and Failure Resolution (EFR) through greater incentives. This change would allow the Panel to publish notices to industry following recommendation from the PAB in respect of PAPs' contribution to Settlement Risk along with relevant risk data. In conjunction with an additional EFR escalation step, this will incentivise swifter improvement. This should help resolve issues through EFR which can take a substantial amount of time.</p> <p>It is anticipated that this change will deliver improved efficacy in respect of Elexon's Performance Assurance Framework (PAF) by providing greater incentive for parties to resolve issues thus encouraging the swifter resolution of EFR plans and any other significant issues that impact Settlement.</p>		
<p><b>Is this Modification likely to impact any of the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions held within the BSC?</b></p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>		
	<p>The Proposer recommends that this Modification should:</p> <ul style="list-style-type: none"> <li>not be a Self-Governance Modification Proposal</li> <li>be assessed by a Workgroup and submitted into the Assessment Procedure</li> </ul> <p>This Modification will be presented by the Proposer's representative to the BSC Panel on 14 October 2021. The Panel will consider the Proposer's recommendation and determine how best to progress the Modification.</p>	
	<p>High Impact:</p> <p>None</p>	
	<p>Medium Impact:</p> <p>Performance Assurance Parties (PAPs):</p>	

	Suppliers, Non-Half Hourly Data Aggregators (NHHDA), Half Hourly Data Aggregators (HHDAs), MOAs (CVA, NHH and HH), Licensed Distribution Network Operators (LDSOs), Supplier Meter Registration Agents (SMRAs), Non-Half Hourly Data Collectors (NHHDCs), Half Hourly Data Collectors (HHDCs)
	Low Impact: None

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Timetable		 <b>Contact:</b> George Crabtree (Change Analyst)
<b>The Proposer recommends the following timetable:</b>		 <b>George.Crabtree@elexon.co.uk</b>
		 <b>020 7380 4017</b>
		<b>Proposer:</b> BSC Panel
		<b>Proposer's representative:</b> Jason Jackson (Risk Owner)
Workgroup Meeting	W/C 8 November 2021	 <b>Jason.Jackson@elexon.co.uk</b>
Workgroup Meeting	W/C 6 December 2021	
Workgroup Meeting	W/C 10 January 2022	 <b>020 7380 4187</b>
Assessment Procedure Consultation	W/C 7 February 2022 – 18 February	
Workgroup Meeting	W/C 28 February 2021	
Present Assessment Report to Panel	14 April 2022	
Report Phase Consultation	18 April 2022 – 29 April 2022	
Present Draft Modification Report to Panel	12 May 2022	
Issue Final Modification Report to Authority	19 May 2022	

# 1 Why Change?

## What is the issue?

Through industry engagement as part of the [Performance Assurance Framework \(PAF\) review project](#), one of the problems identified was that Settlement impacting issues often take longer to resolve than expected. This was particularly evident in respect of the Error and Failure Resolution (EFR) process where EFR plans often take a considerable time to be resolved, with many plans remaining open for over a year. If EFR plans could be resolved more quickly, the material Settlement impact of the associated Error/Failure would be mitigated to a greater extent. Moreover were it that poor performance identified through all Performance Assurance Techniques (PATs) was addressed more quickly there would be a beneficial impact on all [Settlement Risks](#) being managed directly through the application of PATs.

Where a Performance Assurance Party (PAP) fails to meet one of the milestones within their plan or otherwise meets the EFR escalation criteria (as set out within [BSCP538 'Error and Failure Resolution'](#) and the [EFR Escalation guidance note](#)) the PAP can be escalated to the Performance Assurance Board (PAB). If further escalation is required the PAP may subsequently be escalated to the BSC Panel. In many instances this results in a cycle of repeated escalations to the PAB while the PAP continues to fail to meet the milestones set out within their EFR plan. While BSCP538 does provide the opportunity for the PAB to escalate a PAP further to the BSC Panel, the limited options available to the BSC Panel to incentivise issue resolution means that in practice escalation to the BSC Panel for performance against Settlement Risks is extremely rare.

It is also possible to envision a scenario where a PAP is found to be contributing to one or more Settlement Risks to such an extent that it would not be reasonable to wait for EFR to be applied and EFR escalation to be triggered before taking action to remedy this impact, such as notifying other PAPs of the increase in Settlement Risk and the potential impacts on their business.

## Further Information and Detail

During the [PAF review project](#), stakeholders noted that PAPs often remain in EFR for far longer than one would expect given that the issues have a material impact on Settlement accuracy.

Resolving issues through EFR can take a substantial amount of time, many EFR plans take one or more years to resolve. Industry and committee feedback supported a view that this was at least in part due to operational teams not being able to secure the resource necessary to resolve non-compliances and implement enduring controls and mitigations.

Engagement with the PAB both through the PAF review project and subsequently has indicated that one of the most effective incentives to resolve issues and improve performance against Settlement Risk is public peer comparison and publication of PAP performance against Settlement Risks. [Section B - The Panel](#), 3.3.8 restricts the PAB's ability to publish notices in respect of a PAPs contribution to Settlement Risk as such notices including data would be considered confidential and/or commercially sensitive.

Ellexon is therefore proposing that a Modification is progressed to introduce:

1. An additional step to the EFR Escalation process; and
2. Powers for the PAB to publish public notices of PAPs contribution toward Settlement Risk(s) where a PAP fails to meet their EFR milestones again following EFR escalation, or outside of the EFR process in exceptional circumstances where the impact is sufficiently significant to risk serious impact on other market participants and resolution of the issue is time critical.

- a. With such notices requiring final approval by the BSC Panel on the basis that it is the BSC Panel which is ultimately accountable for such actions since it delegates its powers in respect of Performance Assurance to the PAB.

It is anticipated that these changes will incentivise swifter resolution of issues.

## Desired outcomes

The desired outcomes of this Modification include:

1. Mitigation against PAPs being subject to repeated escalations wasting industry resource (i.e. the PAB and Elexon's time and effort);
2. Swifter resolution of routine EFR issues;
3. Swifter resolution of issues identified through PATs which are found to be having a serious impact on Settlement Risk(s); and
4. Greater transparency across industry in respect of PAPs contribution to Settlement Risk(s).

## 2 Solution

### Proposed Solution

The proposed solution would amend [BSC Section Z – Performance Assurance](#) to allow the PAB to publish notices to industry in respect of PAPs' contribution to Settlement Risk along with relevant risk data where:

- This action is approved by the BSC Panel; and one of
  - a. The relevant PAP has failed to meet an EFR milestone following prior escalation for the same issue; or
  - b. Exceptional circumstances require that such a notice is issued outside of the EFR process e.g. where the relevant PAP's contribution to Settlement Risk is sufficiently significant to risk serious impact on other market participants and the resolution of the associated issue is therefore time critical.

Where a PAP is escalated to the PAB for failing to meet a milestone in its EFR plan, the PAB shall serve notice to the PAP that should it fail to meet a further milestone in the same EFR plan, in addition to being escalated again, a public notice will be issued to inform other PAPs of the escalated PAP's contribution to Settlement Risk along with associated Risk data.

The escalated PAP should also at this stage be notified that further notices will be published where they continue to miss milestones within the same EFR plan.

### Notes on Approach and BSC Change

In order for this approach to be effective, the PAB would need to be mindful that utilising notifications to industry of PAP's failure to resolve an EFR plan too frequently or too widely would weaken its effectiveness.

This action should therefore only be applied in extreme cases.

Delivery of this Modification would require amendment to BSC Section Z and BSCP538 in order to allow for the publication of such notices including data which would be considered confidential and/or

commercially sensitive. The publication of such data is currently prohibited by 3.3.8 BSC Section B, “save as expressly provided by the Code”. Updates to guidance would also be required.

## Benefits

If EFR plans and other high materiality issues are resolved more quickly, impact on Settlement Risks and other market participants will be mitigated. This assumption is based on Elexon’s routine monitoring of the impact of issues in EFR on Settlement Risk.

Avoiding repeated escalations and making the EFR escalation process more dynamic will also reduce the resource burden on the PAB allowing the committee to focus on proactive risk management rather than routine issue resolution.

This change should result in improved resolution times for issues and therefore reduce the impact against multiple risks.

### 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	<b>Positive</b>
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	<b>Positive</b>
(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

The proposal better facilitates BSC Applicable Objective (c) as ensuring issues with a material impact on Settlement Risk are resolved quickly helps ensure an even playing field for all market participants. Sharper incentives for compliant and co-operative market behaviours also mitigates against the risk of negative impacts on competition posed to market participants by bad actors within the market, therefore having a positive impact on competition.

The proposal better facilitates BSC Applicable Objective (d) as this change is intended to ensure the timely resolution of non-compliances with the BSC arrangements. Thereby supporting the efficient implementation of these arrangements.

## 4 Potential Impacts

### Impacts on Core Industry Documents

None.

### Impacts on BSC Systems

None.

### Impacts on BSC Parties

Impacted Parties			
<input checked="" type="checkbox"/> Supplier	<input type="checkbox"/> Interconnector User	<input type="checkbox"/> Non Physical Trader	<input type="checkbox"/> Generator
<input checked="" type="checkbox"/> Licensed Distribution System Operator	<input type="checkbox"/> National Electricity Transmission System Operator	<input type="checkbox"/> Virtual Lead Party	<input checked="" type="checkbox"/> Other (Please specify)

Suppliers, BSC Party Agents and LDSOs can have EFR applied against them and therefore would be impacted by this change should they fail to resolve their EFR plans.

### Impacts on consumers and the environment

Impact of the Modification on consumer benefit areas:	
Consumer benefit area	Identified impact
<b>Improved safety and reliability</b>  Unlikely to have a significant impact either way.	Neutral
<b>Lower bills than would otherwise be the case</b>  Unlikely to have a significant impact either way.	Neutral
<b>Reduced environmental damage</b>  Unlikely to have a significant impact either way.	Neutral
<b>Improved quality of service</b>  Unlikely to have a significant impact either way.	Neutral
<b>Benefits for society as a whole</b>  Unlikely to have a significant impact either way. Incentivising a fair and compliant electricity market but otherwise minimal.	Neutral

## Legal Text/Code Subsidiary Document Changes

[BSC Section Z – Performance Assurance](#)

[BSCP538 - Error and Failure Resolution](#)



## 5 Governance

### Self-Governance

<input checked="" type="checkbox"/> <b>Not Self-Governance</b> – A Modification that, if implemented:	
<input type="checkbox"/> materially impacts the Code's governance or modification procedures	<input type="checkbox"/> materially impacts sustainable development, safety or security of supply, or management of market or network emergencies
<input checked="" type="checkbox"/> materially impacts competition	<input type="checkbox"/> materially impacts existing or future electricity consumers
<input type="checkbox"/> materially impacts the operation of national electricity Transmission System	<input type="checkbox"/> is likely to discriminate between different classes of Parties
<input type="checkbox"/> involves 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	
<input type="checkbox"/> <b>Self-Governance</b> – A Modification that, if implemented:	
Does not materially impact on any of the Self-Governance criteria provided above	

This modification will materially impact competition and therefore should not be treated as a Self-Governance Modification proposal.

### Progression route

<input checked="" type="checkbox"/> <b>Submit to assessment by a Workgroup</b> –:A Modification Proposal which:	
does not meet any criteria to progress via any other route.	
<input type="checkbox"/> <b>Direct to Report Phase</b> – A Modification Proposal whose solution is typically:	
<input type="checkbox"/> of a minor or inconsequential nature	<input type="checkbox"/> deemed self-evident
<input type="checkbox"/> <b>Fast Track Self-Governance</b> – 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:	
<input type="checkbox"/> updating names or addresses listed in the Code	<input type="checkbox"/> correcting minor typographical errors
<input type="checkbox"/> correcting formatting and consistency errors, such as paragraph numbering	<input type="checkbox"/> updating out of date references to other documents or paragraphs
<input type="checkbox"/> <b>Urgent</b> – A Modification Proposal which is linked to an imminent issue or current issue that if not urgently addressed may cause:	
<input type="checkbox"/> a significant commercial impact on Parties, Consumers or stakeholder(s)	<input type="checkbox"/> a Party to be in breach of any relevant legal requirements.
<input type="checkbox"/> a significant impact on the safety and security of the electricity and/or gas systems	

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

No.

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

None anticipated.

**Implementation approach**

The associated [PAF review recommendations report](#) detailed the proposed solution which was discussed and approved by the PAB. However since this solution has subsequently been refined and expanded to meet our customers evolving needs it is therefore recommended that this solution is submitted to the PAB again in order that the PAB might recommend that the revised solution is submitted to the BSC Panel to be raised.

As the scope of the Risk data which could be included in notices regarding PAP's contribution to Settlement Risk needs to be fleshed out along with the circumstances in which such notices might be issued, it is recommended that this Modification is progressed through Assessment Procedure where it can be considered by a Workgroup.

Following approval, implementation would require amendment of the relevant BSCP and BSC Sections. These changes will need to be carefully communicated to all PAPs so that they understand the changes before they are potentially impacted through EFR. EFR guidance notes and LWIs will also need to be updated to reflect the changes.

Implementation will be in the next available release so as to realise the benefits of the Modification as soon as possible.