

## Minutes

### BSC Panel

Meeting number **319**

Venue **Elexon Offices/Video Conference**

Date of meeting **Thursday 14 October 2021**

Classification **Public**

### Attendees and apologies

#### Attendees

Michael Gibbons	MG	BSC Panel Chair
Phil Hare	PH	Deputy BSC Panel Chair
Colin Down	CD	Ofgem Representative
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
Diane Dowdell	DD	Chair Appointed Industry Panel Member
Fungai Madzivadondo	FM	Distribution System Operator Representative
Ed Rees	ER	Consumer Panel Member
Andy Manning	AM	Consumer Panel Member (Part-Meeting)
Mark Bygraves	MB	Elexon CEO
Victoria Moxham	VM	Elexon Director of Customer Operations, Panel Secretary
Claire Kerr	CK	BSC Administration and Configuration Manager
Lawrence Jones	LJ	Modification Secretary
Laetitia Wamala	LWa	NGESO (Part-Meeting)
Frank Kabisante	FK	NGESO (Part-Meeting)
Joseph Henry	JH	NGESO (Part-Meeting)

## Attendees and apologies

Lee Stone	LS	E.ON (Part-Meeting)
Paul Youngman	PY	Drax Energy Solutions Limited (Part-Meeting)
Kurt Braganza	KB	Ofgem (Part-Meeting)
Matthew Tregear	MT	Ofgem (Part-Meeting)
Jenny Sarsfield	JS	Elexon
Paul Wheeler	PW	Elexon
George Crabtree	GC	Elexon
Chris Arnold	CA	Elexon
Craig Murray	CM	Elexon
Darren Draper	DD	Elexon
Emma Tribe	ET	Elexon
Tirath Maan	TM	Elexon
Peter Frampton	PF	Elexon
Iain Nicoll	IN	Elexon
Jason Jackson	JJ	Elexon
Joel Fernandes	JF	Elexon

### 1. Introduction

- 1.1 The Chairman noted full attendance at the Panel today.

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## Part I: Non-Modification Business (Open Session)

### 2. Digitalised Whole System Technical Code – (Verbal)

- 2.1 Laetitia Wamala (LWa) and Frank Kabisante (FK) from National Grid (ESO) [presented](#) on the Digitalised Whole System Technical Code. LWa encouraged the BSC Panel to provide written responses to the consultation.
- 2.2 The Chair noted that one of the key benefits was to encourage innovation and queried the rationale behind this. FK advised that stakeholders have commented that barriers to entry would be reduced through digitalising and consolidating these Codes. This would immediately provide benefits through innovative technologies and encouraging parties to enter the market through lower costs.
- 2.3 A Panel Member noted the difference between guidance and legal documents but queried where the legal documents could be found for this Code. They suggested that having two separate documents could be confusing for industry. LWa advised that there had been mixed views from stakeholders as to whether they would like the legally binding documentation on the website or just guidance documents. They had therefore included this as part of the consultation. If the digitalised Code is not the legally binding document, then the intention is to have a PDF version available on the website that is legally binding. The Modification Secretary commented that other digitalised Codes also maintain PDFs although the Retail Energy Code (REC) is an exception to this. Further, Elexon will be providing download options and maintaining PDFs for the near future as part of its Code Digitalisation project.
- 2.4 A Panel Member queried what stakeholder engagement had been like so far. LWa advised that stakeholder engagement had been good and that where there had been a particular interest in a topic this had been

welcomed. However, there are key areas where further engagement is required i.e. Distribution Code users so they have been looking to reach out to Trade Associations and obtain further constructive feedback.

- 2.5 A Panel Member noted section 3.2 in relation to artificial intelligence (AI) and queried what the governance of the coding and signposting would be as this could significantly influence how parties interact with the Code. They expressed concern that different users may get different experiences. LWa advised that the AI detail and the particular algorithms are yet to be developed but thanked the Panel Member for their concern. The Panel Member agreed for LWa to contact them and provide further feedback offline.
- 2.6 A Panel Member queried whether NGESO had been engaging with the Energy Networks Association (ENA) and D-Code Panel. LWa advised that they had been in discussions with the ENA and DNOs and had attended the DCUSA Panel. The DCUSA Panel had passed the consultation onto their contacts; NGESO would therefore be contacting individual IDNOs once these contact details had been received.
- 2.7 The BSC Panel:  
a) **NOTED** the update.

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## 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

### 3. Change Report and Progress of Modification Proposals – (319/02)

- 3.1 The Modification Secretary [presented](#) the Change Report and progress of Modification Proposals.
- 3.2 The Modification Secretary highlighted the portfolio pipeline. They noted that the high demand for system changes with a number of complexities e.g., Modification changes, vital upgrades and Market-Wide Half Hourly Settlement (MHHS) commitments.
- 3.3 In relation to [P395 'Aligning BSC Reporting with EMR Regulations – an enduring solution'](#), Elexon is considering whether this could be delivered in 2023, noting that it builds on elements of [P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point'](#) and [P419 'Enhanced Reporting of Demand Data to the NETSO to facilitate BSUoS Reform'](#). Although P419 is still in the Assessment stage, the Release date is almost certain as it is required for April 2023 to support the outcomes of the BSUoS taskforce.
- 3.4 The Modification Secretary advised that it is currently assessing a [P376 'Utilising a Baseline Methodology to set Physical Notifications for Settlement of Applicable Balancing Services'](#)/P419 impact assessment for February 2023, which is required in order to properly assess P395. Once the detail and costs are available, Elexon will then assess P395 and consider when it would be able to implement P395.
- 3.5 A Panel Member observed that there could be a material risk that Ofgem would not be able to make a decision by February 2022 in time for P419 to be implemented in February 2023. The Modification Secretary hoped that once its service providers had considered the P376/P419 impact assessment alongside that for P375, that delivery timescales could be reduced. Failing that, Elexon may have to consider working at risk although this should be minimal exposure. The Modification Secretary advised that no risk had been identified to date but that a timely P419 impact assessment from NGESO would help prevent this. The NGESO Panel Member reassured the Panel that this would be issued to Elexon in time (by end of October 2021).
- 3.6 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'](#), a Panel Member queried whether NGESO was intending on sharing with the Workgroup what it intends to include in its costs/benefits assessment. The NGESO Panel Member noted that the options in the assessment were those requested by the Workgroup and they hoped that this would be issued today. A Panel Member also queried why the assessment had taken so long to compile. The NGESO Panel Member advised that this was not down to a material issue but that there had been competing priorities.
- 3.7 The Modification Secretary reminded the Panel that the Retail Energy Code (REC) are moving standard Release days from a Thursday to a Friday, across gas and electricity. Further to the update provided to the Panel on 12 August 2021, Elexon are continuing to work with REC and CACoP to provide a more detailed update next month. Elexon also issued a survey to gauge stakeholder views; views were mixed but will be shared next month.

3.8 In relation to speeding up the change process, Elexon has drafted a survey, which it will issue to stakeholders in November 2020 once Elexon's customer survey is complete.

3.9 The BSC Panel:

- a) **APPROVED** a six-month extension to the P395 Assessment Procedure;
- b) **APPROVED** a nine-month extension to the P412 Assessment Procedure;
- c) **APPROVED** a two-month extension to the P419 Assessment Procedure; and
- d) **NOTED** the contents of the October Change Report.

#### 4. **P425 'Amendment to the definition of Shared SVA Meter Arrangement' – (319/03)**

4.1 A Panel Member queried what the process would be for ending a shared SVA arrangement and reverting to a single MPID. The Modification Secretary advised that this would be covered under a review of BSCP550 but agreed that a review of the end-to-end process should be considered. The Panel agreed that this was sensible and to include this as part of the Workgroup's Terms of Reference.

4.2 A Panel Member observed that the key business driver for this appears to be a change of Supplier, who may be caught by the sharing arrangements so queried whether there are any other benefits. Lee Stone (LS), the Proposer noted that when these situations arise (although they are not common), the timing of the set-up is one of the main drivers for the Modification. It can be very difficult to work across multiple Suppliers, making it complex for the end consumer.

4.3 The DSO Representative expressed concern that the creation of shared metering arrangements is only necessary where there are different Suppliers. Creating additional MPANs when there is the same Supplier for the connection creates complexities and impacts on the Distribution Use of System (DUoS) arrangements. They therefore suggested that the Workgroup considers network impacts as part of its assessment. Another Panel Member commented that although these sites are rare, some customers like to have that type of metering as they may have sub-letting on their site that a Distribution Company is not aware of. The Panel agreed that the Workgroup should consider any additional network impacts and impacts on other codes i.e. Distribution Connection Use of System Agreement (DCUSA), as part of its Terms of Reference.

4.4 A Panel Member also suggested that the Workgroup should consider what responsibilities are placed on Suppliers. They noted that as part of the current interim exempt supply process, there is an obligation on the Supplier to notify Elexon whenever any contractual arrangements change. The Proposer agreed that this should also be included.

4.5 The BSC Panel:

- a) **AGREED** that P425 progresses to the Assessment Procedure;
- b) **AGREED** the proposed Assessment Procedure timetable;
- c) **AGREED** the proposed membership for the P425 Workgroup; and
- d) **AGREED** the Workgroup's Terms of Reference.

#### 5. **P426 'Combining related BSC Parties' Energy Indebtedness positions for the Credit Cover Percentage calculation' – (319/12)**

5.1 A Panel Member observed that it is not self-evident that this Modification is pro-competitive. They believed there to be the potential for a cross subsidy within a group, which would be anti-competitive and detrimental to Applicable BSC Objective (c). Additionally the Panel Member did not believe it to be appropriate for the BSC to solve risk management problems for a group. Another Panel Member noted that there could be a possible potential benefit for vertically integrated companies. The Proposer, Paul Youngman (PY) suggested that it would be useful for the Workgroup to consider the proposed benefits as part of its Terms of Reference. They were of the view that there is a benefit as the same level of Credit would be required under the BSC (as it is being posted by the same entity), however it removes multiple lines of Credit when only one is required. PY also highlighted that 45% of BSC Parties have multiple BSC Parties part of group companies so believed these arrangements would provide efficiencies under the BSC.

5.2 A Panel Member noted that there would be nothing to stop the Party group having a bank giving letters of Credit under individual names amounting to the same sum. Another Panel Member asked for clarification as to

whether the Party was looking for any netting or offset as they believed that only integrated players can achieve this benefit; this would therefore be distorting competition as smaller Suppliers and generators are unable to achieve this. The Panel agreed that this was extremely important and should be included as part of the Workgroup's Terms of Reference.

- 5.3 A Panel Member queried whether it was imbalance liabilities that the Proposer was looking to get some benefit on or liabilities for bids. They noted that some Parties already consolidate their position using Metered Volume Reallocation Notifications (MVRNs). MB also noted that if the existing MVRN proposals of credit management are not considered sufficient then the Workgroup should explore alternatives. The Proposer advised that this was not specifically from a Drax perspective so was happy for the Workgroup to explore these options further.
- 5.4 The Panel overall agreed that the following aspects should be explicitly included as part of the Workgroup's Terms of Reference:
- Does the Workgroup consider this Modification anti-competitive?
  - Should this be considered a BSC issue rather than an internal corporate issue?
  - Consider the effects of integration on competition; and
  - Why are the existing MVRN proposals of credit management not considered sufficient?
- 5.5 MB expressed concern that the language in the P426 IWA that implies that Credit Cover is always enough to cover non-payments, which is not the case. The Panel has seen many instances where a Parties' historic behaviour changes and their Credit Cover drops away, making BSC Parties more exposed. Elexon advised that this language was taken from the Proposal form; the issue statement itself cannot be changed once officially raised.
- 5.6 The BSC Panel:
- a) **AGREED** by majority that P426 progresses to the Assessment Procedure;
  - b) **AGREED** the proposed Assessment Procedure timetable;
  - c) **AGREED** the proposed membership for the P426 Workgroup; and
  - d) **AGREED** the Workgroup's Terms of Reference.

## 6. 'Publication of Performance Assurance Parties' impact on Settlement Risk' – (319/04)

- 6.1 A Panel Member queried whether there is a governance issue, which should be taken into account. Elexon noted that there is a significant risk associated with erroneous data being published or where a Party could evidence that Elexon had issued a notice regarding their impact on a given risk, which turned out to be false. For additional scrutiny, Elexon believed it to be important for there to be an additional step of escalation to the Panel. Therefore Elexon advised that it would expect the Workgroup (in terms of structure, process and format) to agree that such notices would only be issued where available industry level data is clear i.e. there is no grey area or room for a dispute regarding such a notice.
- 6.2 Another Panel Member commented that we have been using a risk-based assurance for many years and was of the view that we have not yet satisfactorily landed on a mechanism for evaluating that. If we are to publish an 'impact' it needs to be robustly calculated in a manner that BSC Parties acknowledge as reasonable (the methodology should be transparent and capable of being used ex ante by the offending party to predict the impact). In the absence of that mechanism to evaluate the impact, the Panel Member would support publishing performance against whatever BSC metric being missed.
- 6.3 A Panel Member queried whether this would be a sanction above and beyond the Error and Failure Resolution (EFR) process. Elexon confirmed that this would be a step between EFR and a breach of Section H Default that involves the Panel.
- 6.4 A Panel Member observed that the aim of the Modification would be to incentivise poorly performing Parties to avoid reputational damage. They therefore queried whether this approach may be counterproductive in respect of catastrophic failures (i.e. those that would take a long time to fix if there were system issues, which can take a long time to resolve through no fault of the market participant). The Panel Member suggested that the Workgroup should consider further than a 'name and shame' process as part of its Terms of Reference. Elexon agreed to feed these comments into the Workgroup's discussion but suggested that where it was publishing such a notice, Parties might expect to see a subsequent notice setting out what a Party might have done to rectify the situation.

- 6.5 A Panel Member commented that where Elexon considers fine margins of EFR plans, these are not always straightforward as there can be various obstacles in Parties' way to pass the last few percentage. Elexon advised that there needed to be thresholds and a degree of severity of concern with the risk impact before Elexon considers publishing such a notice. Further, Elexon would not expect to issue such a notice if a Party struggled to get back up to the 97% threshold by a fraction of a percentage for a given month. Elexon intends for this to only be applied in circumstances where there is a serious issue and Senior Management of the company is not cooperating to resolve the issue.
- 6.6 A Panel Member noted that this Modification would introduce two routes to the Panel: one under the current Section H Default process and another under a new 'name and shame' process. They expressed concern that any level of risk of commercial confidentiality being breached by the notice should be removed. Elexon agreed that the Workgroup should consider what restrictions should be put in place to mitigate any risk of having commercially sensitive data shared. Further, in taking a pragmatic approach, this should not be considered an option if it is something that is out of the Parties' control.
- 6.7 The BSC Panel:
- a) **RAISED** the Modification Proposal in Attachment A (in accordance with F2.1.1(d)(vi));
  - b) **AGREED** that this Modification progresses to the Assessment Procedure;
  - c) **AGREED** the proposed Assessment Procedure timetable;
  - d) **AGREED** the proposed membership for the Modification Workgroup; and
  - e) **AGREED** the Workgroup's Terms of Reference.
- 7. P421 'Alignment with GC0144 for TERRE Market Suspension' – (319/05)**
- 7.1 A Panel Member observed that NGESO had provided a detailed document and presentation including a cost/benefit analysis (CBA) of a GB-only Replacement Reserve (RR). They noted that the conclusion of these suggested that there was no need for a GB-only RR and that industry should stick to using Short Term Operating Reserve (STOR). Another Panel Member advised that they had also seen the CBA in which NGESO had suggested that there would be a benefit if GB were able to re-join the internal energy market in 2026. If GB was to join TERRE, the Panel Member expressed the view that this Modification would make it easier to be able to do so.
- 7.2 A Panel Member suggested delaying P421 until the presentation had been made public so that for transparency purposes, industry was then aware of NGESO's proposed way forwards. The Modification Secretary confirmed that under BSC Section F 'Modification Procedures' (paragraph 2.7.5), there is a requirement for the Draft Modification Report to be considered 'at the next following Panel meeting', which was the current meeting.
- 7.3 A Panel Member also queried whether NGESO would withdraw the Modification. Elexon confirmed that this was not possible now that P421 had progressed past the Assessment Procedure stage. The NGESO Panel Member expressed the view that they did not understand the benefit of deferring the Modification. If the majority view of the Panel was that P421 should be rejected, then this recommendation should be sent to Ofgem for their final decision. Further, the main benefit in implementing this Modification is to align the BSC with the Grid Code (GC0144); this would still be required regardless of the status of TERRE or a GB-only RR.
- 7.4 A Panel Member disagreed with recommendations a) and b) (in line with their initial recommendation at the August 2021 Panel meeting). They had not changed their position, as they still did not believe the Modification to be necessary at this time. Further, they believed it to be confusing for the market to continue to use references to TERRE within the BSC.
- 7.5 The BSC Panel:
- a) **AGREED** by majority that P421:
    - i **DOES** better facilitate Applicable BSC Objective (a); and
    - ii **DOES** better facilitate Applicable BSC Objective (e);
  - b) **AGREED** a recommendation that P421 should be approved
  - c) **APPROVED** an Implementation Date of:

- i) 4 November 2021 if an Authority decision is received on or before 28 October 2021; or
  - ii) 24 February 2022 if an Authority decision is received after 28 October 2021 but on or before 3 February 2022;
- d) **APPROVED** the draft legal text; and
- e) **APPROVED** the P421 Modification Report.

## 8. **P375 – Approval of new BSCP603 – (319/06)**

- 8.1 A Panel Member observed that there could be potential risks and constraints with the faster switching programme. The Modification Secretary and Panel Member agreed to continue the discussion offline.
- 8.2 The BSC Panel:
- a) **APPROVED** the new Category 1 BSC Configurable Item BSCP603 'Meter Operations and Data Collection for Asset Metering Systems' to become effective on 30 June as part of the June 2022 BSC Release; and
  - b) **DELEGATED** ownership of BSCP603 to the SVG.

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## Part III: Non-Modification Business (Open Session)

### 9. **Minutes of previous meetings & Actions arising**

- 9.1 The BSC Panel approved the draft minutes for BSC Panel meetings 318, 318A, 318B, 318C, 318D and 318E. Elexon presented the actions and associated updates for the October Panel meeting.

### 10. **Chair's Report**

- 10.1 The Chair noted that he attended the Regulatory Policy Institute (RPI) conference. He highlighted that the representative from Octopus Energy had the view that the single balancing price system is unhelpful and recommended radical reform.
- 10.2 In addition, the Chair had also attended the Tory Party conference. There was strong consensus that the Green Policy levies on electricity should be moved elsewhere and that consumers should always be financially better off in relation to net zero improvements. He also highlighted that there was a strong view from Ministers that the price cap should stay and that the net zero target for electricity should be brought forward to 2035 from 2050.

### 11. **Elexon Report – (319/01)**

- 11.1 MB noted that since the report was published, Elexon wanted to make two amendments. Firstly, Elexon will add a section reflecting on the current market conditions. Secondly, the wording to the Panel's response to Ofgem/BEIS's Energy Codes Reform will be amended to make it more reflective of the response. Av2.0 of the Elexon Report would be published on the website<sup>1</sup>.
- 11.2 A Panel Member noted the MHHS programme expenditure figure of £0.8million against a budget of £2.9million so queried whether the £2.9million figure was the year one figure approved by the Elexon Board. MB advised that as Elexon invoices industry for the £14.5million over the year as a Specified Charge, it would be taken equally each month; expenditure today is therefore lower than what the actual expenditure will be in later months. MB also clarified that Elexon is still on track for the £14.5million year one spend but it would have a more accurate view once procurement of the lead delivery partner is determined in early November 2021. As such, an updated forecast would be provided to Parties in November 2021.

### 12. **Distribution Report**

- 12.1 The DNO Representative commented that NGESO had presented the Distributed Restart project to the DNO Commercial Operations Group (COG). As discussed at the August 2021 Panel meeting, NGESO noted that they had been working with DNOs from the initial stages of the project. The aim of the presentation was to provide information on potential codes changes to the COG. DNOs had raised questions on the proposed arrangements and had asked for further engagement with NGESO.

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<sup>1</sup> Post-meeting note: v2.0 of the Elexon Report has been published and can be found at the following [link](#).

12.2 A Panel Member queried what DNOs had concerns about. The DNO Representative advised that DNOs had some technical concerns as well as concerns regarding commercial arrangements as to who is responsible for what.

### 13. National Grid Report

13.1 The NGESO Panel Member noted that the ESO had also submitted its response to Ofgem/BEIS's Energy Codes Reform. NGESO had made it clear in its response that there needed to be significant Future System Operator (FSO) involvement for the code change process; key vehicle towards delivery of net zero target for stakeholders.

13.2 The NGESO Panel Member also noted that in relation to P410, the draft methodology was now public so this would be subsequently be published on the NGESO website and distributed to Elexon for publication on the P410 webpage. The draft methodology would be submitted to Ofgem on 15 October 2021.

### 14. Ofgem Report

14.1 The Ofgem Representative invited views on the ESO's performance from April-September 2021. Any comments should be submitted to Ofgem by 1 November 2021.

14.2 A Panel Member advised that there appeared to be a number of issues arising out of the Clean Energy Package that was causing a lot of work for industry with no obvious benefit. The Ofgem Representative agreed to take this away for discussion with colleagues and to then report back to the Panel.

#### ACTION 319/01

14.3 VM queried when the results of the cross-code survey results would be published. The Ofgem Representative commented that they are slightly behind schedule but that the individual reports would be shared with the codes before the overall results are published. MB encouraged Ofgem to consider the overall messaging as it did not want Ofgem to suggest the overall direction of travel is the same for each Code.

14.4 A Panel Member queried whether Ofgem had a timetable for publishing the responses received to the Ofgem/BEIS Energy Codes Reform consultation. The Ofgem Representative advised that the intention is to publish the responses alongside the next publication but could not provide a specific date of when this would be issued.

14.5 A Panel Member requested that an Ofgem Representative attend the [Issue 98 'Review of the current practice of setting Dynamic Parameters within the Balancing Mechanism'](#) meeting as Ofgem's letter was causing difficulties.

### 15. Tabled Reports

15.1 The BSC Panel noted the reports from the ISG, SVG, PAB, TDC, the Trading Operations Headline Report and the System Price Analysis report.

### 16. Alternative CAP Review Process – (319/07)

16.1 The Chair noted that the speed of the process was proposed to decrease from 5WDs consultation+15WDs implementation to a one WD consultation+10WDs implementation. A Panel Member agreed with the pace proposal in principle as long as the mechanism was forecastable. Another Panel Member observed the short consultation period of one WD and queried whether in practice, a large number of responses was normally received to the consultation. The Chair confirmed that in normal circumstances, there is often only one response received but that three responses had been received to the two most recent consultations.

16.2 A Panel Member commented that Parties have indicated to them that they were not providing a response, as they did not want to indicate that they were in distress. Although the responses received were confidential, there could be a member of the Credit Committee who was their counter-Party. They therefore suggested that parties could have the option to reply to the actual consultation email stating the type of Party they are rather than having to fill in the full form with all their details. Elexon noted that the intention is to digitalise the consultation so that parties are not using the same word download pro-forma. They could therefore ensure that not all contact detail lines are mandatory to complete.

16.3 A Panel Member expressed concern that parties might not have the capacity or authority to respond in one WD and suggested that two or three WDs might be more appropriate. A Panel Member also observed that the

Credit Committee should not necessarily rely on consultation responses as no responses received to consultations can often mean parties are content with what is being proposed.

- 16.4 In relation to the Credit Committee using their influence to set the CAP, the Chair noted that the proposal would allow the Credit Committee to make its own best judgment. A Panel Member was unsure how system prices would be used and commented that they would prefer a process that was mechanistic e.g. using a time-weighted average of the last 10WDs. This way, parties may have the ability to forward-plan what their Credit exposure might be. Another Panel Member commented that the CAP would need to be adjusted quickly once prices start reducing to avoid unnecessarily prolonging the impact of high prices.
- 16.5 Another Panel Member commented that SVG Members had queried whether the CAP had to keep increasing. Elexon advised that by not being prescriptive over what formula was used would allow the Credit Committee to have the option to not raise the CAP but instead maintain the current level. Further, Elexon noted that some consultation respondents had queried whether the CAP could be capped. Elexon advised that by looking at the system prices of the past 5WDs, consultation responses, forward market prices and the Market Index Prices would allow for a full perspective to be considered.
- 16.6 A Panel Member, who is also a Credit Committee Member noted that although the triggers are mechanistic, the Credit Committee tries to balance between what it knows about the forward market and what it knows about Defaulting Suppliers. However, they acknowledged that the current Credit Committee members are not a full representative group of the industry. A Panel Member suggested that it might be useful to increase the representation of the Credit Committee membership. The Chair confirmed that requests for members had been advertised in Newscast a number of times over the past 12 months and only one industry participant had taken up that opportunity to become a member. However, they agreed that there would be no harm in attempting to increase the diversity of the membership again.
- 16.7 A Panel Member suggested that in terms of risk management, parties might find it more useful to know what formula the Credit Committee was using rather than speculating upon discretion. They noted that the formula appears to need 'here and now' system prices as well as a forward view. Another Panel Member was of the view that system prices and market prices do not coincide and that system prices would better reflect the exposure at cash-out. Another Panel Member noted that electricity settlement is complex and that proposing changes to the CAP Review process would not do much to mitigate mutualisation; the underlying cause of which is that parties are given 29 days for Credit at a time when prices are rising. The Panel Member pointed out that in the real world under such conditions a market might reduce the period of credit as an immediate way to reduce credit risk.
- 16.8 MB advised that even if Elexon were able to accelerate Settlement by even a month, it would not be practical to do so at this time as it would require a major system change and subsequent impact on the market.
- 16.9 Another Panel Member commented that there is a way to cap the CAP but that it requires the Secretary of State to intervene by declaring a Civil Emergency. BSC Section G4.1.1(b)ii then allows the Secretary of State to put a cap on the CAP. Elexon advised that they had not been prescriptive as to how the price would be set.
- 16.10 A Panel agreed that the main principles that should be taken into account for the proposed mechanism are transparency, flexibility, predictability and stability. The Panel agreed that it should consult on the proposed mechanism, as the Credit Committee would be making decisions based on the fast-moving market. Elexon noted that it would obtain learnings from running this process and how in the future, the 'normal' CAP would be processed.
- 16.11 Overall, the Chair noted the Panel's strong support to increase the pace for a period to be reviewed again by the Panel at an appropriate time. The Panel also encouraged the Credit Committee to take into account matters that it may not have considered previously e.g. the effect on Parties, recent prices and forward-looking prices. The Panel also agreed that although the CAP Review Guidance Document is not on the BSC Baseline Statement, Elexon should issue a 5WD consultation out of courtesy to the industry of the proposed changes. The Panel also agreed that for governance purposes, the Credit Committee's Headline Report would be added to the Standing Reports on the Panel agenda going forwards.
- 16.12 The Chair queried whether Ofgem had any comment to make on the proposed mechanism. The Ofgem Representative commented that they were broadly supportive of the alternative mechanism. If the CAP is updated more frequently, it should mean that Credit Cover better reflects market prices and Parties' imbalance costs. However, Ofgem would require more information on the exact methodology that the Credit Committee would use when making an update to the CAP to give a more detailed policy view on the proposed change.

16.13 The BSC Panel:

- a) **PROVIDED** comments on the proposed mechanism and how the Credit Committee can use their influence on setting the CAP;
- b) **APPROVED** the suggested edits to the Credit Assessment Price (CAP) Review Guidance Document;
- c) **AGREED** to conduct a five Working Day (WD) consultation on the proposal and as part of this, include a question as to whether a one WD or two WDs consultation response time is most appropriate;
- d) **NOTED** that the guidance will be updated as soon as possible following the five WD consultation so that they can take effect; and
- e) **AGREED** to carry out an attempt to increase the diversity and membership of the Credit Committee.

## 17. **Update of progress made to BSC Panel Strategy 2020-2022 – (319/08)**

17.1 A Panel Member suggested that a lessons learned exercise of the Panel's involvement in the Section H Default process, in particular that of September 2021 be carried out The Panel Secretary agreed to add this to the current Panel Strategy.

17.2 The BSC Panel:

- a) **NOTED** the actions that have been achieved out of the BSC Panel Strategy to date;
- b) **NOTED** the items that will require Panel review over the next six months; and
- c) **AGREED** to include a lessons learned exercise of the Panel's involvement in the Section H Default process for September 2021.

## 18. **Any other business**

18.1 A Panel Member noted that Credit calculation does not work for storage as it rarely empties so relies on dynamic containment. They had asked the Party to raise a Modification via its Supplier but they had confirmed they were unable to at this time. The Panel Member noted that this could be a Modification that the Panel could consider raising or alternatively, find a storage operator who is a BSC Party to raise this.

18.2 The Chair suggested that a Christmas lunch takes place after the BSC Panel meeting on 9 December 2021 for those Panel Members who would like to attend the December meeting in person. The Chair asked the Panel to inform the Panel Secretary if they would like to attend.

## 19. **Next meeting**

19.1 The next meeting of the BSC Panel will be held at the Elexon Offices and via video conference on Thursday 11 November 2021.