Initial Written Assessment

‘Enable Elexon to procure ancillary Technology Services for use by BSC Agents ’

To remove barriers in BSC Section E that would prevent Elexon updating BSC Agent contracts to enable them to use Technology Services, such as cloud services, procured by Elexon. This should reduce costs for BSC Parties and provide Elexon greater flexibility for the management of cloud platforms.

Elexon recommends the Panel raises the attached Modification Proposal in accordance with the provisions of Section F - Modification Procedures F2.1.1 (d)(i)

Elexon recommends this Modification is progressed to the Assessment Procedure for an assessment by a Workgroup

Elexon does not consider it likely that this Modification will impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- All BSC Parties

ELEXON

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

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About This Document

You can find the definitions of the terms and acronyms used in this document in the BSC Glossary[1].

This document is a recommendation to the BSC Panel to raise a Modification Proposal (Attachment A) in accordance with BSC Section F2.1.1(d)(i). Elexon will present this paper to the BSC Panel at its meeting on 8 June 2023. If the BSC Panel agrees to raise the Modification Proposal, this document will form its Initial Written Assessment (IWA), and the Proposal Form will be updated and published on the Elexon website accordingly.

There are 3 parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress, including the Workgroup's proposed membership and Terms of Reference.
- Attachment A contains the Proposal Form.
- Attachment B contains the draft redlined changes to the BSC for this Modification Proposal.

[1] https://www.elexon.co.uk/glossary/?show=all

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Not sure where to start?

We suggest reading the following sections:

- Have 5 minutes? Read section 1
- Have 15 minutes? Read sections 1, 4, 5 and 6
- Have 30 minutes? Read all sections
- Have longer? Read all sections and the annexes and attachments.

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1 Summary

Why change?

The implementation of Elexon Kinnect[2] will change the underlying technology and systems used to deliver BSC Agent services. Elexon are therefore reviewing the contracts with these BSC Agents in order to reflect these technology changes, and to ensure they continue to meet the needs of BSC Parties.

The issue that this Modification seeks to address is to allow Elexon flexibility to enter into contracts directly with Technology Service Providers for ancillary Technology Services, such as cloud services, and, consequently, relieve the relevant BSC Agent (but not the Technology Service Provider) of responsibility for the ancillary Technology Services [where Elexon has entered into contract(s) directly with Technology Service providers].

Solution

We propose updating Section E of the BSC to clearly state that BSC Agents may be required to deliver their services using Technology Services, such as cloud computing, procured for them by BSCCo. This solution would also need to recognise that, for services that Elexon procures directly from a Technology Service provider (e.g. cloud services) rather than via a BSC Agent, the BSC Agent would no longer be contractually responsible for these specific services to the extent they were beyond its reasonable control. This solution is specifically targeted at ancillary Technology Services that are similar to the sorts of Technology Services that Elexon already procures and which are not core BSC Agent services that are required to deliver Settlement.

Impacts and costs

We expect costs to implement this Modification to be low (<£1k) as a document only change. We also do not anticipate any costs or impacts for BSC Parties, rather it should bring cost savings for BSC Parties. Any possible further costs and impacts will be evaluated as part of the Assessment Procedure.

Implementation

This Modification is anticipated to be a document only change and not incur any system or process changes for Elexon or Market Participants. As such, it is recommended the Modification is implemented as soon as reasonably practical to allow Elexon to procure cloud services directly, if they choose to, and to prevent any avoidable costs being passed on to BSC Parties. Therefore an initial **Implementation Date of 5 Working Days (WDs) following Authority decision is recommended**.

[2] https://www.elexon.co.uk/about/about-elexon/foundation-programme-2018/

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Recommendation

Elexon invite the BSC Panel to raise this Modification Proposal in accordance with BSC Section F 'Modification Procedures'[3] 2.1.1(d)(i). We believe this Modification proposal will better facilitate Applicable BSC objective (d) as allowing Elexon to procure Technology Services on behalf of BSC Agents maximises value for money. If the Panel agree this proposal should be raised, we recommend this Modification is progressed to the Assessment Procedure for an assessment by a Workgroup.

[3] https://bscdocs.elexon.co.uk/bsc/bsc-section-f-modification-procedures#section-f-2-2.1

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2 Why Change?

What is the issue?

As set out in its 2023/24 business plan, Elexon will, within the next eighteen months complete the roll out of its new platform, Elexon Kinnect. As a cloud-based platform, Kinnect is flexible, scalable and adaptable so that it can support the changing needs of our customers, and replace the ageing systems that are increasingly unsuitable.

The implementation of Elexon Kinnect will change the underlying technology and systems used to deliver BSC Agent services. Elexon is therefore reviewing the contracts with these BSC Agents in order to reflect these technology changes, and to ensure they continue to meet the needs of BSC Parties. Elexon is also reviewing whether any of the changes they may want to make to BSC Agent contracts require a Modification to BSC Section E ('BSC Agents')[4], as this sets out the framework within which Elexon enters into BSC Agent contracts.

BSC Agent services (as specified through the BSC and the BSC Service Descriptions[5]) are largely technology agnostic (e.g. provided the Settlement Administration Agent (SAA) is calculating Trading Charges in accordance with the rules set out in the Code, the Code doesn't specify the technology to be used in these processes). However, there are some BSC Agent obligations, which are ancillary to their core Settlement obligations, where the underlying technology is relevant. An example of this is the requirement for BSC Agents to retain Settlement data. Currently, this is being met by BSC Agents retaining Settlement data in on premises servers. This is relevant to Elexon Kinnect in that, in order to meet the requirement to retain Settlement data on a cloud-based platform, the BSC Agent would need to have a sub-contract[6] in place with a cloud service provider.

However, requiring a BSC Agent to procure these cloud-based services on its behalf, may be significantly more expensive than Elexon procuring these services itself. We therefore believe there will be cost savings if Elexon is able to contract directly with Technology Service Providers for ancillary Technology Services.

The issue that this Modification seeks to address is to allow Elexon flexibility to enter into these types of arrangements and, consequently, relieve the relevant BSC Agent of appropriate responsibility for the ancillary Technology Services where Elexon has entered into contract(s) directly with Technology Service Providers. The Technology Service Provider will therefore be responsible for the Technology Service.

Elexon do not believe that this approach will impact risk in that:

- The risk of BSC Agent services being delayed or disrupted due to a failure in the Technology Services will be the same regardless of whether Elexon or a BSC Agent is contracting with a Technology Service Provider for these services;
- It seems likely that BSC Agents would expect their contract with Elexon to mirror any liability exclusions or limitations that they were subject to in their cloud contract. Since Technology Service Providers (e.g. cloud providers) invariably

[4] https://bscdocs.elexon.co.uk/bsc/bsc-section-e-bsc-agents

[5] https://bscdocs.elexon.co.uk/service-descriptions

[6] From a contractual perspective, the BSC Agent would remain responsible under the BSC, and as between itself and Elexon, for the acts and omissions of its sub-contractors. It will therefore meet its BSC Agent obligations through having a sub-contract in place, even though not actually delivering this service itself.

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contract on standard terms (so Elexon would contract with them on exactly the same terms as the BSC Agent), BSC Parties would gain little if any additional value from Elexon contracting for cloud services through the BSC Agent; and

- Providers of BSC Agent services (both current providers and potential future providers) will not accept liability for failures in Technology Services (such as cloud providers) over which they have limited control. Even if it was possible to negotiate contracts with current and future BSC Agents that include these terms, it would be likely to come with a significant risk premium that would not be cost-effective.

Desired outcomes

BSC Section E should be amended to:

1. Recognise that, because of the move to host and maintain applications and services on cloud platforms, certain services falling within the scope of BSC Service Descriptions (such as retaining data) may depend on cloud providers (rather than taking place in a data centre controlled and operated by the BSC Agent, as would have been the case twenty-five years ago when BSC Section E was first drafted); and
2. Allow Elexon to amend BSC Agent contracts to recognise that, for services that Elexon procures directly from a Technology Service Provider (e.g. cloud services) rather than via a BSC Agent, the BSC Agent would no longer be contractually responsible for these specific services to the extent they were beyond its reasonable control. The responsibility, and therefore liability, for these services would be with the Technology Services provider.

This solution is specifically targeted at ancillary Technology Services that are similar to the sorts of Technology Services that Elexon already procures and which are not BSC Agent services (e.g. service management, systems development, systems support and maintenance). The solution should be clear that core BSC Agent services that are required to deliver Settlement must continue to be delivered by BSC Agents under the existing Section E arrangements.

These changes are intended to facilitate a model in which cloud services are procured by Elexon, although still operated day-to-day by BSC Agents. Elexon and BSC Agents will work together to ensure that cloud services are procured and used in a manner that is robust and consistent with best practice, and that any potential risks to Settlement arising from the use of cloud services are understood and mitigated. A Workgroup may also want to consider what role (if any) the BSC Panel should have in this process.

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3 Solution

Proposed solution

In order to meet the desired outcomes described above, we have drafted some 'strawman' legal text (see Attachment B) for consideration by the Workgroup.

The drafted approach amends Section E to accommodate BSC Agents using a Technology Service provider which the BSCCo has appointed for ancillary technology services only. The solution would add new definitions under new paragraphs, Section E 1.2.7(a), (b), (c) and (d) as follows:

a) **BSC Agent Services** means the services specified in a BSC Service Description or otherwise pursuant to the Code;

b) **Related Technology Services** means any Technology Services that are, or may be, a BSC Agent Service but which are ancillary to the performance of Settlement processes, assurance services or audit services by a BSC Agent including, inter alia, data retention and help-desk services;

c) **Technology Services** means technology services and products used by BSCCo in the performance of its functions under the BSC including data and application hosting, service management, systems development, systems support and maintenance, infrastructure management and other related activities;

d) **Technology Services Provider** means a person, not being a BSC Agent, who provides Technology Services.

It will also be made clear that Technology Service Providers would not be BSC Agents themselves, hence a change to Section E 1.2.1 to reflect this.

Section E 1.2.8 recognises the potential impact that this will have on BSC Agent contracts by allowing Elexon to relieve the BSC Agent of responsibility for performing services that are being delivered by a Technology Service Provider, and therefore also liability for matters that are beyond the BSC Agent's reasonable control. Instead the Technology Service Provider would pick up responsibility for the provision of this service.

The suggested legal text is drafted so as to relate specifically to ancillary technology services, and would therefore not apply to the Settlement functions performed by the BSC Agents.

Benefits

It is anticipated there will be significant on-going cost savings for Elexon, and therefore BSC Parties, if Elexon is able to contract directly with Technology Service Providers for ancillary technology services rather than through sub-contracts that are likely to include material mark-ups.

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Applicable BSC Objectives

The Panel are invited to agree that this Modification will better facilitate Applicable BSC Objective (d) 'Promoting efficiency in the implementation of the balancing and settlement arrangements' as it is expected to:

- Allow Elexon to procure ancillary Technology Services instead of BSC Agents, resulting in better value for money and reduced BSC Costs

Implementation approach

We recommend an Implementation Date of:

- 5 WDs after Authority decision, as part of a special BSC Release

This Modification is anticipated to be a document only change and not incur any system or process changes for Elexon or Market Participants. As such it is recommended the Modification is implemented as soon as reasonably practical to allow Elexon to procure ancillary Technology Services directly, if they choose to, and to pass any costs savings on to BSC Parties as soon as possible. Therefore, an Implementation Date of 5 WDs following Authority decision is recommended.

What are the Applicable BSC Objectives?

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

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

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

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

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

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

(g) Compliance with the Transmission Losses Principle

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4 Areas to Consider

In this section we highlight areas which we believe the Panel should consider when making its decision on how to progress this Modification Proposal, and which a Workgroup should consider as part of its assessment. We recommend that the areas below form the basis of a Workgroup's Terms of Reference, supplemented with any further areas specified by the Panel.

Areas to consider

The table below summarises the areas we believe a Modification Workgroup should consider as part of its assessment.

Areas to Consider
What conditions or controls are needed for Elexon to procure Technology Services?
What impacts there are, if any, on Elexon's liabilities and liability exclusions?
How will this modification impact the BSC Settlement Risks?
What changes are needed to BSC documents, systems and processes to support this modification and what are the related costs and lead times? When will any required changes to subsidiary documents be developed and consulted on?
Are there any Alternative Modifications?
Should this modification be progressed as a Self-Governance Modification?
Does this modification better facilitate the Applicable BSC Objectives than the current baseline?
Does this modification impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?

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5 Likely Impacts and costs

Estimated costs

Costs will be assessed during the Assessment Procedure. However, for those roles we believe will be impacted, we have indicated in the impacts section whether we believe the costs are likely to be high, medium or low based on the following categories:

- High: >£1 million
- Medium: £100-1000k
- Low: <£100k

Implementation costs estimates			
Organisation	Item	Implementation costs (£)	Comment
Elexon	Systems	-	
	Documents	<£1k	Document only update to Section E
	Other	-	
NGESO	Systems	-	
	Other	-	
Industry	Systems & processes	-	
	Total	<£1k	

On-going costs estimates		
Organisation	On-going costs (£)	Comment
Elexon	-	
NGESO	-	
Industry	-	
Total	-	No ongoing costs anticipated, rather we expect cost savings.

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Estimated Impacts

Impact on BSC Parties and Party Agents		
Party/Party Agent	Potential Impact	Potential cost
All BSC Parties	No implementation or on-going costs are anticipated for any Parties. There are potential cost-savings for BSC parties if this Modification is approved and implemented.	N/A

Impact on the NETSO	
Potential Impact	Potential cost
No impacts anticipated.	N/A

Impact on BSCCo		
Area of Elexon	Potential Impact	Potential cost
Elexon	Allow Elexon to contract with Technology Service Providers more efficiently.	N/A

Impact on BSC Settlement Risks
No impacts on Settlement Risks are anticipated however this will be considered through the Assessment Procedure.

Impact on BSC Systems and processes	
BSC System/Process	Potential Impact
None	N/A

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Potential Impact
All BSC Agents	The Modification will not impact existing contractual arrangements but will facilitate potential changes in future contracts.

Impact on Code	
Code Section	Potential Impact
Section E	Introduce new clauses to facilitate a model in which cloud services are procured by Elexon, although still operated day-to-day by BSC Agents.

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Impact on MHHS
No impacts on MHHS are anticipated however this will be considered through the Assessment Procedure.

Impact on EBGL Article 18 terms and conditions
None anticipated.

Impact on Code Subsidiary Documents	
CSD	Potential Impact
None	N/A

Impact on other Configurable Items	
Configurable Item	Potential Impact
None	N/A

Impact on Core Industry Documents and other documents	
Document	Potential Impact
Ancillary Services Agreements	No Impact
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
Grid Code	
Retail Energy Code	
Supplemental Agreements	
System Operator-Transmission Owner Code	
Transmission Licence	
Use of Interconnector Agreement	

Impact on a Significant Code Review (SCR) or other significant industry change projects
None

What are the consumer benefit areas?

1) Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?

2) Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?

3) Will this proposal support:

i)new providers and technologies?

ii) a move to hydrogen or lower greenhouse gases?

iii) the journey toward statutory net-zero targets?

iv) decarbonisation?

4) Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.

5) Are there any other identified changes to society, such as jobs or the economy.

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Impact of the Modification on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability	Neutral
2) Lower bills than would otherwise be the case It is anticipated this Modification will have a positive effect on all BSC Parties through potential cost savings made by Elexon if they decide to procure their own Technology Services that can be potentially passed on to end consumers	**Positive**
3) Reduced environmental damage None identified.	Neutral
4) Improved quality of service None identified.	Neutral
5) Benefits for society as a whole None identified.	Neutral

Other Impacts	
Item impacted	Potential Impact
N/A	N/A

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6 Proposed Progression

Next steps

Should the Panel agree to raise this Modification Proposal, we believe it should progress for assessment by a Workgroup.

The Workgroup will need to consider whether the proposal meets the Self-Governance criteria or not. Based on the current proposed legal text, we believe the Proposal could be treated as a Self-Governance Modification Proposal. Whilst the proposal does amend the BSC's governance procedures, we do not believe the amendments are material. The solution allows Elexon to procure ancillary Technology Services and relieves the BSC Agent of relevant responsibilities. The risks and liabilities associated with the ancillary Technology Services remain substantially the same, regardless of who has procured it.

Workgroup membership

Elexon is seeking Workgroup members with expertise in:

- BSC Agent (Section E) knowledge;
- Contract and Commercial Risk Management; and
- Service Management.

Timetable

The timetable will be subject to getting a quorate Workgroup which may be more difficult due to the summer holiday season.

Proposed Progression Timetable	
Event	Date
Present Initial Written Assessment to Panel	8 June 23
First Workgroup Meeting	W/C 10 July 23
Assessment Procedure Consultation (15 WDs)	29 August 23 – 18 September 23
Workgroup Meeting	W/C 25 September 23
Present Assessment Report to Panel	12 October 23
Report Phase Consultation (10 WDs)	16 October 23 – 27 October 23
Present Draft Modification Report to Panel	9 November 23
Issue Final Modification Report to Authority	15 November 23

What is the Self-Governance Criteria?

A Modification that, if implemented:
(a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions; except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:
(i) correcting minor typographical errors;
(ii) correcting formatting and consistency errors, such as paragraph numbering; or
(iii) updating out of date references to other documents or paragraphs;
(b) is unlikely to have a material effect on:
(i) existing or future electricity consumers; and
(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
(iii) the operation of the national electricity transmission system; and
(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
(v) the Code's governance procedures or modification procedures; and

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

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7 Recommendations

We invite the Panel to:

- **RAISE** this Modification Proposal in accordance with Section F2.1.1(d)(i);
- **AGREE** that this Modification progresses to the Assessment Procedure;
- **AGREE** the proposed Assessment Procedure timetable;
- **AGREE** the proposed membership for the Workgroup; and
- **AGREE** the Workgroup's Terms of Reference.

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BSC Modification Proposal Form	At what stage is this document in the process?
# Mod Title: Enable Elexon to procure ancillary Technology Services for use by BSC Agents	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification:

To remove barriers in BSC Section E that would prevent Elexon updating BSC Agent contracts to enable them to use Technology Services, such as cloud services, procured by Elexon. This should reduce costs for BSC Parties and provide Elexon greater flexibility for the management of cloud platforms.

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

☐ Yes ☒ No

	Elexon recommends that this Modification should: • be raised by the Panel in accordance with the provisions of Section F2.1.1(d)(i); • be a Self-Governance Modification Proposal; and • be assessed by a Workgroup and submitted into the Assessment Procedure. This draft Modification Proposal will be presented to the BSC Panel to the BSC Panel on 8 June 2023. The Panel will determine how best to progress the Modification.
	High Impact: None
	Medium Impact: None
	Low Impact: All BSC Parties

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3 Relevant Objectives 6

4 Potential Impacts 7

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Timetable

The Proposer recommends the following timetable:

Present Initial Written Assessment to Panel	8 June 2023
Initial consideration by Workgroup	w/c 10 July 2023
Assessment Procedure Consultation (15 WDs)	29 August 2023 - 18 September 2023
Workgroup Report presented to Panel	12 October 2023
Report Phase Consultation (10 WDs)	16 October 2023 - 27 October 2023
Draft Modification Report presented to Panel	09 November 2023
Final Modification Report submitted to Authority	15 November 2023

Any questions?

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1 Why Change?

What is the issue?

As set out in its 2023/24 business plan[1], Elexon will, within the next eighteen months complete the roll out of its new platform, Elexon Kinnect. As a cloud-based platform, Kinnect is flexible, scalable and adaptable so that it can support the changing needs of our customers, and replace the ageing systems that are increasingly unsuitable.

The implementation of Elexon Kinnect will change the underlying technology and systems used to deliver BSC Agent services. Elexon is therefore reviewing the contracts with these BSC Agents in order to reflect these technology changes, and to ensure they continue to meet the needs of BSC Parties. Elexon is also reviewing whether any of the changes they may want to make to BSC Agent contracts require a Modification to BSC Section E ('BSC Agents')[2], as this sets out the framework within which Elexon enters into BSC Agent contracts.

BSC Agent services (as specified through the BSC and the BSC Service Descriptions[3]) are largely technology agnostic (e.g. provided the Settlement Administration Agent (SAA) is calculating Trading Charges in accordance with the rules set out in the Code, the Code doesn't specify the technology to be used in these processes). However, there are some BSC Agent obligations, which are ancillary to their core Settlement obligations, where the underlying technology is relevant. An example of this is the requirement for BSC Agents to retain Settlement data. Currently, this is being met by BSC Agents retaining Settlement data in on premises servers. This is relevant to Elexon Kinnect in that, in order to meet the requirement to retain Settlement data on a cloud-based platform, the BSC Agent would need to have a sub-contract[4] in place with a cloud service provider.

However, requiring a BSC Agent to procure these cloud-based services on its behalf, may be significantly more expensive than Elexon procuring these services itself. We therefore believe there will be cost savings if Elexon is able to contract directly with Technology Service Providers for ancillary Technology Services.

The issue that this Modification seeks to address is to allow Elexon flexibility to enter into these types of arrangements and, consequently, relieve the relevant BSC Agent of appropriate responsibility for the ancillary Technology Services where Elexon has entered into contract(s) directly with Technology Service Providers. The Technology Service Provider will therefore be responsible for the Technology Service.

Elexon do not believe that this approach will impact risk in that:

- The risk of BSC Agent services being delayed or disrupted due to a failure in the Technology Services will be the same regardless of whether Elexon or a BSC Agent is contracting with a Technology Service Provider for these services;
- It seems likely that BSC Agents would expect their contract with Elexon to mirror any liability exclusions or limitations that they were subject to in their cloud contract. Since Technology Service Providers (e.g. cloud providers) invariably contract on standard terms (so Elexon would

[1] https://www.elexon.com/documents/about/finances-report-policies/business-plan/elexon-business-plan-2023-24/

[2] https://bscdocs.elexon.co.uk/bsc/bsc-section-e-bsc-agents

[3] https://bscdocs.elexon.co.uk/service-descriptions

[4] From a contractual perspective, the BSC Agent would remain responsible under the BSC, and as between itself and Elexon, for the acts and omissions of its sub-contractors. It will therefore meet its BSC Agent obligations through having a sub-contract in place, even though not actually delivering this service itself.

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contract with them on exactly the same terms as the BSC Agent), BSC Parties would gain little if any additional value from Elexon contracting for cloud services through the BSC Agent; and

- Providers of BSC Agent services (both current providers and potential future providers) will not accept liability for failures in Technology Services (such as cloud providers) over which they have limited control. Even if it was possible to negotiate contracts with current and future BSC Agents that include these terms, it would be likely to come with a significant risk premium that would not be cost-effective.

Desired outcomes

BSC Section E should be amended to:

1. Recognise that, because of the move to host and maintain applications and services on cloud platforms, certain services falling within the scope of BSC Service Descriptions (such as retaining data) may depend on cloud providers (rather than taking place in a data centre controlled and operated by the BSC Agent, as would have been the case twenty-five years ago when BSC Section E was first drafted); and
2. Allow Elexon to amend BSC Agent contracts to recognise that, for services that Elexon procures directly from a Technology Service Provider (e.g. cloud services) rather than via a BSC Agent, the BSC Agent would no longer be contractually responsible for these specific services to the extent they were beyond its reasonable control. The responsibility, and therefore liability, for these services would be with the Technology Services provider.

This solution is specifically targeted at ancillary Technology Services that are similar to the sorts of Technology Services that Elexon already procures and which are not BSC Agent services (e.g. service management, systems development, systems support and maintenance). The solution should be clear that core BSC Agent services that are required to deliver Settlement must continue to be delivered by BSC Agents under the existing Section E arrangements.

These changes are intended to facilitate a model in which cloud services are procured by Elexon, although still operated day-to-day by BSC Agents. Elexon and BSC Agents will work together to ensure that cloud services are procured and used in a manner that is robust and consistent with best practice, and that any potential risks to Settlement arising from the use of cloud services are understood and mitigated. A Workgroup may also want to consider what role (if any) the BSC Panel should have in this process.

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2 Solution

Proposed Solution

In order to meet the desired outcomes described above, we have drafted some 'strawman' legal text (see Attachment B) for consideration by the Workgroup.

The drafted approach amends Section E to accommodate BSC Agents using a Technology Service provider which the BSCCo has appointed for ancillary technology services only. The solution would add new definitions under new paragraphs, Section E 1.2.7(a), (b), (c) and (d) as follows:

a) **BSC Agent Services** means the services specified in a BSC Service Description or otherwise pursuant to the Code;

b) **Related Technology Services** means any Technology Services that are, or may be, a BSC Agent Service but which are ancillary to the performance of Settlement processes, assurance services or audit services by a BSC Agent including, inter alia, data retention and help-desk services;

c) **Technology Services** means technology services and products used by BSCCo in the performance of its functions under the BSC including data and application hosting, service management, systems development, systems support and maintenance, infrastructure management and other related activities;

d) **Technology Services Provider** means a person, not being a BSC Agent, who provides Technology Services.

It will also be made clear that Technology Service Providers would not be BSC Agents themselves, hence a change to Section E 1.2.1 to reflect this.

Section E 1.2.8 recognises the potential impact that this will have on BSC Agent contracts by allowing Elexon to relieve the BSC Agent of responsibility for performing services that are being delivered by a Technology Service Provider, and therefore also liability for matters that are beyond the BSC Agent's reasonable control. Instead the Technology Service Provider would pick up responsibility for the provision of this service.

The suggested legal text is drafted so as to relate specifically to ancillary technology services, and would therefore not apply to the Settlement functions performed by the BSC Agents.

Benefits

It is anticipated there will be significant on-going cost savings for Elexon, and therefore BSC Parties, if Elexon is able to contract directly with Technology Service Providers for ancillary technology services rather than through sub-contracts that are likely to include material mark-ups.

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3 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	**Positive**
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

The most relevant objective for purposes of this Modification is Objective (d), "*promoting efficiency in the implementation and administration of the balancing and settlement arrangements*". In the absence of a change Elexon would have to fall back to requiring BSC Agents to procure their own cloud services. This would significantly raise costs by increasing overheads.

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4 Potential Impacts

Impacts on Core Industry Documents

Impacted Core Industry Documents			
☐Ancillary Services Document	☐Connection and Use of System Code	☐Data Transfer Services Agreement	☐Use of Interconnector Agreement
☐Retail Energy Code	☐ Transmission License	☐System Operator Transmission Owner Code	☐Supplemental Agreements
☐Distribution Code	☐Grid Code	☐ Other (please specify)	☒ None

This Modification is not anticipated to impact any other industry codes.

Impacts on BSC Systems

Impacted Systems				
☐CRA	☐CDCA	☐PARMS	☐SAA	☐BMRS
☐EAC/AA	☐FAA	☐TAAMT	☐NHHDA	☐SVAA
☐ECVAA	☐ECVAA Web Service	☐Elexon Portal	☐Other (Please specify)	☒ None

This Modification is not anticipated to impact any BSC systems.

Impacts on BSC Parties

Impacted Parties			
☒Supplier	☒Interconnector User	☒Non Physical Trader	☒Generator
☒Licensed Distribution System Operator	☒National Electricity Transmission System Operator	☒Virtual Lead Party	☐Other (Please specify)

It is anticipated this Modification will have a positive effect on all BSC Parties through potential cost savings made by Elexon if they decide to procure their own cloud services as opposed to sub-contracting through BSC Agents with material mark-ups.

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Impacts on consumers and the environment

Impact of the Modification on consumer benefit areas:	
Consumer benefit area	Identified impact
Improved safety and reliability None identified	Neutral
Lower bills than would otherwise be the case It is anticipated this Modification will have a positive effect on all BSC Parties through potential cost savings, however, likely not to be a material change to end consumer's bills.	Neutral
Reduced environmental damage None identified	Neutral
Improved quality of service None identified	Neutral
Benefits for society as a whole None identified	Neutral

Legal Text Changes

This Modification proposes to update Section E, proposed Legal Text would introduce new sub-clauses in Section 1.2 as per below:

1.2.7 For the purposes of Section E:

*(a) **BSC Agent Services** means the services specified in a BSC Service Description or otherwise pursuant to the Code;*

*(b) **Related Technology Services** means any Technology Services that are, or may be, a BSC Agent Service but which are ancillary to the performance of Settlement processes, assurance services or audit services by a BSC Agent including, inter alia, data retention and help-desk services;*

*(c) **Technology Services** means technology services and products used by BSCCo in the performance of its functions including data and application hosting, service management, systems development, systems support and maintenance, infrastructure management and other related activities;*

*(d) **Technology Services Provider** means a person, not being a BSC Agent, who provides Technology Services.*

1.2.8 Where BSCCo has appointed a Technology Services Provider to provide Related Technology Services for which a BSC Agent would otherwise be responsible:

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(a) *the relevant BSC Agent Contract may include provisions relieving the BSC Agent from the obligation to perform those Related Technology Services and relieving that BSC Agent from liability for breaches that, as a consequence, are beyond its reasonable control; and*

(b) *the provisions of this Section E shall not apply in respect of those Related Technology Services or the Technology Services Provider.*

It will also be made clear that Technology Service Providers would not be BSC Agents themselves, hence an additional clause within Section E 1.2.1 to reflect this as per 1.2.1 (b) below in red.

1.2.1 The person for the time being appointed for the purposes of providing the services specified in a BSC Service Description is a BSC Agent. This does not include:

(a) BSCCo where BSCCo provides the Profile Administration Services;

(b) *a person appointed pursuant to paragraph 1.2.7.*

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5 Governance

Self-Governance

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

The Workgroup will need to consider whether the proposal meets the Self-Governance criteria or not. Based on the current proposed legal text, we believe the Proposal could be treated as a Self-Governance Modification Proposal. Whilst the proposal does amend the BSC's governance procedures, we do not believe the amendments are material. The solution allows Elexon to procure ancillary Technology Services and relieves the BSC Agent of relevant responsibilities. The risks and liabilities associated with the ancillary Technology Services remain substantially the same, regardless of who has procured it. However, as the solution is assessed and developed by the Workgroup, this view will need to be reviewed.

Progression route

☒ **Submit to assessment by a Workgroup** –:A Modification Proposal which:	
does not meet any criteria to progress via any other route.	
☐ **Direct to Report Phase** – A Modification Proposal whose solution is typically:	
☐ of a minor or inconsequential nature	☐ deemed self-evident
☐ **Fast Track Self-Governance** – A Modification Proposal which meets the Self-Governance Criteria and:	
is required to correct an error in the Code as a result of a factual change including but not limited to:	
☐ updating names or addresses listed in the Code	☐ correcting minor typographical errors
☐ correcting formatting and consistency errors, such as paragraph numbering	☐ updating out of date references to other documents or paragraphs

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☐ **Urgent –** A Modification Proposal which is linked to an imminent issue or current issue that if not urgently addressed may cause:	
☐ a significant commercial impact on Parties, Consumers or stakeholder(s)	☐ a Party to be in breach of any relevant legal requirements.
☐ a significant impact on the safety and security of the electricity and/or gas systems	

We believe this Proposal should be assessed by a Workgroup, as although there is draft legal text and the change is small, it is important that the Proposal is scrutinized and alternative solutions to address the issue and meet the desired outcomes are considered.

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

No. We do not believe this Proposal impacts any open SCRs.

Does this modification impact the code drafting and system development for Market wide Half Hourly Settlement (MHHS), if so, how?

No, we do not believe this impacts the code drafting or MHHS design.

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

No. We do not believe it likely this proposal will impact the EBGL Article 18 balancing terms and conditions.

Implementation approach

This Modification is anticipated to be document only and not incur any system or process changes for Elexon or Market Participants. As such it is recommended the Modification is implemented as soon as reasonably practical to allow Elexon to procure Technology Services directly, if they choose to, and to pass any costs savings on to BSC Parties as soon as possible. Therefore, an initial Implementation Date of 5 Working Days following Authority decision is recommended.

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