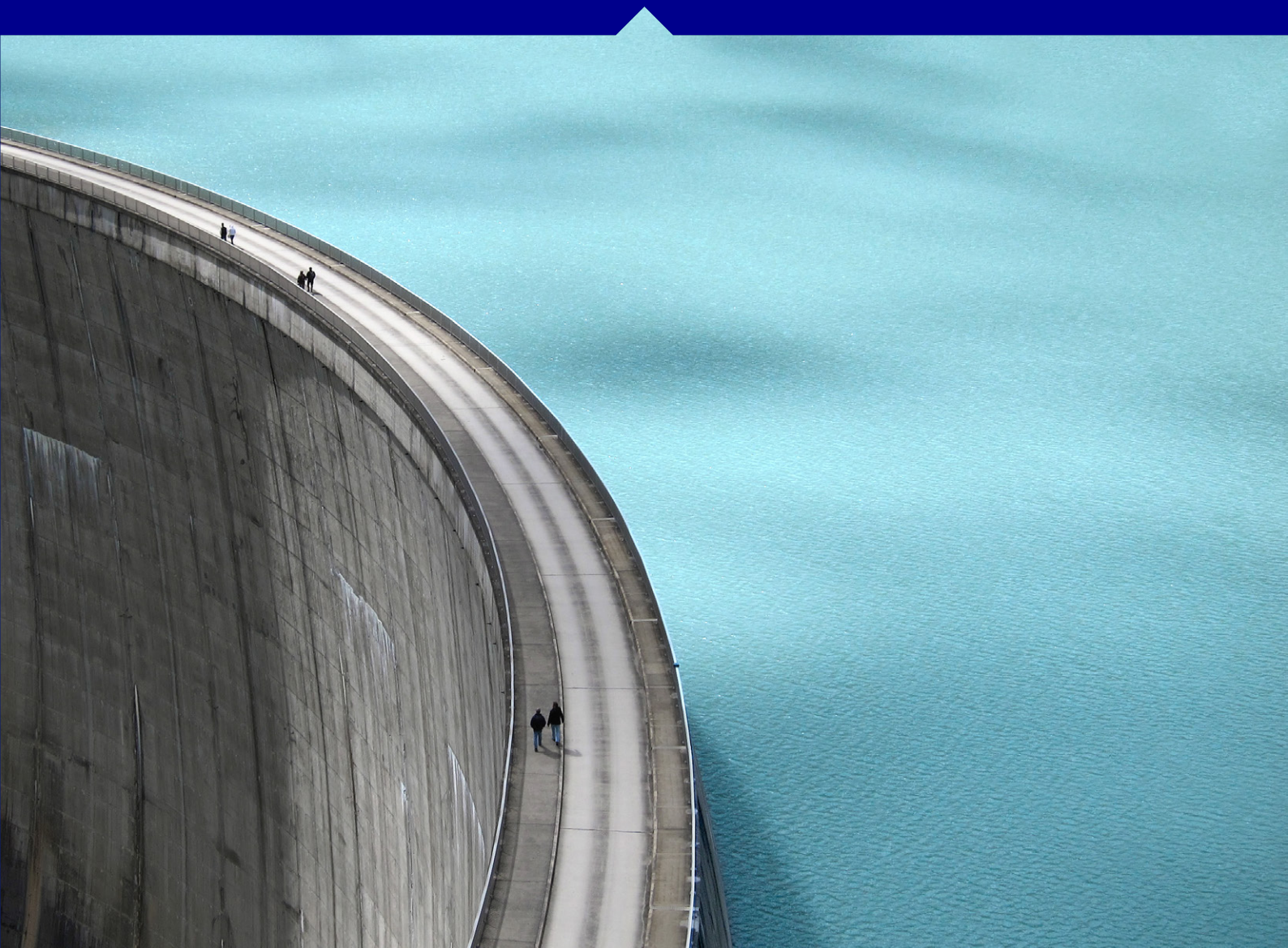


ELEXON

BSC PANEL STRATEGY
AUGUST 2020



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BSC Panel & Panel Committee Member Objectives

BSC Panel Objectives

The Balancing and Settlement Code (BSC) places a series of obligations on the BSC Panel to conduct its business with a view to achieving a number of key objectives. These objectives, which can be found in BSC Section B1.2.1, can be summarised as:

- Giving full and prompt effect to the BSC consistent with achieving the Applicable BSC Objectives in a transparent, economic, efficient and non-discriminatory way.

Applicable BSC Objectives

Condition C3 of the Electricity Transmission Licence establishes seven Applicable BSC Objectives. These are set out in full in Appendix 2 and can be summarised as:

- A** Efficient Discharge of Transmission Licence Obligations;
- B** Efficient Operation of Transmission System;
- C** Promoting Effective Competition;
- D** Efficient Implementation of the Balancing and Settlement Arrangements;
- E** Compliance with European Regulations;
- F** Facilitating Delivery of Electricity Market Reform; and
- G** Compliance with the Transmission Losses Principle.

The BSC Panel must undertake work and make recommendations so as to better facilitate the delivery of these objectives.

Scope

The BSC governs balancing and settlement activities in Great Britain. Other aspects of the electricity trading arrangements are dealt with under different governance arrangements. For example issues relating to transmission system operation are contained within the Grid Code and the Connection and Use of System (CUSC) arrangements, whereas issues associated with settlement registration are dealt with under the provisions of the Master Registration Agreement (MRA) and the Distribution Use of System Code (DCUSA) governs issues around connection to and use of the various distribution systems.

The BSC Panel has a general responsibility to keep itself informed of issues that fall outside the direct governance of the BSC and assess (and take steps to address) any impact on the BSC in a co-ordinated way.



Panel Strategy

The BSC Panel Strategy commits the Panel to fulfil a number of actions over a two-year period, and includes actions both within and beyond the current BSC. It enables the Panel to assess its success at the end of the two-year period by reviewing its achievements and learning from the challenges it faced. For the 2020-2022 period, the main actions for the Panel will be as follows:

- **Initiating pro-active engagement with other industry codes:**
The Panel is supportive of Ofgem/BEIS's Code Governance Review and will actively explore opportunities to engage with both Ofgem/BEIS and other code bodies on a regular basis.
- **Appointing a successor to the current BSC Panel Chair:**
The current Panel Chair will reach the end of his nine years in post and that to conform to good governance, we will be searching for and appointing a new Chair when his current term finishes in 2022 in parallel with the Elexon Board.
- **Facilitating Settlement of 'behind the Meter' situations (metering behind the boundary point and meter splitting):**
The Panel is supportive of a solution which would be a pre-requisite for a number of future innovative business models and charging structures. Alongside Elexon, the Panel will provide input to the Workgroup as required.
- **Initiating Post-Implementation Reviews:**
The Panel sees value in undertaking post-implementation reviews of selected changes to improve its decision making processes where it believes there would be benefit in doing so.
- **Implementing the BSC Sandbox to best effect:**
With the Sandbox process resuming in July, the Panel will take on the role as a vital link in the process as to whether to recommend a derogation to the Authority.
- **Finding better ways to get better representation from those "not in the room":**
The Panel will continue to act as a proxy for those "not in the room" and help facilitate the difficulties that smaller Parties may face.
- **Supporting the policy of Net zero emissions by 2050:**
The Panel will help identify if proposed changes will facilitate a net zero outcome and help industry with this commitment. This will ensure that environmental impacts are fully explored as much as possible.
- **Minimising the impact of COVID-19:**
The Panel will continue to review which BSC Changes should be progressed while the industry manages the challenges and impacts of COVID-19.

Strategic Priorities

The BSC Panel's overall focus and main priority continues to be the delivery of its BSC obligations, by providing value for money and the ongoing provision of robust, effective BSC services. The Panel also remains mindful that the energy market is experiencing a period of substantial change with the additional impact of COVID-19. The Panel expects that this impact may last longer than a 12-month period and as such it must take this into account when conducting its work.

The Panel's priorities are therefore:

- Looking ahead to the evolution of the market and how the current balancing and settlement arrangements need to adapt to facilitate such change; and
- Upholding and efficiently managing the balancing and settlement arrangements as they exist today.

To deliver these priorities, the Panel has identified work to be progressed in the following areas:

1. Delivery of Core BSC Services

1.1 The Panel will continue to focus on the delivery of its responsibilities, powers and functions as set out in Appendix 3.

1.2 Over the next two years, particular focus will be placed on:

- **Delivering change:**
Delivery of change is one of the Panel's key responsibilities. The Panel recognises the importance of making the change process as accessible as possible to all BSC Parties and of making it easier for them to stay informed and get involved in changes. In addition, the end impact on Consumers will need to be thoughtfully considered. The Panel and Elexon will work together to improve and evolve the BSC Change process so it remains fit for the future and the 'go to' change model.
- In April 2020, the Panel agreed a set of principles for Elexon to work to, when progressing changes to the code while the industry manages the impact of COVID-19. Changes to the BSC (and its subsidiary documents) will continue to be progressed, but will be prioritised based on whether the change:

- Is required to mitigate risks and issues caused by COVID-19
- Is required to be implemented by a fixed deadline, and
- Has minimal impact on market participants, unless required for the previous two points.
- The Panel recognises and agreed to these steps because the COVID-19 situation is challenging and unprecedented for market participants, and that it has resulted in significant operational challenges and changes to the way that they run their business.

- **Code governance review and cooperation with other code administrators:**

The Panel acknowledges the importance of aligning BSC Modifications and Change Proposals (CPs) with changes to other codes to support the industry's timely transition to the future energy system design envisioned by the Smart Systems and Flexibility Plan. Elexon and the Panel will continue to work with other Code Administrators to this end and will continue to play an active role in Code Administration Code of Practice (CACoP) Workgroups. Elexon and the Panel will also continue to support Ofgem and BEIS's Code Governance Review with the overall objective for simplification of the code governance landscape and consolidation of codes.

- **Digitising Elexon:**

Since 2017/18, Elexon has been re-architecting our central systems to deliver a flexible, scalable, open platform to provide settlement, party management and analytics and insight services appropriate to the needs of the future market. This will modernise the delivery of central settlement services, whilst also allowing us to provide customer-focused services able to adapt quickly to a rapidly transforming electricity industry to deliver Net Zero, recognising for example, flexibility markets the impact of Electric Vehicles and storage, local balancing and Market-wide Half Hourly (HH) Settlement. The Panel will continue to have input into Elexon's strategic roadmap and key milestones within the programme.

- **Balancing mechanism Reporting Service (BMRS):**
This service is now more popular than ever, and we recognise that delivering a high quality data publishing service is one of our top priorities. We have set up a new BMRS Change Board to work with both industry and non-industry experts on the long-term scope and strategy for the BMRS, including consideration of how the BMRS can support provision of open data. Under the oversight of the Panel, Elexon will continue to improve the accessibility and accuracy of data on the BMRS, working towards it becoming a one-stop-shop for energy market data.
- **Open data:**
Elexon and the Panel will strive to improve access to open data, particularly for smaller BSC Parties. The BSC Panel raised [P398 'Increasing access to BSC Data'](#), in response to the Energy Data Task Force's report '[A Strategy for a Modern Digitalised Energy System](#)'. The BSC does not fully adhere to open data principles however, by taking action now, we can remain at the forefront of industry development and will be able to create the precedence for industry to follow/emulate. The Panel continues to be mindful of commercial confidentiality. Resource will continue to be directed towards using this capability to provide data insights and market reports to BSC Parties as well as the Panel.

2. Resolution of Known BSC Issues

2.1 As part of the 2019 BSC Panel Strategy, the Panel took action on a number of known BSC Issues.

- **Section H Defaults:**
In 2018/2019, there was an unprecedented number of Section H Defaults that occurred with increasing volumes occurring in November/December 2018. With the support of the Panel, in April 2019, Centrica raised [P385 'Improving the efficacy and efficiency of the Section H Default provisions'](#). This Modification amended the Default arrangements in order to increase visibility to industry of Parties at risk and enable earlier remedial action by the BSC Panel. The Panel will review the effects of this Modification by the end of the two-year Panel Strategy period i.e. September 2022.
- **Review of Section D Charges:**
The Panel instructed Elexon to undertake a review of Section D Charges for the year 2019/20 to ensure that all charges remain appropriate and fit for purpose. The [Issue 77 'Review of fixed charges under the BSC'](#) Group reviewed those BSC costs

that have a fixed charge that are not cost-reflective (Specified Charges), assessed the behaviours driving costs and looked at whether the current charging structure is still fit for purpose. The Issue Group concluded that the Base Monthly Charge, the Central Volume Allocation (CVA) Metering System Monthly Charge, the Supplier Additional BM Unit Monthly Charge and Base Virtual Lead Party Monthly Charge should remain unchanged; and that the CVA BM Unit Monthly Charge and Supplier Base BM Unit Monthly Charge should be reduced.

- **P382 (Amendments to the BSC to reflect the United Kingdom's withdrawal from the European Union without a deal):**
The BSC contains multiple references to European Union (EU) legislation and bodies as well as text introduced as a result of implementing various EU legislation. Retaining these references and text following the UK's withdrawal from the EU on 31 January 2020 without a deal ('no-deal Brexit') would have meant that the BSC would not have been technically accurate. The Panel consequently rejected [P382](#) on 13 February 2020.
- **Document management:**
Delivery of BSC controlled documents in an efficient, managed way is a key part of the BSC Change process. In January 2020, PLASTIC SCM was rolled out to provide control and visibility for document configuration management and effective reporting. The Panel supported this work to ensure that we are using modern tools for BSC changes.

3. Improvement of Known BSC Issues

3.1 As the Panel becomes aware of issues impacting or potentially impacting the BSC, it may consider asking Elexon to investigate that issue and take action as appropriate.

- **Multiple Suppliers:**
Following Elexon's [White Paper](#), Modification [P379 'Multiple Suppliers through Meter splitting'](#) was raised to enable consumers to be supplied by multiple Suppliers through BSC Settlement Meters at the Boundary Point. Elexon, with input from the Panel, will continue to guide the Workgroup in helping to form a solution. The Panel aims to provide its final views by Q1 2021.
- **Metering behind the Boundary Point:**
[P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point'](#) proposes to settle Secondary Balancing Mechanism Units

using metering equipment behind the defined Boundary Point for Balancing Services, instead of the current practice of using metering equipment at the Boundary Point. This solution is a pre-requisite for a number of future innovative business models and charging structures, which require more granular data. Elexon, with input from the Panel, will again continue to guide the Workgroup in helping to form a solution. The Panel aims to provide its final views by the end of Q4 2020.

- **Could Elexon (under BSCCo) administrate a tendered Market Maker (tMM)?**

[Issue 90](#) reviews the case for Elexon, as BSCCo, administrating a tendered Market Maker (tMM) on behalf of the market and, if Elexon could tender, what sort of service market participants would want a tMM to provide. The Panel will support Elexon in this review and provide its input and guidance as appropriate.

- **Ensuring Demand Control Event (DCE) procedures remain fit for purpose:**

Elexon seeks to examine the efficacy of the Settlement Adjustment Processes (SAP) introduced by [P305 'Electricity Significant Code Review Developments'](#) in 2015 by raising [Issue 89](#). Following the SAP's first use in August 2019 and the difficulties that were faced, the Panel raised [P397 'Assessing the costs and benefits of adjusting Parties' Imbalances following a demand disconnection'](#). This was as a means to introduce a materiality threshold wherein the processes are only performed where the estimated benefits outweigh the expected costs. However, Ofgem sent back [P397](#) citing a lack of evidence in regards to the costs of operating the processes; this as well as a lessons learned exercise, will be carried out as part of the Issue Group. The Panel will provide its views on this exercise when the conclusions of the Issue Group are reached, by Q1 2021 at the earliest.

- **Faster change process:**

Elexon, in discussion with the Panel, seeks to investigate the potential for only having one industry consultation for Modifications in certain circumstances in order to speed up the Modification process overall. This may require a review of the existing governance arrangements in BSC Section F and BSCP40.

undertaking a post-implementation review of a specific change to the BSC. This enabled the Panel to assess changes that were successful and unsuccessful and to look at the lessons learned from these.

- **Dispensations and non-standard Balancing Mechanism Units (BMUs):**

In August 2019, the Panel agreed that any remaining actions should be treated as 'business as usual'. It therefore noted that Elexon had now concluded the implementation of the recommendations from the Review of Metering Dispensations and non-standard BM Units.

- **[P326 \(Implementation of non-Working Day adjustment to the Credit Cover Percentage Calculation\):](#)**

The amount of Credit Cover Parties lodge has continued to increase slightly over the last few years. The overall indebtedness of BSC Parties decreased after [P326](#) but increased after [P359](#); it is easier and quicker to lodge credit than it is to withdraw, so it is not a surprise that Elexon continues to see increases in credit lodged. There has not been a direct effect of the number of Credit Defaults as a result of this Modification but Elexon will continue to monitor this.

- **[P359 \(Mechanised process for GC/DC declarations\):](#)**

Elexon believes this Modification has helped to improve the overall accuracy of credit as re-declarations are now being made for the Party automatically. This makes the increase in breaches quicker to resolve and easier to manage. Pre-[P359](#), Parties could sit on inaccurate GC/DC values for months because they did not action breach notifications, and Elexon was unable to force them to re-declare. Updates on GC/DC breaches are provided to the Imbalance Settlement Group (ISG) quarterly so the Panel will be made aware of any other observations.

- **[P370 \(Allowing non-BSC Parties to raise Modifications\):](#)**

There has not been any subsequent impact on the numbers of Modification Proposals raised or any third parties trying to seek designation. However, three Issues have been raised by non-BSC Parties. Of the two Issues that have closed, they have both resulted in CPs being raised by Elexon (as recommended by the Issue Group). The Panel continues to be mindful of trying to bring influence of the "people not in the room" into decisions while also respecting opinions of BSC Parties.

4. Post-Implementation Review

4.1 As part of the 2019 Panel Strategy, there were circumstances where the Panel saw value in

4.2 Although not a part of the formal Modification process, the Panel has agreed to specify when it believes there would be benefit to a post-implementation review being carried out. It has therefore identified specific candidates that would benefit from a post-implementation review by the end of 2021:

- **BMRS Change Board (BCB):**
The BCB was set up to help reduce the timescales to progress BMRS changes and reduce the burden on market participants to respond to consultations, whilst maintaining transparency and Change Management controls. Elexon will monitor whether having a separate Committee has proved beneficial in being able to approve small, low risk and low impact BMRS Changes. The Panel should aim to review this Committee by the end of Q4 2021.
- **BSC Sandbox:**
This strategic initiative enables limited pre-competitive trials of potentially innovative products or services into a live market environment. With this process resuming in July 2020, the Panel may wish to reflect on the applications it recommends to the Authority to grant a derogation on (and those it does not) and how successfully the process runs overall. The Panel may wish to review this by the end of Q4 2021 once the process has been running for over 12 months.
- **P385 (Improving the efficacy and efficiency of the Section H Default provisions):**
Having only been implemented in February 2020, the Panel was able to meet and set Section H resolutions three Working Days (WDs) earlier for a failed supplier in March 2020 using the new trigger of the Party announcing publicly that it is ceasing to trade BSC Section H3.1.1(g)(vii). In addition, the changes to the number of allowed WDs for late payments has prompted two parties to set up direct debits, therefore stopping their persistent late payments. Although it is still early days and some of the new provisions have not been used, there are good signs that it has already benefited Parties by reducing the financial risk of unpaid charges going into default funding shares from failed Parties. Elexon will continue to monitor the impact of P385 and report back to the Panel with any significant changes.
- **P411 (Including new LDSOs in Qualification to mitigate potential risks to Settlement):**
The Panel agreed that it would be useful to review the effectiveness of the Qualification Performance Assurance Technique (PAT) which required new

Licensed Distribution System Operators (LDSOs) to undergo Qualification in this role. The Panel may wish to review the process in Q1 2022 (once it has been implemented for over 12 months) to ensure that there had not been any detrimental effects on potential new entrants.

- **Credit Assessment Price (CAP) Review process:**
The Panel may deem it appropriate to carry out a review of the CAP review procedures, noting that there have been seven changes to the CAP in the past year. The Panel should look to complete this review by Q1 2021.
- **Retail Energy Code (REC):**
The Panel may wish to consider whether the decision to not bid for the REC was still the best thing to do in practical terms as the project continues to progress.

5. Panel Governance

5.1 The Panel has now implemented all the recommendations put forward in the [Knight Review](#) following the implementation of the following two Modifications:

- [P400 'BSC Panel Modification Business via Video/ Teleconference'](#) allows the BSC Panel to make decisions on Modifications Business via video/tele conference. This was particularly important taking into consideration the timing of the COVID-19 lockdown arrangements; and
- [P401 'Governance arrangements for BSC Panel Alternates'](#) clarified the governance arrangements for Panel Alternates in respect of their contribution to quoracy and voting at BSC Panel meetings. This will help to address ambiguity within the existing arrangements.

5.2 The Panel will need to conduct a review of the Panel Chair's role and responsibilities ahead of the end of the current Panel Chair's term on 30 September 2022. The Panel will need to provide an input on:

- The type of Chair the Panel would like;
- The number of terms the Panel Chair should serve;
- Whether the Panel and BSCCo Board Chair should be the same person or different people.

The Panel will need to start this work during Q2 of 2021 led by the Deputy Panel Chairman.

5.3 The Panel continues to support Elexon's resource, as appropriate, to identify opportunities for simplification and improvements, taking into account that these can take a lot of effort:

- **Panel raised Modifications:**

At the Panel's request, [Issue 82 'Expand the BSC Panel's ability to raise Modification Proposals'](#) was raised to assess a potential modification to introduce the ability for the Panel to raise modifications on grounds other than simple efficiency. The Workgroup recommended that no Modification was raised which was broadly in line with the feeling the Panel has held for some considerable time.

- **Review of election process:**

In response to feedback from Panel Members and other stakeholders, Elexon undertook a review of the Panel election process to ensure that it is efficient, inclusive and fit for purpose. Modification [P387 'Allowing email communications for the BSC Panel Elections process'](#) was approved by the Panel in June 2019 to allow communications between parties via email for the Panel election process. This new provision will be used for the first time for the Panel Elections process in 2020.

- **Removal of redundant arrangements:**

Elexon drafted Modification Proposal [P394 'Removal of Unused BSC Provisions'](#) on behalf of the Panel to remove specific clauses of the BSC identified as being unused or expired.

6. Efficient Working Practice and Communication Between Panel Committees

6.1 The BSC Panel remains committed to continuous improvement by identifying and implementing improvements to its working practices. This includes:

- **Review of Panel Committee application process:**

At the request of the Panel, Elexon undertook a review of the Panel Committee application process and suggested some improvements be made. Additionally, Elexon will present an annual review of Committee membership to the Panel and report on any membership anomalies or concerns when periodic Committee updates are presented to the Panel.

- **Review of Panel Committee Terms of Reference:**

When required, Elexon, on behalf of the Panel, will undertake a review of the Panel Committee terms of reference and seek Panel's views on any recommendations for change. An annual review will be presented to the Panel which will enable the Panel to assess the effectiveness of the Panel and Panel Committees.

- **Performance Assurance Framework (PAF) Review:**

After 10 years of live operations, and some significant industry changes such as smart metering and innovative business models, the Panel instructed Elexon to undertake a review of the PAF to ensure that it is fit for purpose. From April 2020, a new PAF regime will be introduced for which the Panel will ensure it is regular updated on by the Performance Assurance Board (PAB).

7. Evaluation and Management of Evolving Risks

7.1 Changes in market design will change the profile of risk across BSC systems and processes. It is important to ensure that appropriate assurance can be provided in relation to this changing risk profile.

7.2 In recognition of this, the Panel instructed Elexon to undertake a review of the PAF to ensure that it is fit for purpose. Elexon has consolidated the 220 risks of inaccurate Settlement into 34 risk categories, making it easier for companies to identify risks and take action to mitigate them. Each of those 34 risks were then supplemented with additional information such as a financial impact forecast, key root causes and affected parties. We have also produced a digital risk visualisation tool and made improvements to the PAF procedures; these went live for the 2019/2020 assurance year. The Panel will be kept informed of and, where appropriate, endorse, any changes arising to the working arrangements of the PAB that arise from the PAF review.

7.3 In addition to this, the PAB will continue to focus on areas of risk, applying Performance Assurance Techniques as appropriate to identify issues and mitigate risks.

8. External Drivers for Change That May Impact the BSC

8.1 The Panel and its Committees have acknowledged that it is important to remain well informed and to provide support and input, where appropriate, in relation to the following drivers for change:

- **Coronavirus (COVID-19):**

The Panel acknowledges that the impact of COVID-19 may have far-reaching impacts that span over 12 months. The Panel and Elexon are aware of some of the challenges to our customers arising from COVID-19 and are determined to assist where we can. Elexon has:

- Issued the steps it is taking to support our customers in the challenges they are facing in these unprecedented times;
- Detailed further changes approved by the PAB to help support our customers;
- Progressed two Modifications to the BSC to address the risks and issues caused by the lockdown; and
- Published its prioritisation approach in relation to BSC Changes.

Although there is uncertainty, the Panel will continue to progress changes to the BSC as pro-actively and flexibly as possible.

- **European developments:**

The Panel will ensure it is informed of impacts and changes resulting from European developments, and takes action as required. This will involve understanding the impacts of project MARI, the second of the European Electricity Balancing Guideline (EB GL) balancing products to be introduced to the GB Market.

- **Implementation of Project TERRE:**

The Panel will have a role in contributing to and overseeing activities required for the successful development and implementation of TERRE. In May 2020, the Elexon systems investment programme reached a major milestone and successfully deployed the technical changes necessary to enable GB industry parties to join the TERRE platform. This is a technical deployment of the settlement software needed for GB parties to trade on the TERRE platform although the TERRE functionality will not be exercised until the go live in October 2020.

- **P362 – BSC Sandbox:**

The Panel will play a key role in assessing potential candidates for the BSC Sandbox. At this stage, it is hard to anticipate the likely numbers of applications, so there will be a need for ongoing assessment and refinement of the Panel's role and processes. Ofgem has relaunched its sandbox in July 2020, including the BSC Sandbox, so the Panel looks forward to welcoming applications this year.

- **Half Hourly Settlement (HHS) Design:**

As the work on market-wide HHS continues and market arrangements evolve to fully realise the benefits smart meters and smart grids, there will be a wide range of potential implications on the BSC. The Panel will have a role in considering the practicalities of these implications, including the impacts on residual NHH provisions (e.g. profiling), data quality issues, Electric Vehicle integration and calls to reduce the Settlement timetable. In October 2019, Ofgem preliminary approved the Target Operating Model (TOM) design, delivered by the Elexon-led Design Working Group (DWG). In November 2019, Ofgem launched the next phase for developing the industry code changes and system architecture needed to implement the TOM. This includes establishing two new industry working groups: the Code Change and Development Group (CCDG) and the Architecture Working Group (AWG). Elexon will chair these groups, provide technical leadership and work closely with Ofgem, industry and other codes throughout 2020/21.

- **REC:**

Elexon, on behalf of the Panel, is required to inform Ofgem how processes relating to Change of Supplier (CoS) and Change of Agent (CoA) may be impacted in support of Ofgem's Faster Switching Programme ([Issue 86 'Review of processes potentially impacted by Ofgem's Faster Switching Programme'](#)). The Retail Code Consolidation (RCC) Significant Code Review (SCR) changes were expected to be implemented by April 2021 but due to COVID-19, these have been delayed, which has knock-on effects for Issue 86. Additionally, the Panel will support Elexon in ensuring these changes are progressed when the work resumes and in its engagement with the new REC Code Manager, once announced.

- **Joint BEIS and Ofgem Review of Codes:**
BEIS and Ofgem launched a joint review of codes and code governance in 2018, which the Panel, along with Elexon welcomed. The scope of the review includes the whole set of rules governing both the wholesale and retail markets for gas and electricity, so could have wide reaching implications for BSCCo and the Panel. A consultation was issued in July 2019 but due to COVID-19, the review was temporarily put on hold. However, BEIS and Ofgem are due to conclude their review of the energy codes later this year which may have far-reaching impacts on the Panel and the BSC. The Panel is supportive of this initiative and is committed to being more actively engaged with other codes as the review resumes. The Panel welcomes any interaction with other codes to deliver the overall ambition. As such, the Panel will invite other code bodies and leads to attend BSC Panel meetings (similar to the Uniform Network Code (UNC)'s attendance in 2019) as well as the BSC Chairman exploring the possibility of attending other code body meetings.
- **Ofgem Code Administrators Survey findings:**
For the third year in a row, Elexon came top of Ofgem's energy code administrators' customer satisfaction survey. Elexon was the only code administrator not to see a reduced satisfaction score. The Panel recognises this as a great achievement and supports Elexon in its aim of achieving top results for a fourth year.
- **Net zero emissions by 2050:**
The Panel recognises that the energy market is changing and supports Elexon in its determination to ensure that its systems and processes facilitate the changes needed in the energy sector to achieve net zero. As part of this, Elexon will make better use of the existing provision in the Modification Proposal Form by assessing whether the proposed changes will help facilitate a net zero outcome and whether the Modification is likely to be consistent with net zero or not. This in turn will help support the industry with the ongoing commitment by providing potential impacts from the start. The Panel will ensure it receives updates from Elexon as innovations and potentially products progress, and take action as required.
- **Consumer Impacts:**
The Panel recognises the importance of making it clear as to which Modification Proposals will have an end result impacting Consumers. As part of this, ELEXON will further draw out the existing provisions within the Modification Proposal form as much as possible.

- **New business models and technologies:**
Elexon will provide the BSC Panel with regular updates on emerging business models and technologies, with consideration on how these may impact the BSC and settlement. The Panel is mindful of Parties who are not always able to participate physically in the room, noting that Workgroup attendance has been higher in lockdown.
- **Cashout and Balancing – P305 (Electricity Balancing Significant Code Review Developments):**
The most recent implementation phase for P305 was November 2018, when the price calculation parameter Price Average Reference (PAR) was reduced from 50MWh to 1MWh. Elexon will ensure that the Panel is kept informed of any impact on prices following implementation of the PAR.

9. Other Considerations

- 9.1 A 'holding list' of issues/areas of concern along with risks that the Panel has identified as potentially requiring action in the future is include in Appendix 1. The lists will be reviewed on a regular basis and factored into future iterations of the Panel Strategy.



Limitations & Exclusions

The Panel Strategy sets out the non-business as usual activities that address the strategic concerns identified by the BSC Panel. It includes references to some Modification work (either existing Modification or anticipated Modifications) which relate to the Panel's strategic concerns to provide context. However, it does not contain specific reference to:

- An exhaustive list of all existing Modifications in assessment or awaiting implementation (this can be found in the various change reports already published by Elexon);
- Standard business required by the BSC, including, for example, the various scheduled parameter reviews considered by the Panel and Panel Committees (usually on an annual basis);
- Standard demand driven activities and services prescribed by the BSC such as Accession, Market Entry and Exit, SVA Qualification assessments, consideration of Balancing Mechanism Unit Registrations, Metering Dispensations and the investigation and assessment of Trading Disputes etc.; and
- Work associated with the implementation and delivery of Electricity Market Reform (EMR) which is delivered by the wholly owned Elexon subsidiary, EMR Settlement Limited.



Ownership, Review & Maintenance

The Panel Strategy is owned by the BSC Panel. It will be maintained by the BSC Panel Secretary and updated periodically (no more than quarterly). It will also be reviewed by Panel Committee Chairs and Panel Sponsors on a quarterly basis and by the BSC Panel every six months. Reviews will include a review of the holding list and risk register.

Delivery, Resourcing & Impacts

The amount of change across the industry is high and the volume of work under the BSC reflect this.

The Panel has acknowledged that addressing its strategic priorities may require an increase in the cost of delivering the BSC and that prioritisation of work (for example, prioritising Modifications due to COVID-19) will be required.

Any additional activities beyond those currently set out on the Panel Strategy or significant increases in the volume of business as usual services will require a re-adjustment of priorities or consideration of alternative options for delivery.

The BSC Panel recognises that the current level of change (both within and out with the BSC) may contribute towards an upward pressure on cost. The Panel has highlighted the fact that this may be further exacerbated by the risk of errors arising from large industry change programmes, particularly the roll-out of smart metering, and changes being driven from Europe. The Panel has made it clear that Elexon should ensure it has the capacity to monitor and address these increased risks and associated errors, should they arise.



Appendix 1: Holding List & Risk Register

The list below sets out issues/areas of concern that the Panel has identified as potentially requiring action in the future. The list will be reviewed on a regular basis and factored into future iterations of the Panel Strategy:

Issue	Commentary	Next steps
Coronavirus (COVID-19)	Change prioritisation approach may need input from the Panel.	Continuous review of which BSC Changes should be progressed will be necessary in conjunction with the Panel.
Ofgem Code Administrators Survey findings	Subject to the results of Ofgem’s survey, actions may be required by the BSC Panel.	Consider actions in conjunction with the findings of the Elexon customer engagement survey.
Elexon customer engagement survey	Elexon conducts a customer engagement survey on an annual basis. Results will be fed back to the Panel, which the Panel may wish to use as the basis for consequential actions.	Review when survey complete (survey complete, results due to be reported late 2020).
‘Off the shelf’ Suppliers	The Panel has previously expressed concern around the ability of Suppliers to transfer businesses between Supplier IDs following a default event. This issue will be fed into the review of the relevant Performance Assurance Techniques being undertaken as part of the PAF review.	Provide updates to the Panel as the PAF review progresses/concludes.
Net zero by 2050	Elexon has published its intentions to achieve net zero in its Business Plan. Substantial developments will be reported back to the Panel.	Review as and when substantial changes are made.

Appendix 1: Holding List & Risk Register

(Continued)

The PAB has developed a comprehensive log of risk, issues and near misses as part of the PAF review, which documents current and emerging risks to settlement that may arise as a consequence of change in the industry.

In addition to these settlement-specific risks, the Panel has identified the following risks that may have an impact on either BSC Systems and/or processes or the operation of the BSC:

Risk	Actions
The risk that the BEIS/Ofgem review of codes will have a significant impact on the BSC.	Review status as more information on likely outcomes of the review becomes available.



Appendix 2: Applicable BSC Objectives



Condition C3 of the Electricity Transmission Licence establishes seven Applicable BSC Objectives:

- A** The efficient discharge by the Transmission Company of the obligations imposed under 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 and administration 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;
- F** Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation; and
- G** Compliance with the Transmission Losses Principle.

Appendix 3: BSC Panel Powers & Functions

The BSC prescribes the powers and functions of the BSC Panel in Section B.3. The Panel has the power to:

- Decide any matter which, under any provision of the Code, is or may be referred to the Panel for decision;
- Establish Panel Committees and to delegate its powers, functions and responsibilities as provided for under the Code to any such Panel Committee. Panel Committees cannot further delegate their responsibilities or powers unless the BSC or the BSC Panel permits this.

Specific powers and functions are identified in BSC Section B3.1.2 and are detailed further in the relevant sections of the BSC and the Code Subsidiary Documents (BSC Procedures etc.). The Panel has delegated some of these functions and responsibilities to its Panel Committees as outlined below. In summary, the BSC Panel is responsible for:

<p>A Deciding (subject to a reference to or approval of the Authority, as provided in the Code) on the expulsion or suspension of the rights of any Party (see Section H for the Default provisions relating to Credit Default or breach of the BSC);</p>	<p>Not Delegated</p>	<p>H Not used;</p>	<p>Not Used</p>
<p>B Implementing or supervising the implementation of the procedures for modification of the BSC (see BSC Section F for the procedures);</p>	<p>Not Delegated</p>	<p>I Deciding matters which are referred to it (pursuant to any provision of the Code providing for such referral) following any decision or determination of Elexon or a BSC Agent;</p>	<p>Not Delegated</p>
<p>C Establishing arrangements for the resolution of Trading Disputes (see BSC Section W);</p>	<p>Delegated (in part) to: TDC</p>	<p>J Setting the terms of reference for the BSC Auditor and considering the BSC Audit Report;</p>	<p>Delegated (in part) to: PAB</p>
<p>D Determining values for trading parameters (to be applied in the BSC) as may be required of the Panel in accordance with any provision of the Code;</p>	<p>Delegated (in part) to: ISG, SVG and Credit Committee</p>	<p>K If requested by the Authority, conveying any direction or request of the Authority to any Party, Elexon, the BSC Auditor or any BSC Agent;</p>	<p>Not Delegated</p>
<p>E Adopting and from time to time revising Code Subsidiary Documents (see BSC Section F3);</p>	<p>Mainly delegated to: ISG and SVG but also TDC & PAB</p>	<p>L Preparing, considering, recommending changes (if necessary) and approving documents relating to performance assurance (in accordance with BSC Section Z) and hearing and determining Risk Management Plan Appeals.</p>	<p>Mainly delegated to: PAB</p>
<p>F Taking steps to ensure that the Code is given effect in accordance with its terms, and (but only where expressly so provided in the Code) taking steps to ensure compliance by Parties with the provisions of the Code;</p>	<p>Mainly delegated to: PAB</p>	<p>M Approving or rejecting applications for transfer of a Party's Accession Agreement and BSC Party ID in accordance with Section A; and</p>	<p>Not Delegated</p>
<p>G Providing or arranging for the provision of reports and other information to the Authority in accordance with the further provisions of the Code;</p>	<p>Delivered by Panel and across Panel Committees as appropriate</p>	<p>N Implementing or supervising the implementation of the procedures for BSC Sandbox Applications and monitoring BSC Derogations in accordance with Section H10.</p>	<p>Not Delegated</p>

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