

CP Progression Paper

CP1540 'Strengthening the Qualification - Change of Ownership Process'

ELEXON



Committee

Performance Assurance Board (PAB), Imbalance Settlement Group (ISG) and Supplier Volume Allocation Group (SVG)



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About This Document

This document provides information on new Change Proposal (CP) CP1540 and outlines our proposed progression timetable for this change, including when it will be issued for CP Consultation in the next suitable Change Proposal Circular (CPC) batch.

We are presenting this paper to the Performance Assurance Board (PAB) on 25 February 2021 and the Imbalance Settlement Group (ISG) and Supplier Volume Allocation Group (SVG) on 2 March 2021 to capture any comments or questions from Committee Members on this CP before we issue it for consultation.

There are three parts to this document:

- This is the main document. It provides a summary of the solution, impacts, anticipated costs, and proposed implementation approach, as well as our proposed progression approach for this CP.
- Attachment A contains the CP1540 proposal form.
- Attachment B contains the proposed redlined changes to deliver the CP1540 solution.

PAB241, ISG239, SVG241

CP1540

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1 Summary?

Why change?

Footnote 22 of Balancing and Settlement Code Procedure ([BSCP](#)) 537 'Qualification Process for Supplier Volume Allocation (SVA) Parties, SVA Party Agents and Central Volume Allocation (CVA) Meter Operators' states that the change of ownership process relates to "change of assets including but not limited to a change in the legal entity and/or transfer of assets to another." The intended purpose of the footnote was to allow for internal restructuring within a company group. The footnote implies that a transfer of Qualification status would be valid with the transfer of any asset, which is not the case, and the PAB would not accept transfer of Qualification status in these circumstances. The PAB has requested this CP be raised to make clear the type of change of ownership that would allow the transfer of Qualification status.

Solution

This CP proposes to remove footnote 22 and in place, add a paragraph to specify that the change of ownership process prohibits transfer of Qualified status as an asset. For clarity, the paragraph will make clear that a transfer will only be permitted between companies in the same corporate group.

Impacts and costs

This change will only affect BSCP537, with no central system changes required. The cost will be less than £1000. Elexon expect this change to have a positive impact on Parties by clarifying when a transfer of Qualified status is valid.

Implementation

This CP is recommended for implementation on 4 November 2021 as part of the November 2021 BSC Release in order to implement this change at the earliest opportunity.

2 Why Change?

What is the issue?

Footnote 22 of BSCP537 refers to 'change of ownership in respect of change of assets including but not limited to a change in the legal entity and/or transfer of assets to another'. The intended purpose of the latter was to allow for internal restructuring within a company group.

The footnote is unclear, and would appear to allow Qualification to be transferred as an asset. In order to prevent companies trading their Qualified status, the document on change of ownership should explicitly prohibit the trade. The clarification will also provide guidance for companies enquiring into Qualification.

Background

Under the BSC, all Parties who are required to be Qualified must develop their systems and processes to accepted industry standards and must be able to fulfil the requirements of the code. As such, those Parties are required to submit appropriate representations and evidence indicating that they meet those standards by completing a Self Assessment Document, and they must follow the application process. BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators' outlines the application process. It also outlines the Change of Ownership process to be followed when ownership of a Qualified Person changes. According to the process, a Change of Ownership takes place before the involved Parties make Elexon and PAB aware of the transaction. PAB then decide if Qualification or Requalification is required.

Footnote 22 of BSCP 537 states "This is a change of ownership in respect of change of assets including but not limited to a change in the legal entity and/or transfer of assets to another". This implies that PAB would have no objections, and accept transfer of Qualified status to a Party that lacks the appropriate expertise and processes upon sale of assets unrelated to Qualified functions.

Proposed solution

The proposed solution is to remove footnote 22 in BSCP537 and include a paragraph below the title that explicitly prohibits the transfer of Qualification except in the case of restructuring within a group of companies. This text will be added in the main text of the document, rather than in a footnote, to ensure clarity for market participants as the information will be more prominent. For further clarity, the text in footnotes 23-24 in BSCP537 should also be combined and placed into the new paragraph as this text relates to the entire Change of Ownership Process.

Proposer's rationale

BSCP537 should be amended to more clearly state when the change of ownership process should apply. The proposed solution of removing footnote 22 and creating a new paragraph would clarify that changes of ownership under the BSC are only permissible through sale and purchase of the majority of shares in a legal entity with Qualified status, or corporate restructuring.

This change is expected to create clarity for Qualified Persons wishing to utilise the Change of Ownership process in section 2.6 of BSCP537.

Proposed redlining

Please see Attachment B for the proposed redlining to CP1540.

4 Impacts and Costs

BSC Party & Party Agent impacts and costs

BSC Party & Party Agent Impacts	
BSC Party/Party Agent	Impact
Any Party concerned about whether they will be able to transfer Qualification	The change will provide clarity on when Parties should expect to go through Qualification or Requalification.

Central impacts and costs

Central impacts

The solution in this CP only affects BSC documentation. Therefore no BSC Central Systems will be impacted.

Central Impacts	
Document Impacts	System Impacts
<ul style="list-style-type: none">BSCP537	<ul style="list-style-type: none">None

Central costs

The central implementation costs for CP1540 will be less than £1000 for the document only changes to implement this CP.

Impact on BSC Settlement Risks

Impact on BSC Settlement Risks
Footnote 22 of BSCP537 implies that companies can obtain Qualified status by trading assets unrelated to qualification. Settlement risks would arise from companies that hold Qualified status, but do not have the people, systems, and processes necessary to carry out Qualified SVA, SVA Agent, and CVA MOA activities. This CP removes that possibility and ensures that all those participants who are required to be Qualified have developed their systems and processes to accepted industry standards and are able to fulfil the requirements of the Code.

5 Implementation Approach

Recommended Implementation Date

This CP is recommended for implementation on 4 November 2021 as part of the November 2021 BSC release to ensure the change is implemented at the earliest opportunity.

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6 Proposed Progression

Progression timetable

The table below outlines the proposed progression plan for CP1540:

Progression Timetable	
Event	Date
CP Progression Paper presented to PAB for information	25 Feb 2021
CP Progression Paper presented to SVG for information	2 Mar 21
CP Progression Paper presented to ISG for information	2 Mar 21
CP Consultation	8 Mar 21 – 6 Apr 21
CP Assessment Report presented to PAB for decision	29 Apr 21
CP Assessment Report presented to SVG for decision	4 May 21
CP Assessment Report presented to ISG for decision	4 May 21
Proposed Implementation Date	4 Nov 21 (Nov 21 Release)

CP Consultation questions

We intend to ask the standard CP Consultation questions for CP1540. We do not believe any additional questions need to be asked for this CP.

Standard CP Consultation Questions
Do you agree with the CP1540 proposed solution?
Do you agree that the draft redlining delivers the CP1540 proposed solution?
Will CP1540 impact your organisation?
Will your organisation incur any costs in implementing CP1540?
Do you agree with the proposed implementation approach for CP1540?

7 Recommendations

We invite you to:

- **NOTE** that CP1540 has been raised;
- **NOTE** the proposed progression timetable for CP1540;
- **PROVIDE** any comments or additional questions for inclusion in the CP Consultation; and
- **NOTE** that CP1540 will be presented to:
 - the PAB on 25 February 2021; and
 - the ISG on 2 March 2021.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
BSCP	Balancing and Settlement Code Procedure
CP	Change Proposal
CPC	Change Proposal Circular
CVA	Central Volume Allocation
ISG	Imbalance Settlement Group
PAB	Performance Assurance Board
SVA	Supplier Volume Allocation
SVG	Supplier Volume Allocation Group
MOA	Meter Operator Agent

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
2	BSCP537 download web page	https://www.elexon.co.uk/csd/bscp537-qualification-process-for-sva-parties-sva-party-agents-and-cva-meter-operators/