

By e-mail to: ESOperformance@ofgem.gov.uk

ESO Regulation Team
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15 August 2018

Dear David, Maryam, and the ESO Regulation Team

ELEXON's thoughts on your proposals for the Electricity System Operator Performance Panel

I welcome the opportunity to express some views on Ofgem's Electricity System Operator (ESO) Performance Panel Working Paper, which Ofgem published on 26 July 2018.

As you are aware, ELEXON (as 'BSCCo') is the Code Manager for the Balancing and Settlement Code (BSC). We are responsible for managing and delivering the end-to-end services set out in the BSC and systems that support the BSC. ELEXON is also responsible for EMR settlement arrangements.

The views expressed in this letter (overleaf) are those of ELEXON Ltd alone, and do not seek to represent those of the BSC Panel or Parties to the BSC.

I hope you find these thoughts helpful and if you would like to discuss any aspects, please don't hesitate to contact me at steve.wilkin@elxon.co.uk.

Yours sincerely,



Steve Wilkin
European Coordination Manager

THE ESO PERFORMANCE PANEL WORKING PAPER: ELEXON'S VIEWS

1. Areas where we strongly agree

- 1.1 We agree with most of your thinking as set out in the Working Paper. But pulling out two key areas, we agree that:
- the Performance Panel should not be seen as a substitute for wider stakeholder input
 - the structure and administration of the Panel should be kept under review and evolve as experience of its operation is gained.

2. Some observations and questions

Scope of industry representation

- 2.1 We note that suppliers and independent aggregators have been excluded from the list of possible sectors to provide industry representatives (paragraph 1.8 of the Working Paper). We suggest that as these sectors will also, in many cases, be directly despatched by the ESO, and to take a whole system view, we should include those who directly interface with the ESO in any capacity.
- 2.2 On this latter point, ELEXON is also very reliant on the ESO for support in successfully managing the BSC, in particular for the timely provision of operational data and information required from it under the BSC; and for raising (where ELEXON cannot) and supporting the progress of BSC Modifications to meet, for example, EU legal requirements.
- We therefore have a strong interest in ESO's performance in these areas; and the ability to input views on this to ESO directly; or if we feel necessary, to the ESO performance monitoring process. So we need a route to input our views to the Performance Panel.
 - And, as the ESO's code administration financial incentive is measured, in part, on its relative performance compared with other (non-ESO) code administrators, such as ELEXON, and not on absolute performance, it is important that any comments by ESO about other code administrators, e.g. to boost its own relative performance, are open to scrutiny and potential challenge by those other code administrators.
- 2.3 For both the above reasons, if we and other code administrators are not represented directly or indirectly on the Performance Panel, we would seek another route to express views. So we strongly support your suggestion that the Panel has open sessions (paragraph 1.25) and ELEXON will notify its intention to attend these open sessions by sending you a separate email on this.
- 2.4 And for the latter reason, we also suggest that the ESO should not be able to bring new evidence to the closed sessions (paragraph 1.26) where that new evidence is related to the performance of other (non-ESO) code administrators unless those other code administrators can also provide their perspectives to the Panel in turn.

Selection process and representing industry

- 2.5 Because we are interested in being represented directly or indirectly on the Performance Panel, see above, we believe that potential candidates, if representing constituencies from industry, should be asked to explain how they gather and ensure that they represent those constituency views. And to explain this as part of the selection process.

Time commitment of Panel members

- 2.6 It is important that the representative Panel members are given time:
- to receive and review evidence volunteered by their constituents
 - to allow their constituents to review and react to the evidence provided by the ESO
 - to review the evidence provided by their constituents, in addition to reviewing the evidence provided by the ESO (but paragraph 1.24 of the Working Paper refers only to time spent reviewing ESO evidence).
- 2.7 The need for this time commitment seems to be reinforced by the statement in paragraph 1.34 of the Working Paper that 'Panel members are expected to make every effort to represent the views of the industry as a whole and not any single organisation'.
- 2.8 However, we would suggest that this is reworded to represent their constituency and ensure that the industry as a whole is represented through the selection of Panel member constituencies that together will cover the whole industry. Asking each individual Panel member to represent the whole industry would seem too great a burden; and contradict your intent of constituency representation.

Casting votes and the transparency of Panel member views

- 2.9 Paragraph 1.29 of the Working Paper suggests that the Chair would have the final say on scores in the event of a tied vote. As the Performance Panel is only an advisory body, and because it was intended to address the information asymmetry between ESO and Ofgem, it seems odd to give the (currently Ofgem) Chair a casting vote in these circumstances.
- 2.10 To maintain the Panel's independence from Ofgem; and to give the Authority a clear view of the various views, it may be more appropriate to record the votes cast and provide that record to the Authority rather than insisting on having a casting vote. This would enable the Authority to see the balance of views at the Panel. For the latter reason, this also seems to be more appropriate in the longer term even after Ofgem ceases to be the Chair.

END.