



# Panel Approved Minutes

## BSC Panel 199 Minutes

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<b>Meeting Name</b>	BSC Panel		
<b>Date of Meeting</b>	14 June 2012		
<b>Meeting Number</b>	199		
<b>Venue</b>	ELEXON Ltd, 350 Euston Road, London NW1 3AW		

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<b>Attendees</b>	Andrew Pinder	AP	BSC Panel Chairman
	Mari Toda	AC	Industry Panel Alternate (for Andy Colley)
	Barbara Vest	BV	Industry Panel Member
	Bob Brown	BB	Industry Panel Alternate (for Nigel Cornwall)
	David Lane	DL	DSO Representative
	Duncan Carter	DC	Consumer Panel Member
	Shafqat Ali	SA	Transmission Company Panel Alternate (for Ian Pashley)
	Jonathan Dixon	JD	Ofgem Representative
	Moira Siddons	MS	Independent Panel Member
	Peter Bolitho	PBo	Industry Panel Member
	Phil Baker	PB	Industry Panel Member
	Richard Brealey	RB	Independent Panel Member
	Richard Hall	RH	Consumer Panel Member
	Stuart Cotten	SC	Industry Panel Member
	Adam Richardson	AR	ELEXON
	Nicola Dempsey	ND	ELEXON
	Chris Rowell	CR	ELEXON (part meeting)
	Dorcas Batstone	DB	ELEXON
	Peter Haigh	PH	ELEXON
	Victoria Moxham	VM	ELEXON
Duncan Burt	DBu	Transmission Company (part meeting)	
Ian Pielage	IP	Transmission Company (part meeting)	
Sue Wallbank	SW	PricewaterhouseCoopers (part meeting)	
Stuart Marshal	SM	PricewaterhouseCoopers (part meeting)	
Paul Gregory	PG	C&C Group (part meeting)	

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<b>Apologies</b>	Ian Pashley	IP	Transmission Company Representative
	Nigel Cornwall	NC	Industry Panel Member

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### Administration

#### 1. Apologies - Verbal

- 1.1 Apologies were received from Ian Pashley and Andy Colley. Shafqat Ali was attending the meeting as Ian's alternate, Bob Brown as Nigel Cornwall's alternate and Mari Toda as Andy Colley's alternate.



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## Modification Business (Open Session)

### 2. Report on Progress of Modification Proposals - Verbal

- 2.1 The Modification Secretary gave a verbal update on the progress of the Modification Proposals. For further details, please see the Change Report.
- 2.2 P274: this proposed modification needs additional analysis and consultation, therefore the Assessment Report will be presented to Panel at the September meeting.
- 2.3 The Panel noted that the P284 consultation documents had been published but as yet no decision on urgency had been received from the Authority. The Ofgem representative reported that its position remained the same; it was not minded to grant urgency, largely on the basis that its published criteria were not satisfied and, having attended what he considered to be a very constructive working group, he had every confidence that the report would be submitted according to the expedited timetable.
- 2.4 The Chair addressed the approach that ELEXON was planning to take, this is fully noted later in the minutes.

### 3. P276 'Introduce an additional trigger/threshold for suspending the market in the event of a Partial Shutdown' – 199/04

- 3.1 The BSC currently suspends normal market operations following a Partial Shutdown of the Transmission System under the Grid Code. The Proposer believed that this is disproportionate for small, localised shutdowns. Under P276, the BSC will only suspend normal operations following a Partial Shutdown if a specified Market Suspension Threshold is met. The intention of this threshold is to represent the point at which continuing the market may cause greater disruption to BSC Parties' imbalance charges than suspending it.
- 3.2 A Panel member asked whether, given the low level of the threshold, there were any secured events that would trigger this suspension. ELEXON stated that suspension won't kick in unless there is a Partial Shutdown of the Transmission System under the Grid Code and this will act as the protection. The analysis was concerned with exposure for traders so no analysis into secured events was done. The workgroup did debate the percentage, however, as this situation has never happened, it was difficult to set with any certainty. The workgroup acknowledged that should the event occur it was likely that a 'lessons learned' exercise would be conducted and this may give rise to Code Modifications in light of experience..
- 3.3 The BSC Panel:
  - a) **NOTED** the P276 Draft Modification Report and the P276 Report Phase Consultation responses;
  - b) **CONFIRMED** the recommendation to the Authority in the P276 Draft Modification Report that P276 should be approved;



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- c) **APPROVED** an Implementation Date of 31 March 2014 if an Authority decision is received on or before 28 March 2013;
- d) **APPROVED** the BSC legal text for P276; and
- e) **APPROVED** the P276 Modification Report.

## 4. P280 'Introduction of new Measurement Class' – 199/05

- 4.1 P280 seeks to introduce new Measurement Classes for Half Hourly-settled customers in the Domestic, Small Medium Enterprise and the Industrial & Commercial markets, and a requirement for the Supplier Volume Allocation Agent to provide Distributors with aggregated Half Hourly consumption data for Metering Systems registered to these new Measurement Classes. P280 would enable Distributors to charge Suppliers on an aggregated basis as well as on a site-specific basis.
- 4.2 A Panel member what would happen should a Party decide not to change to Half Hourly measurement. ELEXON confirmed that there would be no cost as it would be treated as Parties taking on new customers.
- 4.3 The BSC Panel:
  - a) **AGREED** an initial recommendation that Proposed Modification P280 should be approved;
  - b) **AGREED** an initial Implementation Date for Proposed Modification P280 as of 1 October 2013 if an Authority decision is received on or before 1 October 2013;
  - c) **AGREED** the draft legal text for Proposed Modification P280:
  - d) **AGREED** that Modification Proposal P280 be submitted to the Report Phase; and
  - e) **AGREED** that ELEXON should issue P280 draft Modification Report for consultation and submit results to the Panel to consider at its meeting on 12 July 2012.

## 5. P281 'Change of BSCCo Board of Directors and Chairman' – 199/06

- 5.1 P281 seeks to change the make-up of the Balancing and Settlement Code Company (BSCCo) Board of Directors, to;
  - Allow BSC Parties a more active say in the management and oversight of BSCCo; and
  - Ensure the appropriate separation of the BSCCo Board for the management of ELEXON Ltd, should ELEXON be permitted to diversify its activities.
- 5.2 The Workgroup has developed an Alternative solution to address the issues identified under P281 by introducing provisions that promote corporate governance best practices.



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- 5.3 The Chair asked the Panel to confirm it was happy for him to continue to chair this part of the meeting as the Modification included references to his role on the Board; the Panel confirmed that it was.
- 5.4 The Chair confirmed that the existing non-Panel Board member appointments have been extended until December 2012 as an interim measure pending the approval or otherwise of P281.
- 5.5 A Panel member wanted to know to what extent the workgroup examined corporate governance and best practice and how they had dealt with ELEXON's unique set up, in that it only has one shareholder. ELEXON replied that the Workgroup had looked at accepted best practice, considered the unusual nature of BSCCo and taken into account the Panel's oversight of BCo and felt that this was a sufficient safeguard.
- 5.6 A Panel member asked ELEXON for more detail about how the Nominations Committee would be formed as they did not believe this was clear. Another Panel member commented that the CUSC Panel have had a similar situation and they appointed two members to work with a recruitment specialist and interview likely candidates for the role of CUSC chairman.
- 5.7 A Panel member queried the numbers that make up the proposed Board. Although the Nominations Committee is given the power to change criteria the number of people on the Board is restricted to five (including the Chairman). ELEXON confirmed that the Workgroup had considered it appropriate to maintain a limit on the size of the Board and had chosen five because it is the current limit and the Workgroup saw no reason to change from the status quo in this respect.
- 5.8 A Panel member suggested that the Board would be able to select non-voting members to advise the Board.
- 5.9 A Panel member was concerned about remuneration of Board members under P281. They felt that the legal text seemed to suggest that the Chair would be responsible for setting the level of remuneration of the Board members and asked if that was the Workgroup's intention. The Chair stated that the current process is that the Chair recommends but the nomination committee makes the final decision.
- 5.10 A Panel member pointed out that the Proposed and Alternative modification gives the Panel responsibility for appointing the Chairman of the Board. They would like to see how the Workgroup envisage this process working. ELEXON observed that process of selection is for the Panel to decide.
- 5.11 There was some debate about whether this should have been included in P281 with a Panel member concerned that this issue, whilst not central to the modification could delay its progress.
- 5.12 The Chair asked the Panel members if they felt it would be appropriate to remove the issue of appointment of the Chair of the Board from P281 altogether and present it as a separate Modification in due course. The Panel agreed that that would be better to progress this aspect of the Modification separately if possible.
- 5.13 A Panel member said that they wanted further clarification from the Workgroup about the work they had done and how it reached the proposed solution because the solution is so similar to the current



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arrangements it would appear that it does not address the defect it is designed to resolve of representation on ELEXON's Board.

- 5.14 Another Panel member pointed out that not all BSC Parties are represented at present, and all Parties would not be represented under the Proposed modification.
- 5.15 The Ofgem Representative noted that Ofgem had been represented at the Workgroup meetings. In the view of the Ofgem Representative the defect underlying P281 was not representation of Parties but ensuring accountability of the Board.
- 5.16 The Panel agreed that P281 should remain in the Assessment Procedure stage in order that the Workgroup can give further consideration to the areas raised by the Panel, provide clarification and potentially amend the P281 Proposed and Alternative solutions and legal text if it felt this to be appropriate following its further discussions. The areas the Panel asked the Workgroup to consider were the appointment of the Panel/Board Chairman and whether a change in this area should be included in P281 Proposed and Alternative, Board remuneration, clarification and simplification of the Alternative legal text and several aspects of the P281 Alternative solution (including transitional arrangements, length of Board members' terms, Board size and Nomination Committee Terms of Reference).

## **ACTION 199/01, 199/02 and 199/03**

- 5.17 The BSC Panel:
- a) **REJECTED** the Workgroup's recommendation to progress Modification P281 to the Report Phase;
  - b) **AGREED** that Proposed Modification P281 should stay in the Assessment process;
  - c) **AGREED** that the Workgroup should address the issues raised by the Panel;
  - d) **AGREED** ELEXON should submit results of further Workgroup meetings to the Panel to consider at its meeting on 12 July 2012.

## **6. P285 'Revised treatment of RCRC for Interconnector BM Units' – 199/07**

- 6.1 CUSC Modification Proposal (CMP) 202 is seeking to remove Balancing Services Use of System (BSUoS) charges/payments from Interconnector BM Units. The BSC's Residual Cashflow Reallocation Cashflow (RCRC) can be considered as equal and opposite to BSUoS, and currently all Parties are equally exposed to both cashflows. P285 proposes that Interconnector BM Units should be excluded from RCRC charges/payments.
- 6.2 A Panel member asked about the timeframe of the proposed modification, four months seemed too long. ELEXON replied that this was to allow for the two 15 Working Day consultations.
- 6.3 A Panel member asked for clarification on the difference between RCRC. ELEXON will add this to the Workgroup's Terms of Reference.



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## 6.4 The BSC Panel:

- a) **DETERMINED** that Modification Proposal P285 should progress to the Assessment Procedure;
- b) **DETERMINED** that the P285 Workgroups should be formed from members of the Settlement Standing Modification Group (SSMG), supplemented with any other relevant experts and interested parties;
- c) **AGREED** the Workgroup's Terms of Reference;
- d) **AGREED** that P285 has no interaction with any ongoing SCRs;
- e) **AGREED** that P285 does not meet the Self-Governance Criteria; and
- f) **AGREED** that Assessment Procedure timetable such that an Assessment Report is submitted to the Panel at its meeting on 11 October 2012.

## 7. P286 'Revised treatment of RCRC for generator BM Units' – 199/08

7.1 CUSC Modification Proposal (CMP) 201 is seeking to remove Balancing Services Use of System (BSUoS) charges/payments from generation BM Units. The BSC's Residual Cashflow Reallocation Cashflow (RCRC) can be considered as equal and opposite to BSUoS, and currently all Parties are equally exposed to both cashflows. P286 proposes that generator BM Units should be excluded from RCRC charges/payments.

### 7.2 The BSC Panel:

- a) **DETERMINED** that Modification Proposal P286 should progress to the Assessment Procedure;
- b) **DETERMINED** that the P286 Workgroup should be formed from members of the Settlement Standing Modification Group (SSMG), supplemented with any other relevant experts and interested parties;
- c) **AGREED** the Workgroup's Terms of Reference;
- d) **AGREED** that P286 has no interaction with any ongoing SCRs;
- e) **AGREED** that P286 does not meet the Self-Governance Criteria; and
- f) **AGREED** the Assessment Procedure timetable such that an Assessment Report is submitted to the Panel at its meeting on 11 October 2012.

## 8. P287 'Allow the BSC Panel to conduct Modification Business via teleconference' – 199/09

8.1 Under the current arrangements, the BSC Panel cannot conduct Modification Business via teleconference. P287 proposes to remove this restriction.



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- 8.2 The Chair commented that he would always prefer to have the Panel meetings face to face and would only sanction teleconferences in exceptional circumstances such as a travel strike. Ordinarily, he would not allow Panel members to attend by teleconference.
- 8.3 The Panel Secretary confirmed that the current rules on teleconferencing apply only to Modification Business and do not apply to urgent Modification business or non-Modification business conducted at scheduled or ad-hoc Panel meetings.
- 8.4 A Panel member would like to see some safeguards put in about when teleconferencing is allowable in line with the Chair's comments. The Panel Secretary confirmed that the Panel could put in place policy statement re-enforcing its working practice of holding meetings by teleconference only in exceptional circumstances.
- 8.5 The BSC Panel:
- a) **RAISED** the Modification Proposal in Attachment A of Paper 199/09.
  - b) **SUBMITTED** the Modification Proposal directly to the Report Phase;
  - c) **AGREED** a provisional view that the Modification should be made
  - d) **AGREED** a provisional view Implementation Date of one working day after the Self-Governance appeal window closes;
  - e) **AGREED** the draft legal text in Attachment B; and
  - f) **AGREED** that the Draft Modification Report should be issued for consultation and submitted to the Panel at its meeting on 12 July 2012.
  - g) **AGREED** a provisional view that the Modification Proposal meets the Self-Governance Criteria;
  - h) **NOTED** that, if the Panel agrees that the Modification Proposal meets the Self-Governance Criteria, ELEXON will prepare and submit a Self-Governance Statement to the Authority setting out the Panel's reasons for its view;
  - i) **DETERMINED** that the Report Phase Consultation should seek industry views on whether the Modification Proposal meets the Self-Governance Criteria; and
  - j) **NOTED** that the Panel has the ability to change its mind on Self-Governance at its next meeting, and that the Authority has the ability to independently determine that the Modification Proposal is, or is not, a Self-Governance Modification Proposal.

## Non-Modification Business: Open Session



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## **9. Minutes of Meeting 197, 198 & Actions Arising - Verbal**

9.1 The minutes of the previous meeting were agreed and an update on the actions provided.

## **10. Chairman's Report - Verbal**

10.1 There were no questions for the Chair.

## **11. ELEXON Report – 199/01**

11.1 There were no questions for the CEO

### Smart Update:

11.2 Regulatory consultations have been answered and are published on the ELEXON website.

11.3 Two new consultations have come in and have due dates of 27 June 2012.

## **12. Distribution Report - Verbal**

12.1 There were no updates on distribution

## **13. Transmission Report - Verbal**

13.1 The Transmission representative updated the Panel on issues within National Grid.

## **14. Ofgem Report - Verbal**

14.1 Ofgem had proposed presenting on cash-out at this meeting but felt it would be more productive to do so at either the August or September meeting.

## **15. Report from the ISG – 199/01a**

15.1 The Panel noted the report from the ISG.

## **16. Report from the SVG – 199/01b**

16.1 The Panel noted the report from the SVG.

## **17. Report from the PAB – 199/01c**

17.1 The Panel noted the report from the PAB.

## **18. Report from the TDC – 199/01d**

18.1 The Panel noted the report from the TDC.



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## **19. Report from the JESG – 199/01e**

19.1 The Panel noted the report from the JESG.

## **20. Trading Operations Report – 199/02**

20.1 The Panel noted the Trading Operations Report.

## **21. Change Report – 199/03**

21.1 The Panel noted the Change Report.

## **22. BSC Services Manager: Service Description Consultation – 199/10**

22.1 In anticipation of the establishment of a new BSC Agent, this paper set out the timetable for the creation, consultation and approval of a new BSC Agent Service Description for the role of BSC Services Manager.

22.2 ELEXON said that the P284 working group had discussed the need for a Service Description setting out the BSC Service Manager's role and that this should be in place before any contract. The group also wanted to understand the contracting process.

22.3 The Chairman outlined his proposed approach to contracting; he was conscious that Panel Members had also asked for clarification in this area so as to inform their deliberations around P284. A description of the BSC Service Manager's role had been drawn up and would be issued for consultation prior to being submitted to the Panel for approval. He also confirmed that his aim is to outline the key principles underpinning the approach to appointing a BSC Service Manager at roughly the time that P284 is being considered by the Panel. As such the Panel would have as much insight as possible regarding the implications and practicalities of an outsource arrangement when considering P284.

22.4 He would provide the Panel with regular updates and wanted to ensure a transparent process though what he could share during contract negotiations would be limited. He hoped to have the main shape of the proposals by the time the Panel deliberated P284, in the meantime he was happy to discuss and answer questions one to one.

22.5 At present BSCCo and ELEXON were co-terminus and he was chairman of both. P284, if approved would require them to be established as separate entities and steps needed to be taken to identify what needed to be done to achieve this. The Chairman had appointed Adam Richardson, Dorcas Batstone and legal advisors to assist him in examining what a contract might look like to inform the BSCCo Board and the BSC Panel. The contract would need to reflect the intent outlined in Ofgem's letter including that a contract must be capable of being re-let, should contain step-in provisions and cost no more than the current arrangements.

22.6 A Panel member said it was useful to have clarity around the structure of teams and sought clarification on the ELEXON executive's attendance at Board meetings. The Chairman said that the executive would attend for business as usual items but would not be present for discussions on the above issues. He had already



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taken steps to make sure that the executive could not make decisions which might affect any new company favourably, for example by reducing their authority over spend and recruitment. He reiterated his desire for the process to be transparent and he expected that the Board would share that view. The Panel Member said that just for the record, for those Board Members present, he'd like to see that.

22.7 Another Panel Member thought the proposed approach was sensible and asked if there was a view on costs at this stage. The Chairman explained that without an approved P284 the Board did not have any authority to outsource but it was part of its function to explore opportunities for cost cutting and he regarded that as sufficient case to do some exploratory work at this stage – that and the desirability of the industry and Panel understanding the shape of what was proposed prior to considering P284.

22.8 The Ofgem representative said there was governance and process around Board procedures and Ofgem did not seek to prescribe how the Board operated. Ofgem's immediate focus was around the modification proposal which, if approved, would give the Board the opportunity to outsource and as long as the Board was in a position to subsequently make the right decision then Ofgem didn't have a view, beyond ensuring that the pre-conditions in its letter were met. Ofgem confirmed that it has no issues at the moment, provided that the conditions laid out in the Vires letter are met.

22.9 The BSC Panel:

- a) **NOTED** the creation of a new BSC Services Manager – Service Description;
- b) **NOTED** the consultation timetable;
- c) **NOMINATED** one or a number of Panel members to provide input during the consultation period;  
and
- d) **NOTED** that consultation responses and the finalised Service Description will be presented to the Panel on 12 July 2012.

## 23. Appointment of the SVG Chair – 199/12

23.1 The Panel was invited to approve the appointment of a new SVG Chairman.

23.2 The BSC Panel:

- a) **APPROVED** the appointment of Kathryn Coffin as the new SVG Chairman with immediate effect.

## 24. BSC Annual Report - Verbal

24.1 ELEXON thanked Moira Siddons and Peter Bolitho for their support in the development of the BSC Annual Report. It was noted that ELEXON was updating the draft report with their comments for publication by the required date of 30 June and that the final report approved by MS and PBo would be provided to the Panel for information.



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## 25. Annual BSC Audit Report – 199/13

25.1 Sue Wallbank from PwC, gave the Panel an overview of the Audit report.

25.2 The Panel noted the main points were:

- The Audit is not qualified;
- The Erroneous values of EACs and AAs are improving but still fall short of where ELEXON and the Auditor would like them to be;
- This year has seen lots of change in the market; against this the improvement in the non-Half Hourly data is significant;
- There are data quality issues in the non-Half Hourly market. PwC has spent some time drilling down into the data to find out what the material error codes are and has made a recommendation for next year to concentrate in more detail on resolving this.
- The BSC Audit Issues have shown a net increase. This is due to the disappointing result in the Meter Operation area; this does not included any issues National Grid may be having.

25.3 A Panel member commented that the meter operator results are concerning in light of the SMART implementation. SW confirmed that this is mentioned as a risk in the Audit Report.

25.4 The Chair asked SW if they had any issues with getting information from ELEXON. SW confirmed that PwC's working relationship with ELEXON was good and that PwC found the OSM's were very helpful

25.5 The BSC Panel:

- a) **NOTED** the report.

## 26. Annual BM Audit Report – 199/14

26.1 The Panel was presented with information about the BM Audit Scope and Audit opinion for the period 1 April 2011to 31 March 2012.

26.2 The BSC Panel:

- a) **NOTED** the report.

## 27. Technical Assurance Agent Report – 199/15

27.1 The Technical Assurance Agent presented the report on its performance for 2011-2012

27.2 The BSC Panel:



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a) **NOTED** the report.

## 28. Post-Implementation Review of Modification P253 – 199/20

28.1 Modification Proposal P253 ('Improving the accuracy of the credit calculation for SVA participants') was implemented on 3 November 2011, and had the effect of including Supplier Volume Allocation (SVA) processes in the Interim Information ('II') run for the first time. This report looked at the extent to which Supplier Agents have succeeded in providing actual Half Hourly metered data in time for the II run, and the extent to which the accuracy of credit checking has increased as a result.

28.2 The BSC Panel:

a) **NOTED** the report.

## 29. Any Other Business

29.1 There was no other business in the Open Session.