

BSC PANEL APPROVED MINUTES

MEETING NAME	BSC Panel
Meeting number	229
Date of meeting	09 October 2014
Venue	ELEXON Ltd, 350 Euston Road, NW1 3AW
Classification	Public

ATTENDEES AND APOLOGIES

Attendees	Michael Gibbons	MG	BSC Panel Chairman
	Andy Colley	AC	Industry Panel Member (Part Meeting)
	Barbara Vest	BV	Industry Panel Member (Part Meeting)
	Bob Brown	BB	Industry Panel Member
	Chris Alexander	CA	Consumer Panel Member
	David Lane	DL	DSO Representative
	Ian Pashley	IP	Transmission Company Panel Member
	Lisa Charlesworth	LC	Ofgem Representative
	Peter Bolitho	PBo	Industry Panel Member
	Phil Baker	PB	Industry Panel Member (Part Meeting)
	Phil Hare	PH	Independent Panel Member (via teleconference)
	Richard Brealey	RB	Independent Panel Member
	Stuart Cotten	SC	Industry Panel Member (Part Meeting)
	Colin Prestwich	CP	Smartest Energy
	Adam Richardson	AR	ELEXON
	Claire Anthony	CA	ELEXON (Part Meeting)
	Chris Rowell	CR	ELEXON (Part Meeting)
	Darren Draper	DD	ELEXON (Part Meeting)
	David Osborne	DO	ELEXON (Part Meeting)
	Dean Riddell	DR	ELEXON (Part Meeting)
	Laura Delargy	LD	ELEXON
	Mark Bygraves	MB	ELEXON
	Mike Smith	MS	ELEXON (Part Meeting)
	Oliver Xing	OX	ELEXON (Part Meeting)
	Talia Addy	TA	ELEXON (Part Meeting)
	Thomas Routier	TR	ELEXON (Part Meeting)
	Victoria Moxham	VM	ELEXON
Apologies	Peter Haigh	PHh	ELEXON
	Adam Lattimore	AL	ELEXON

1. Apologies

- 1.1 The Chairman welcomed Phil Hare who was attending via teleconference and confirmed that apologies had been received from Peter Haigh and Adam Lattimore. Mark Bygraves was attending on behalf of Peter Haigh and Dean Riddell on behalf of Adam Lattimore.

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MODIFICATION BUSINESS (OPEN SESSION)

2. Report on Progress of Modification Proposals

- 2.1 The Modification Secretary, Dean Riddell, updated the Panel on the current status of Modifications and in particular the Authority's decision to reject P286 *'Revised treatment of RCRC for generation BM Units'*.
- 2.2 DR updated the Panel on the progress of P308 *'Alternative security product for securing credit under the BSC'* and ELEXON's intent to procure external support.
- 2.3 DR confirmed that the P305 *'Electricity Balancing Significant Code Review Developments'* Workgroup is currently operating under tight timescales but that on-going work was on track and that a further update would be provided to the Panel in December.
- 2.4 For further details, please see the [Change Report](#).

3. P315 'Publication of Gross Supplier Market Share Data' – 229/04

- 3.1 The Panel noted that P315 was proposing to provide further transparency on Suppliers' Meter Volume and MPAN counts. The proposer indicated that, to help all Parties understand the gross Supplier market shares, the volumes will exclude embedded generation and be broken down by various characteristics within each Grid Supply Point Group. The Panel noted that the aim is that increased transparency will give Suppliers more equal access to basic market share information.
- 3.2 A Panel Member questioned whether Suppliers gross market shares data is subject to Freedom of Information (FOI). Colin Prestwich from Smartest Energy, Proposer of P315, advised that, in his view, the data down to Profile Class level is not subject to FOI, but he believed that data at a higher level is. However since some Parties already have access to this information, making the data publicly accessible to everyone would benefit competition.
- 3.3 A Panel Member asked if the intention is to publish the full data set for the benefit of Parties. CP confirmed that if the best fit is to provide both summary data and raw data, this approach could be introduced. The reason for having summary data is to help those small Parties without the capability to evaluate the raw data.
- 3.4 A Panel Member noted that having summary data would be value-adding for industry and asked if the exclusion of embedded generation was advisable and if there would be an option to re-introduce it. CP confirmed that the net and gross data could both be made available as the existing data flow already reports data with embedded generation. The Panel Member suggested that data being available in a granular manner would be beneficial to the industry.
- 3.5 A Panel Member considered the demand for the data across the industry and, if there was to be a high demand, that the information should be accessible via a centralised platform. The Panel Member suggested that consideration of P315 would be a matter of the costs of publishing the information and the benefits of Parties having access to it (including the demand among Parties). A Panel member suggested that consideration be given to recipients paying for the service. A Panel Member referenced previous Modifications regarding Transparency and noted the possibility that non BSC Parties could pay for a licence to access the information. He added that the implications for existing licence holders would need to be examined.
(Andy Colley joined the Meeting)
- 3.6 A Panel Member suggested the consideration of whether MPAN data was within Elexon's remit.
- 3.7 A Panel Member welcomed the recommended four month timetable set out for P315 but noted that the industry was under pressure from additional work generated by, among other things, Electricity Market

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Reform (EMR) and the Competition Markets Authority (CMA) investigation. Given this high workload, the Panel Member indicated that, in their view, if more time was needed to assess this change, the Panel should be prepared to consider an extension to the assessment timetable. ELEXON acknowledged the current workload and advised that it would be mindful of the industry workload and would seek an extension if necessary.

3.8 The BSC Panel:

- a) **AGREED** that P315 progresses to the Assessment Procedure;
- b) **AGREED** the proposed Assessment Procedure timetable;
- c) **AGREED** the proposed membership for the P315 Workgroup and
- d) **AGREED** the Workgroup's Terms of Reference subject to the inclusion of the points identified in the Panel discussion.

4. P304 'Reduction in PAR from 500MWh to 250MWh' - 229/05

4.1 The Panel noted that this Modification had been raised to progress changes to the Price Average Reference value following the Electricity Balancing Significant Code Review, and proposed to reduce the PAR value from 500MWh to 250MWh ahead of winter 2014/15.

[P304 Discussion:](#)

- 4.2 A Panel Member noted that the analysis completed by the P304 and P314 Workgroups indicated a significant impact on independent Suppliers and questioned Ofgem's reasoning for seeking to introduce a reduction in PAR (under P304) without the introduction of a single price. They felt it appeared odd to introduce a change which might disproportionately impact independent Suppliers and which could stifle any current growth in new parties entering the market. In their view, these were clear messages in the consultation responses. It was the view of some Panel Members that a reduction in PAR under a single priced market would be desirable.
- 4.3 A Panel Member seconded their previous views regarding P304, in that the benefits were not outweighed by the adverse impacts. They added that although the adverse industry impacts would be smaller under P314, the benefits would also be smaller. The Panel Member commended Ofgem's intention to introduce a phased reduction in PAR, but there remained an unfavourable balance between adverse Party impacts and industry benefits.
- 4.4 It was observed by another Panel Member that there were clear benefits in increasing the signal of scarcity in the market but that the value of PAR should only be reduced under a single price market regime.
- 4.5 A Panel Member stated that the benefits of both P304 and P314 were marginal.
- 4.6 A Panel Member was concerned about the small margin of capacity, and expressed the view that there needs to be a clear signal of scarcity on the system. Having an accurate signal of scarcity would be beneficial to the market as a whole. The Panel Member sympathised with the intention of P314, to mitigate the perceived negative impacts on some participants, but believed that that P304 was better than P314, even though P304 was only marginally better than the baseline.
- 4.7 Another Panel Member agreed that P304 would create an important, albeit noisy, signal and that P304 was a better solution than the P314 Alternative, with the P314 Proposed solution being the worst of the three.
- 4.8 A Panel Member believed that, in working towards Ofgem's desired implementation date, there had been insufficient time for the Workgroup to consider further analysis. The Panel Member felt that the Panel should take this into consideration when making their final recommendation. Another Panel member added that it is important that new generation and supply is valued and that any changes to the balancing arrangements

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should ensure that there are no barriers to entry. The Panel Member also felt that the consultation comments suggesting a move towards longer trading positions did not, necessarily, indicate inefficiency. In their view, efficient markets have price signals that better represent the demand and supply economics, and that is what P304, and, to a lesser extent, P314, appeared to be seeking. They noted that one could argue that the current arrangements make the market inefficient because of the way that the pricing signals are averaged away.

- 4.9 A Panel Member believed that both P304 and P314 would be beneficial for the market. The Panel Member observed that the consultation responses had increased doubt around the distributional impacts which could cause independent Suppliers to suffer disproportionate impacts. The Panel Member concluded that the industry has not had sufficient time to fully analyse the effects of reducing PAR.
- 4.10 A number of Panel Members noted that as Parties have already hedged for this winter they may not be able to alter their behaviours to account for a reduced PAR value. Meaning there may not be visible effects over winter 2014/15 in terms of improved security of supply.
- 4.11 A Panel Member noted that gradually reducing the PAR value would allow all BSC Parties time to adjust ahead of a move to a single marginal price. Another Panel Member felt that this did not outweigh the adverse impacts of reducing PAR. A Panel Member observed that if Parties couldn't respond efficiently to signals then there was no point in having them since they would probably just price such risk into their contracts.
- 4.12 A Panel Member noted dissatisfaction with both proposals stating that, while the principle is correct, the timing is an issue.
- 4.13 A Panel Member echoed that the more desirable outcome would be a reduction in PAR under a single price.
- 4.14 The Transmission Representative observed that it was difficult to place too much emphasis on the analysis produced by the P304 and P314 Workgroups as the analysis was completed using historic data and did not take into account potential behaviour changes. They added that the intention of reducing PAR was to provide a signal of scarcity to the market and to encourage all parties to balance their positions ahead of Gate Closure
- 4.15 The Ofgem Representative noted that the Panel's feedback would be taken into account in making its final decision.
- 4.16 The BSC Panel:
- a) **AGREED**, by majority, that P304:
- o **DID** better facilitate Applicable BSC Objective (b);
(Better facilitates (b): AC, RB, BB, CA, PBO)
(Neutral in respect of (b): None)
(Detrimental to (b): PB, BV, SC)
 - o **DID NOT** better facilitate Applicable BSC Objective (c); and
(Better facilitates (c): AC, RB, CA)
(Neutral in respect of (c): None)
(Detrimental to (c): BV, SC, BB, PB, PBO)
 - o **DID NOT** better facilitate Applicable BSC Objective (d);
(Better facilitates (d): None)
(Neutral in respect of (d): AC, RB, CA)

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(Detrimental to (d): BV, SC, BB, PB, PBO)

b) **AGREED**, by majority, a recommendation that P304 should be **rejected**;

(Approve: AC, RB, CA)

(Reject: BV, SC, BB, PB, PBO)

c) **APPROVED** an Implementation Date of:

- o **31 October 2014** if an Authority decision is received on or before 17 October 2014; or
- o **10 Working Days** if an Authority decision is received after 17 October 2014;

d) **APPROVED** the draft legal text; and

e) **APPROVED** the P304 Modification Report.

5. P314 'Reduction in PAR from 500MWh to 350MWh' – 229/06

5.1 The Panel noted that P314 proposed a reduction in the Price Average Reference value from 500MWh to 350MWh during winter 2014/15, with the aim of improving imbalance price signals. The Workgroup's Alternative Modification would also reduce PAR to 350MWh, but would do so ahead of winter 2014/15.

P314 Discussion:

5.2 The Panel unanimously agreed that its general views on the reduction of PAR under the current arrangements were the same for both P304 and P314, so its discussions relating to P304 were also applicable to P314.

5.3 The Panel also noted that its views on the P314 Proposed Modification and Alternative Modification against the Applicable BSC Objectives (when compared to the current baseline) were the same. A majority of the Panel believed that the benefits were slightly greater under the Alternative compared with the Proposed but neither better facilitate the Applicable BSC Objectives compared to the baseline.

Comparison of P304, P314 Proposed Modification and P314 Alternative Modification

5.4 The Panel noted that the P314 Workgroup had, while acknowledging that P304 and P314 are separate Modifications, given their order of preference for the three solutions (P304, P314 Proposed and P314 Alternative) in order to make their views clear to the Authority.

5.5 The Panel decided it was not necessary for it to similarly rank the solutions because it was clear from its discussions that members who believed P304 to be beneficial considered that P314 Alternative would still be beneficial, but less so because of the smaller PAR reduction, and P314 Proposed would further decrease the benefits by adding later, mid-winter implementation to a smaller reduction. Conversely, members who believed P304 to be detrimental considered that the P314 solutions would mitigate the detrimental impact, but all solutions were detrimental compared with the baseline.

5.6 The BSC Panel:

a) **AGREED**, by majority, that the P314 Proposed Modification:

- o **DID** better facilitate Applicable BSC Objective (b); and

(Better facilitates (b): AC, RB, BB, CA, PBO)

(Neutral in respect of (b): None)

(Detrimental to (b): PB, BV, SC)

- o **DID NOT** better facilitate Applicable BSC Objective (c);

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- (Better facilitates (c): AC, RB, CA)
- (Neutral in respect of (c): None)
- (Detrimental to (c): BV, SC, BB, PB, PBO)
- o **DID NOT** better facilitate Applicable BSC Objective (d);
(Better facilitates (d): None)
(Neutral in respect of (d): AC, RB, CA)
(Detrimental to (d): BV, SC, BB, PB, PBO)
- b) **AGREED**, by majority, that the P314 Alternative Modification:
 - o **DID** better facilitate Applicable BSC Objective (b); and
(Better facilitates (b): AC, RB, BB, CA, PBO)
(Neutral in respect of (b): None)
(Detrimental to (b): PB, BV, SC)
 - o **DID NOT** better facilitate Applicable BSC Objective (c);
(Better facilitates (c): AC, RB, CA)
(Neutral in respect of (c): None)
(Detrimental to (c): BV, SC, BB, PB, PBO)
 - o **DID NOT** better facilitate Applicable BSC Objective (d);
(Better facilitates (d): None)
(Neutral in respect of (d): AC, RB, CA)
(Detrimental to (d): BV, SC, BB, PB, PBO)
- c) **AGREED** that the P314 Alternative Modification is better than the P314 Proposed Modification;
- d) **AGREED** a recommendation that the P314 Proposed Modification should be **rejected**;
- e) **AGREED** a recommendation that the P314 Alternative Modification should be **rejected**;
- f) **APPROVED** an Implementation Date for the Proposed Modification of:
 - o 2 January 2015 if an Authority decision is received on or before 14 October 2014; or
 - o 52 Working Days following an Authority decision if it is received after 17 October 2014;
- g) **APPROVED** an Implementation Date for the Alternative Modification of:
 - o 31 October 2014 if an Authority decision is received on or before 17 October 2014; or
 - o 10 Working Days following an Authority decision if it is received after 17 October 2014;
- h) **APPROVED** the draft legal text for the Proposed Modification;
- i) **APPROVED** the draft legal text for the Alternative Modification; and
- j) **APPROVED** the P314 Modification Report.

[Comments on P304 and P314 Process:](#)

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- 5.7 A Panel Member noted the 109 man days estimated as the effort required to progress P314 (i.e. combined estimate for industry and ELEXON) and noted it was more effort than they expected. The Member believed it would have been more efficient to have found a means of progressing the P314 solution under P304.
- 5.8 A Panel Member referenced the circumstances of P314 being raised, i.e. as an urgent Modification after the P304 Workgroup decided not to take a similar solution forward as an Alternative solution to P304, and believed that it would have been preferable if the processes were more flexible and had facilitated taking the solution forward under P304. The Panel acknowledged that ELEXON had already taken an action to review the Modification Process, with reference to the Code Administrator Code of Practice (CACoP) principles and the treatment of multiple alternative solutions in particular.

6. P306 'Expanding the definition of a 'Letter of Credit' to include regulated insurance companies' - 229/07

- 6.1 The Panel noted that P306 proposed to increase the range of financial institutions capable of providing security that Parties can use to meet Credit Cover requirements by including forms of security equivalent to a Letter of Credit. It was also noted that this Modification also sought to add Fitch Ratings to the list of approved rating agencies to further expand the pool of financial institutions able to provide security under the BSC.
- 6.2 A Panel Member agreed that P306 improves Applicable BSC Objectives (c) and (d) and referenced the recent CUSC Modification (CMP228 'Definition of "Qualified Bank'). They added that the products allowed under the CUSC (due to implementation of CMP228) have been used by a number of CUSC Parties already, which should mean good things for P306.
- 6.3 A Panel Member requested that ELEXON keep a close eye on any 'Approved Insurance Products' submitted and that it inform the Panel if any issues arise or if no one has used this alternative product in the next 12 months. ELEXON confirmed that it would closely monitor its progress.
- 6.4 The BSC Panel:
- a) **AGREED** that P306:
 - o **DID** better facilitate Applicable BSC Objective (c); and
 - o **DID** better facilitate Applicable BSC Objective (d);
 - b) **DETERMINED** (in the absence of any Authority direction) that P306 is a Self-Governance Modification Proposal;
 - c) **APPROVED** P306;
 - d) **APPROVED** an Implementation Date of:
 - o **10 Working Days** after the Self-Governance Appeal window Closes;
 - e) **APPROVED** the draft legal text; and
 - f) **APPROVED** the P306 Modification Report.

7. P303 'Amendments to the Provisions for BSCCo Directors' – 229/08

- 7.1 The Panel noted that this Modification Proposal sought to amend the current BSCCo Board Director provisions with the aim of increasing the pool of potential candidates that may fill a BSCCo Board Director position.
- 7.2 The Chairman highlighted the BSCCo Board's collective response to the Panel's Report Phase Consultation, dated 25 September 2014. The Chairman noted that it was submitted on behalf of each current BSCCo Board Director (both industry and non-industry) as it is directly relevant to them. The Chairman also highlighted

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that two Directors' appointments are due to expire in March 2015 and hence the significance of making a decision on this matter, one way or the other, to enable a clear baseline under which to conduct the forthcoming BSCCo Board appointments. The Chairman again emphasised that should the Panel be split in its vote, that he would cast the deciding vote.

- 7.3 A Panel Member observed that the BSCCo Board's response had referenced various elements of good governance, but questioned the validity of the BSCCo Board's use of the UK Corporate Governance Code in the arguments set out. The Panel Member suggested that the application of the referenced principles was not a strong argument. The same Panel Member emphasised that all Non-Executive Directors (NEDs) were aware of the Terms of Reference and remuneration package they signed up for as part of the appointment process and should not have applied for or taken on the role if they were unhappy with the conditions stipulated. Another Panel Member agreed and highlighted that all NEDs have a legal duty and that this should not depend on whether they are remunerated.
- 7.4 A Panel Member felt that the head hunters used in the recruitment process had removed adequate candidates, partly down to the five year rule that defined non-industry appointments. The Panel Member commented that this difference was therefore not necessarily down to the absence of remuneration.
- 7.5 Another Panel Member argued that less emphasis should be applied to the recruitment process when considering the merits of remuneration, and more should be placed on the time and effort an individual puts into their role on the BSCCo Board. The Panel Member noted that the Panel had a duty to take the BSCCo Board's letter seriously and expressed a preference for the Proposed Modification. The Panel Member commented that appropriate remuneration drives performance and noted that it is unfair to differentiate between the roles, which could cause tensions and affect the effort that an individual applies to their role.
- 7.6 A Panel Member agreed with the previous views stating that the current two tier arrangements were unfair. The Panel Member agreed that the responsibilities of industry and non-industry Directors are the same and so they should be remunerated as such. The Panel Member agreed that the Alternative solution is better than the baseline but would overall support the Proposed solution.
- 7.7 The Distribution Representative observed that directors' duties don't change based on remuneration. However, it was important that the positions shouldn't be only open to the wealthy. If remuneration opened these positions to candidates from all BSC Parties then this was a good thing.
- 7.8 Another Panel member reiterated the risk of an unintended consequence as to where remuneration would stop if all BSCCo Board Director Positions included remuneration. The Panel Member highlighted that an argument might be made for remuneration to be extended to others who work in BSC processes such as Panel Members and Panel Committee Members, who are not currently remunerated.
- 7.9 Two Panel Members were concerned with the timing of this Modification as they emphasised that there would be adverse publicity at a time where the industry spending is already under scrutiny.
- 7.10 A Panel Member again reiterated his view that neither the P303 Proposed or Alternative solution should be progressed and should instead be considered as part of the review of BSCCo Board governance.
- 7.11 The BSC Panel:
- a) **AGREED**, by majority, that the P303 Proposed Modification:
 - o **DID NOT** better facilitate Applicable BSC Objective (d);
(Better facilitates (d): RB, BB)
(Neutral in respect of (d): None)
(Detrimental to (d): BV, SC, AC, PB, PBO, CA)

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- b) **AGREED**, by majority, that the P303 Alternative Modification:
 - o **DID** better facilitate Applicable BSC Objective (d);
(Better facilitates (d): RB, BB, BV, SC, AC, PB, PBO)
(Neutral in respect of (d): None)
(Detrimental to (d): CA)
- c) **AGREED**, by majority, that the P303 Alternative Modification is better than the P303 Proposed Modification;
 - (Alternative better than Proposed: AC, BV, PB, PBO, SC)
 - (Alternative not better than Proposed: BB, CA, RB)
- d) **AGREED** a recommendation that the P303 Alternative Modification should be **approved** and that the P303 Proposed Modification should be **rejected**;
- e) **APPROVED** an Implementation Date for the Proposed Modification of:
 - o 28 November 2014 if an Authority decision is received on or before 14 November 2014; or
 - o 2 January 2015 if an Authority decision is received after 14 November 2014 but on or before 18 December 2014; ALL
- f) **APPROVED** an Implementation Date for the Alternative Modification of:
 - o 28 November 2014 if an Authority decision is received on or before 14 November 2014; or
 - o 2 January 2015 if an Authority decision is received after 14 November 2014 but on or before 18 December 2014;
- g) **APPROVED** the draft legal text for the Proposed Modification; all
- h) **APPROVED** the draft legal text for the Alternative Modification; and
- i) **APPROVED** the P303 Modification Report.

8. Issue 57 'Should Half-Hourly Settlement be mandatory for certain Unmetered Supplies customers?' – 229/09

- 8.1 The Panel noted that the Issue 57 Group agreed by majority that no changes were required to the Balancing and Settlement Code (BSC) or Code Subsidiary Documents (CSDs) and so there was no benefit in progressing this issue any further at this stage. Although the Group agreed in principle that a HH market is more accurate for Settlement, it acknowledged that there was currently no incentive to encourage customers to move from the Non Half Hourly (NHH) market to the HH market. Consequently, the Issue Group recommended that no changes should be raised or progressed from this issue.
- 8.2 The BSC Panel:
 - a) **NOTED** that Issue 57 was now closed.

NON MODIFICATION BUSINESS (OPEN SESSION)

- 8.3 A Panel Member noted the resignation of a TDC and SVG member. The Panel requested that the Chairman write to the outgoing committee members from SVG and TDC on behalf of the Panel, thanking them for their service and valuable contribution to the work of the Panel's Committees.

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ACTION 229/01

(Stuart Cotten left the Meeting)

9. Minutes of Meeting 228 & 228a & Actions arising

9.1 The minutes of the previous 228 & 228a meeting were agreed and an update on the actions provided.

9.2 The Panel noted and agreed that the following action should be closed:

227/02, 228/03, 228/05, 228/06, 228/08, 228/09, 228/10.

The following actions remained open:

225/02, 226/02, 227/01, 227/03, 228/01, 228/02, 228/04, 228/07.

10. Chairman's Report

10.1 The Chairman updated the Panel on 'The Tenth Annual Fuellers' Energy Event' that he had attended on 11 September where guest speaker, David Gray, spoke in depth regarding Energy Policy in the UK. The Chairman referenced the events discussions surrounding complex codes operating within the industry and that he had personally raised a question to David Gray on whether the issue should be raised by Ofgem with the CMA. David Gray had confirmed that it should.

10.2 The Chairman informed the Panel that he had been invited to give evidence to the CMA at a hearing scheduled for 30 October 2014. He asked that if any Panel Members had a view that they would like the Chairman to raise at the CMA meeting, to inform the Panel Secretariat at panelsecretary@elexon.co.uk.

ACTION 229/02

10.3 The Chairman noted Ofgem's recent open letter consulting on a proposed change to the Transmission Licence regarding ELEXON's vires.

10.4 The Chairman reflected on his 12 months as BSC Panel Chairman and counted the joint workshop and dinner between the BSCCo Board and the BSC Panel as a particular highlight. He noted that work on BSC governance and Electricity Market Reform was progressing well.

10.5 The Chairman confirmed that a number of Panel Members had volunteered to be the Panel's Sponsors for Panel Committees and those volunteers were duly appointed as follows:

- Imbalance Settlement Group (ISG) – Barbara Vest
- Performance Assurance Board (PAB) – Andy Colley
- Profiling and Settlement Review Group (PSRG) – Andy Colley
- Supplier Volume Allocation Group (SVG) – Bob Brown
- Trading Disputes Committee (TDC) – Stuart Cotten

11. ELEXON Report – 229/01

11.1 Mark Bygraves provided an overview of activities as set out in the ELEXON Report.

11.2 Chris Rowell updated the Panel on ELEXON's recent progress regarding its extensive work on the BSC Central Services, the BMRS Platform and the Business Process Reporting. CR highlighted ELEXON's opportunity to procure, and transform its systems whilst remaining committed to the continued delivery of its existing services.

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- 11.3 CR noted that in light of the evolving market and queries over how customer interfaces might need to change, ELEXON's current contracts had been extended and that it planned to bring back a new framework statement for the Panel's review in early 2015. A Panel Member enquired if ELEXON had sought the advice from the industry. CR confirmed that ELEXON had been engaging with various organisations, including a number of BSC Parties.
- 11.4 A Panel Member asked about the granularity of data arising from requirements emerging from Europe and how ELEXON intended to organise and provide such data to the EU platform. CR replied that appropriate granularity would be required and that ELEXON would need to go back down the chain to review the previous work of National Grid and BMRS. CR noted that it was a late emerging issue from the EU.
- 11.5 For further details on ELEXON's work over the past month, please see the ELEXON Report.

12. Distribution Report - Verbal

- 12.1 There was no Distribution Report.

13. National Grid Report – Verbal

- 13.1 Ian Pashley noted the results of the [Capacity Market Pre-Qualification](#) and confirmed that 62.5 Gigawatts (GW) of generating capacity qualified to take part in the December Capacity Market auctions. 52.4GW of derated generation capacity qualified for December auctions with a further 10.1GW conditionally qualifying subject to submitting further documentation. Generation will bid for capacity agreements for winter of 2018/19. IP confirmed that 5GW had been unsuccessful but that the applicants may request a review or an appeal of the decision.
- 13.2 The Capacity Mechanism prequalification process is part of Electricity Market Reform which was brought in by the Energy Act earlier this year and will procure electricity generation capacity for the winter of 2018/19. The Capacity Mechanism, developed by the Department for Energy and Climate Change (DECC), is designed to create confidence in investing in generation while keeping costs competitive.

14. Ofgem Report – Verbal

- 14.1 Lisa Charlesworth confirmed the publication of Ofgem's initial consultation on a potential licence modification to enable future expansion of the role of ELEXON Limited. She noted the closing date for this consultation was 21 November 2014. The consultation sets out that this will be an enabling change, and would not require any code change to be brought forward – however, it would facilitate any future consideration of ELEXON's role by industry. Ofgem is seeking a wide range of views on the intent of the change and whether the proposed legal drafting achieves the intent.
- 14.2 A Panel Member asked what had prompted Ofgem's consultation and whether there had been any requests from those paying for it, referring to BSC parties. LC said there was no direct impact on the BSC so no cost to BSC signatories. LC continued that the consultation followed a recommendation in the Knight report (for Ofgem to consider a Transmission licence change) which Ofgem committed to consider in its October response to the ELEXON governance review. LC noted that Ofgem is not commenting on whether there should be a future expansion of ELEXON's remit or what that might look like; the aim is to better enable industry to consider this if it should want to.

15. Report from the ISG – 229/01a

- 15.1 The Panel noted the report from the ISG.

16. Report from the SVG – 229/01b

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16.1 The Panel noted the report from the SVG.

17. Report from the PAB – 229/01c

17.1 The Panel noted the report from the PAB.

18. Report from the TDC - Verbal

18.1 The Panel noted the report from the TDC.

19. Report from the ECCAF – Verbal

19.1 There was no verbal report from the ECCAF.

20. Trading Operations: BSC Operations Headline Report – 229/02

20.1 The Panel noted the BSC Operations Headline Report.

21. Change Report – 229/03

21.1 The Panel noted the Change Report.

(Phil Baker left the meeting)

22. De Minimis Acceptance Threshold (DMAT) Review 2014 – 229/10

22.1 ELEXON has reviewed the De Minimis Acceptance Threshold (DMAT) parameter and its analysis has shown that there is no case for change. The analysis was presented to the Imbalance Settlement Group (ISG) at its September 2014 meeting. The ISG recommended that no change should be made to the DMAT.

22.2 A Panel Member noted that in past reviews, the Transmission Company had suggested that the perimeter was no longer required as the original issue had been addressed within the systems. The Panel Member asked if there was any correlation between short volume acceptances and system peak conditions. The National Grid Representative confirmed that the tagging of acceptances in the next period due to high priced actions was an issue but confirmed that the change was linked to the change in demand rather than scarcity.

22.3 The Panel Member requested that the recommendation to review should be brought to the attention of the P305 Workgroup.

22.4 The BSC Panel:

- a) **NOTED** the contents of the paper;
- b) **AGREED** that DMAT should remain unchanged at 1MWh;
- c) **AGREED** that ELEXON conduct the next review in two years' time; and
- d) **AGREED** that the role of DMAT should be considered by the Modification P305 workgroup.

23. Continuous Acceptance Duration Limit (CADL) Review 2014 - 229/11

23.1 The Continuous Acceptance Duration Limit (CADL) is a pricing parameter used to identify short duration Bid Offer Acceptances (BOAs). Short duration BOAs are most likely to be associated with system balancing actions and are potentially excluded from the Energy Imbalance Price Calculation by CADL. The CADL has been set at 15 minutes since its introduction in 2001. The last review of the CADL was performed in March 2010, following the implementation of P217A – Revised Tagging Process and Calculation of Cash Out Prices. ELEXON has reviewed the CADL value and its analysis shows that the current limit, 15 minutes, remains suitable. The BSC Panel was invited to agree that no change should be made to the CADL.

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23.2 The Panel had no questions on the CADL review.

23.3 The BSC Panel:

- a) **NOTED** the contents of the paper;
- b) **AGREED** that no change is made to CADL at its current value of 15 minutes; and
- c) **AGREED** that ELEXON conduct the next review in two years' time.

24. Market Index Definition Statement (MIDS) Review 2014 – 229/12

24.1 ELEXON has carried out the review of the Market Index Definition Statement (MIDS) as required annually by the BSC. After considering the data analysis, the Imbalance Settlement Group (ISG) sought industry views on removing time band 6 from the current MIDS. After considering the consultation responses and potential cost of the change to industry systems, the ISG recommended that no change is made to the MIDS.

24.2 The Panel had no questions on the MIDS annual review.

24.3 The BSC Panel:

- a) **NOTED** the content of this paper;
- b) **NOTED** the ISG's recommendations; and
- c) **AGREED** that no change is made to the Market Index Definition Statement (MIDS).

25. ISG Update on Metering Dispensations – Verbal

25.1 Mike Smith updated the Panel on the rise in the number of Metering Dispensations that were being considered by the ISG.

25.2 MS noted that since 2010, the ISG had reviewed 81 Metering Dispensation applications. MS explained that due to the issuing of shorter timescales for consideration and the new metering requirements, the dispensations are frequently getting sent back for review.

25.3 The Panel offered its assistance should the ISG request it and thanked MS for the update and the ELEXON team for expertly dealing with the increased workload.

25.4 The BSC Panel:

- a) **NOTED** the update.

26. Funding Shares Audit Opinion – 229/13

26.1 The Panel was informed of the results of the recent audit of the calculation of Funding Shares for year ended 31 March 2014, as part of the BSC Audit.

26.2 The Panel had no further questions.

26.3 The BSC Panel:

- a) **NOTED** the findings of the 2013/14 Funding Shares Audit Opinion.

27. Update on Electricity Market Reform - 229/14

27.1 The Panel received its monthly update on ELEXON's subsidiary EMR Settlement's appointment as the Settlement Services Provider for both Contracts for Difference (CfD) and for the Capacity Market (CM).

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- 27.2 Mark Bygraves informed the Panel of the current consultation dealing with Electricity Intensive Industries (EII) impacting the BSC. MB confirmed that it was intended to share the proposed draft changes to the BSC with BSC Parties and publish them on the BSC website when available.
- 27.3 MB updated the Panel that ELEXON is still on track to deliver its Settlement Systems for 1 April 2015 having already gone live with the first Operational service for pre-qualified Capacity market bidders to provide collateral and bid bonds.
- 27.4 The BSC Panel:
- a) **NOTED** the EMR update.

28. Any other Business

- 28.1 There was no other business in the Open Session.

NON MODIFICATION BUSINESS (CLOSED SESSION)

29. SVG membership changes – 229/19

- 29.1 The Panel noted that two SVG Members had tendered their resignations as Industry Members of the SVG. The SVG had received two applications to become Industry Members in their place, and an application to become an Industry Alternate. It was noted that the applications were from candidates who were employed by the same organisations as the resigning members.
- 29.2 The BSC Panel:
- a) **INSTRUCTED** ELEXON to advertise for potential Members/Alternates more widely in Newscast; and
 - b) **DETERMINED** to consider the existing applications and any additional applications received at its meeting in November.

30. Approval of TDC Member – 229/20

- 30.1 The BSC Panel considered an application for membership to the Trading Disputes Committee (TDC). The BSC Panel noted that the TDC currently has fewer than six members, well below its maximum of twelve.
- 30.2 The BSC Panel:
- a) **APPOINTED** a TDC Member with immediate effect; and
 - b) **NOTED** that ELEXON would advertise for additional TDC members.

31. Referral Timetable for DA686 – 229/18

- 31.1 The BSC Panel was invited to confirm its arrangements for considering the Referral of Trading Dispute DA686.
- 31.2 The BSC Panel:
- a) **DETERMINED** a Referral Hearing date for DA686; and
 - b) **NOTED** that the Referral Pack will be distributed to the Referring Party as per the timetable option approved by the BSC Panel.

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32. Revisions to the BSC Panel Process for hearing Trading Dispute - 229/17

- 32.1 The BSC Panel was invited to approve changes to its process for considering Trading Disputes. The proposed amendments were consistent with the recommendations of the lessons learned work that was undertaken following the consideration of Trading Dispute DA618 as presented to the BSC Panel in September 2014.
- 32.2 The BSC Panel:
- a) **APPROVED** the proposed changes to the Panel Guidance note concerning the 'Determination of Trading Disputes by the BSC Panel';
 - b) **APPROVED** the creation of the confidential Panel Policy for managing referred Trading Disputes; and
 - c) **NOTED** that, subject to approval of the proposed changes, the revised version of the Panel's process would be published on the ELEXON website on 13 October 2014 as version 6.0.

33. Any other Business

- 33.1 There was no other business in the Closed Session.

(Barbara Vest and Ian Pashley left the meeting)

NON MODIFICATION BUSINESS (OPEN SESSION)

The Panel noted that papers 229/15 and 229/16 had been tabled in closed session but the Panel agreed this was not necessary and that it was appropriate to discuss these matters in open session.

34. BSC Panel Strategy – 229/15

- 34.1 The BSC Panel was invited to approve a BSC Panel Strategy, incorporating a Strategic Work Programme of activities designed to address a number of strategic priorities. The Panel noted that, if approved, this strategy would feed directly into the development of the annual BSCCo business plan and would inform the work of the Panel, its Panel Committees and ELEXON going forward.
- 34.2 A Panel Member welcomed the proposed strategy, noting that they agreed with the proposed content. The Panel Member agreed that it could be a valuable input to the development of the annual business plan but cautioned against creating additional bureaucracy or duplicating work.
- 34.3 The Chairman noted that, in his view, an important and valuable element of this work was to bring together, articulate and co-ordinate the full extent of work that was being undertaken across the Panel and its Committees.
- 34.4 ELEXON observed that the rationale for suggesting that Panel Sponsors review the Work Programme on a six-monthly, rather than quarterly, basis was to minimise any additional work involved and that this should not prevent Panel Sponsors and Panel Committee Chairs speaking regularly and discussing matters arising on an ongoing basis.
- 34.5 The Panel agreed that it was right to document its priorities and its ongoing (and potential) work in order that this should be fed into the development of the annual BSCCo business plan.
- 34.6 A Panel Member acknowledged that it was right not to attempt to capture and document business as usual activities on the work plan. They suggested, however, that the strategy should place more emphasis on the delivery of core BSC obligations and services.
- 34.7 Another Panel Member echoed this view emphasising that it was important to ensure sufficient resource was allocated to core services. They observed that much of the identified work fell to the PAB and that its core

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workload was stretching the existing resource. The Panel Members felt that without mapping work in this way it was very hard to assess the resourcing implications of the work arising from the Panel and its Committees. The Panel Member reflected on the BSC Audit Report, noting that the BSC Auditor had said that resolving outstanding issues would require significant effort to drive through change so that the PAB and ELEXON can show real improvement by the time of next year's audit. In their view it would be disappointing if the BSC Auditor made a similar reference in its next report. It was therefore important the PAB could draw on sufficient operational and strategic resource.

- 34.8 Another Panel Member suggested that this example underpinned the importance of prioritising the core so it was clear that addressing other strategic priorities should not be at the expense of the delivery of BSC obligations and services, including, for example, the central systems. They also felt that this may mean the Panel may have to articulate a message that wasn't particularly palatable to BSC Parties: that there was so much going on that Parties would not see further reductions in costs and would, in fact, have to pay a bit more if they wanted the level of assurance described in the Panel Strategy.
- 34.9 Another Panel Member observed that it was important to get on with work now to resolve issues in advance of the roll-out of Smart Meters and other Smart initiatives. They noted that the documentation made clear the time taken for issues to be resolved and changes to be effective, thereby emphasising the need to apply effort now.
- 34.10 The Panel agreed that the Strategy document should include a section to highlight and prioritise delivery of core BSC obligations and services and that it was right for only the non-BAU elements to be captured in the work-programme. It was also acknowledged that the Work Programme should capture both the non-BAU work which may impact the BSC / BSC Panel and other non-BAU work in which the BSC Panel (or its Committees) had a role.
- 34.11 The Panel also requested that the strategy should record that it was unlikely that it would be possible to deliver further reductions in operational costs and that addressing the Panel's strategic priorities may require an increase in the cost of delivering the BSC.
- 34.12 ELEXON then shared the comments it had received by two Panel Members who were unable to attend this part of the meeting.
- 34.13 The Panel noted that one Panel Member had queried (in relation to the Panel Strategy and the subsequent paper regarding Panel governance) why these matters were being discussed now, given that the industry in general was very busy. It was also noted that a further concern was the lack of engagement on either issue with the Panel and the industry.
- 34.14 ELEXON observed that both the Panel Strategy and the subsequent paper regarding Panel governance had arisen from discussions at the joint workshop held with BSC Panel and BSCCo Board members and had then been discussed at the Panel meeting in August. It was also noted that the papers circulated to the Panel in advance of this meeting constituted the subsequent steps taken to engage the Panel on these topics.
- 34.15 ELEXON also confirmed that the Strategy document had been assembled from work that had previously been discussed at the Panel and Panel Committees and, in many cases, had been circulated to industry for comment in the form of previous business plans and annual reports.
- 34.16 A Panel Member suggested that, before engaging with industry it was important for the Panel to determine its initial position on these matters in order to facilitate a structured engagement.
- 34.17 The Panel agreed that it would be a duplication of work to ask industry to comment on the Panel Strategy, given that it would feed into the business plan for 2015/16 and that this business plan would be circulated to industry for comment. Any comments on the 2015/16 business plan could be taken into account in variations to the Panel Strategy ahead of March 2015.

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- 34.18 The Panel noted that one Panel Member felt it was important for Panel Sponsors to engage with Panel Committee Chairs on the development of priorities and the associated work plan. The Panel Member felt that a discussion on committee crossover and the strategy to resolve long running issues was a key input to the Panel Strategy and that a meeting of Chairs and Sponsors should take place, and the outcomes be reflected in the documentation, before the Panel Strategy could be approved.
- 34.19 The Panel noted that two absent Panel Members felt that the Panel Strategy should not be owned by the Panel Chairman on behalf of the Panel but that it should be owned by the Panel itself. Further, one Panel Member felt that Panel Sponsors should have a closer involvement in the review cycle. The Panel Member suggested that face to face reviews of the Work Programme should take place between Panel Sponsors and Panel Committee Chairs. It was noted that these could be scheduled to take place after the relevant Panel meeting each quarter. Similarly, the Panel Member suggested that the whole Panel should review the Work Programme every six months.
- 34.20 The Panel agreed that it was more appropriate to state that the Strategy was owned by the BSC Panel (rather than by the Chairman on behalf of the Panel). The Chairman agreed that this was absolutely right. The Panel must own and agree its own Strategy. He went on to confirm that he felt it was the Chairman's role to promote and champion the strategy that the Panel had agreed.
- 34.21 The Panel also agreed that the Work Programme should be reviewed jointly by the Panel Committee Chairs and Panel Sponsors each quarter and that the Panel would review the Work Programme every six months.
- 34.22 The Panel noted that one Panel Member felt the matters identified as strategic concerns could be better prioritised and that the Panel Strategy should focus on:
1. Best-Practice Change Provisions
 2. Resolution of Known Issues (e.g. Credit; Metering)
 3. Efficient Working Practice and Communication between Panel Committees
 4. Evaluation and Management of Changing Risks
 5. Keeping a watching brief on external drivers for change that may impact the BSC, e.g: Smart, Smarter Markets, Ofgem's Future Trading Arrangements Work, Europe etc.
- 34.23 Another Panel Member agreed that it was right to prioritise and that, in their view, this fell into broadly two pots:
1. protecting, maintaining and efficiently managing the arrangements as they exist today; and
 2. looking ahead to the evolution of the market and how the current arrangements need to adapt to facilitate such change.
- 34.24 The Panel Member agreed that this should guide the resource allocation but that it was impossible to ignore what was coming down the track and provision should be made for this.
- 34.25 Another Panel Member highlighted that the Panel Strategy should also make specific reference to the Competition Markets Authority investigation into the energy industry, noting that the recommendations of this review could have profound impacts on the BSC.
- 34.26 One Panel Member felt that there was no need to re-visit the ELEXON website. Other Panel Members felt that, given the website was a key mechanism for discharging obligations, making information available and for communication, it was important to make sure it was meeting these needs. ELEXON reflected that this echoed feedback that had been gathered in the most recent customer survey.
- 34.27 The Panel also noted that one Panel Member had questioned why the work relating to BSCCo Governance, Panel Governance and BSCCo vires had been captured on the Strategic Work Programme.

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- 34.28 ELEXON reflected that these elements had been carefully considered and they had been included because they related to matters where the Panel had oversight or would have a decision to make. It was felt appropriate to include the review of Panel Governance since this was a piece of work which, if the Panel approved such work, fell squarely in the remit of the BSC Panel. The Review of BSCCo Governance was perhaps less obviously Panel business, however, this work (which had involved joint sessions with the Panel and the Board) may lead to recommendations to amend the governance provisions relating to the Panel.
- 34.29 ELEXON acknowledged that the case for including the vires consultation was less clear. While Ofgem's proposed amendments to the Transmission Licence regarding BSCCo vires did not mandate subsequent change, it was acknowledged that any forthcoming amendment would be subject to the normal BSC Modification and change processes and so fall under the remit of the BSC Panel. Consequently, ELEXON had felt it appropriate to highlight this work as part of the Strategy for the consideration of the Panel.
- 34.30 Having taken account of the full range of discussions and views, the Panel agreed that, before signing off a Strategy, a revised draft should be produced for consideration and that this revised draft should be reviewed by and discussed at a meeting of Panel Committee Chairs and Panel Sponsors. The Panel agreed that this workshop session should be held in advance of the November Panel meeting so as to enable a Panel Strategy to be agreed in time to feed into the Annual BSCCo Business Plan for 2015/16.
- 34.31 The BSC Panel:
- a) **COMMENTED** on the proposed BSC Panel Strategy and Strategic Work Programme ; and
 - b) **DEFERRED** approval of the proposed BSC Panel Strategy and Strategic Work Programme pending a final review of the documentation to be conducted by Panel Committee Chairs and Sponsors.

35. Review of BSC Panel Governance – 229/16

- 35.1 ELEXON provided an overview of the proposed review of Panel Governance and the Panel noted comments from two Panel Members who were unable to attend this part of the meeting.
- 35.2 Both Panel Members had queried why these matters were being discussed now, given that the industry in general was very busy. It was also noted that a further concern was the lack of engagement on either issue with the Panel and the industry. One Panel Member felt it was inappropriate for the proposed sub-group of Panel Members to conduct the review to the exclusion of other Panel Members.
- 35.3 ELEXON reminded the Panel that the matter of Panel governance had arisen from discussions at the joint workshop held with BSC Panel and BSCCo Board members and had been discussed further at the Panel meeting in August. ELEXON also clarified that it was proposed that the subgroup would engage with all Panel Members throughout the review via workshops and one-to-one discussions as required. ELEXON confirmed that the intention was not to disenfranchise any Panel Members, that the composition of the subgroup was a suggestion only, and that the industry should be engaged appropriately on any recommendations arising.
- 35.4 A Panel Member agreed that, before engaging with industry it was important for the Panel to determine its initial position on its own governance in order to facilitate a structured engagement which should utilise the recognised change processes.
- 35.5 One Panel member voiced support for the objectives of the review as articulated in the paper but requested that objective (e) be amended to make it clear that the default position was not to align the governance of the BSC Panel with the principles of good governance that underpinned UK boards of directors.
- 35.6 The Distribution Representative supported this change. He observed that the Panel and ELEXON were different to other organisations, having been established under the Transmission Licence and the BSC. He noted that, as a representative of Distribution Businesses, who were not the main funders of the BSC, he

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became concerned whenever there was a suggestion that the UK Corporate Governance Code should be followed slavishly. Given that Distribution Businesses have to sign-up to the BSC under Licence obligations, he felt that it was important they had some means of having their voice heard to make sure changes weren't made which would make it impossible for those companies to comply with their licence obligations.

- 35.7 Another Panel Member endorsed the proposed amendment and reminded the Panel that what was being contemplated was a review the Panel's governance (rather than that of BSCCo) and that it was important to note that the Panel had no commercial interests in this regard. The Panel Member was pleased to see the analogy to trustees, acknowledging that this aligned with a view of the Panel as acting in the best interests of the industry and the consumer in delivering a fair and equitable arrangement.
- 35.8 The Panel agreed that the proposed objective (e) should be changed to make it clear that alignment with the principles of good governance would only be sought where it was relevant and efficient to do so.
- 35.9 One Panel Member suggested that the review should place more focus on how the Panel conducts its meetings and other procedural matters – e.g. how does the Panel operate with respect to Alternate members, how often does the Panel hold meetings, should the Panel hold meetings by teleconference and to what extent should the Panel conduct business by e-mail.
- 35.10 The Chairman endorsed this and suggested that other matters for consideration should look to address the volume of paperwork and explore whether voting and decision-making could be streamlined and simplified.
- 35.11 A Panel member endorsed this focus on quick wins, voicing a concern that it was not the right time to look at more complex matters (such as Panel Performance) which would require deeper thinking given that the new Panel term of office had only just begun.
- 35.12 The Chairman offered that, in his view, it was right to commence such a review at the start of a term of office, particularly if it was anticipated that it would take some time to consider these matters.
- 35.13 Another Panel member commented that ELEXON had presented a good discussion paper which had identified many interesting issues. In their view, however, it was important to confirm what the purpose of the Panel was in respect of good governance and what the checks and balances should be (and the Panel's role in respect of these checks and balances). The Panel Member felt the relevance of a democratic mandate arising from the election process was an important aspect of this. However, they remained unconvinced that there was a need for a wide-ranging review and agreed that the focus of the work should be on operational procedures and quick wins.
- 35.14 Another Panel Member suggested that the review should also focus on how and what the Panel delegates to its committees, in particular the responsibilities relating to the management of Settlement Risk.
- 35.15 The Panel agreed that a small group should consider the terms of reference for the review and that this group should meet to determine:
- which areas should be taken forward quickly;
 - which matters should be considered over a longer period; and
 - which areas should be left as they are / de-scoped from any review.
- 35.16 Two Panel Members volunteered (Chris Alexander, Peter Bolitho) to meet to give this some consideration and the Chairman suggested that Phil Hare also join this group.
- 35.17 The BSC Panel:
- a) **APPROVED** Chris Alexander and Peter Bolitho (and nominated Phil Hare) to form a review group to consider the proposed Terms of Reference and determine those matters to be included in the scope of a review of Panel Governance; and

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- b) **DETERMINED** that the Terms of Reference recommended by this review group be submitted to a future Panel meeting for the consideration of all Panel Members.

36. Next meeting

- o The next meeting of the BSC Panel will be held at the offices of ELEXON Ltd, 350 Euston Road, London NW1 3AW on Thursday 13 November 2014.