

PUBLIC

# BSC Panel Strategy

Strategic Work Programme

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# BSC PANEL STRATEGY

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## BSC PANEL AND PANEL COMMITTEE MEMBER OBJECTIVES

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### 1. BSC Panel Objectives

- 1.1 The BSC places an obligation on the BSC Panel to conduct its business with a view to achieving a number of key objectives. These objectives, which can be found in BSC Section B1.2.1, can be summarised as:

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

### 2. Applicable BSC Objectives

- 2.1.1 Condition C3 of the Electricity Transmission Licence establishes six Applicable BSC Objectives. These are set out in full in appendix 1 and can be summarised as:

- a) Efficient Discharge of Transmission Licence Obligations;**
- b) Efficient Operation of Transmission System;**
- c) Promoting Effective Competition;**
- d) Efficient Implementation of the Balancing and Settlement Arrangements;**
- e) Compliance with European Regulations; and**
- f) Facilitating Delivery of Electricity Market Reform.**

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

### 3. Scope

- 3.1 The BSC governs balancing and settlement activities in Great Britain. Other aspects of the electricity trading arrangements are dealt with under different governance arrangements. For example issues relating to transmission system operation are contained within the Grid Code and the Connection and Use of System (CUSC) arrangements, whereas issues associated with settlement registration are dealt with under the provisions of the Master Registration Agreement (MRA) and the Distribution Use of System Code (DCUSA) governs issues around connection to and use of the various distribution systems.
- 3.2 The BSC Panel has a general responsibility to keep itself informed of issues that fall outside the direct governance of the BSC and assess (and take steps to address) any impact on it in a co-ordinated way.

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## STRATEGIC PRIORITIES

The BSC Panel's overall focus and main priority continues to be the delivery of its BSC obligations and the ongoing provision of robust, effective BSC services. The Panel also remains mindful that the energy market is experiencing a period of substantial change and that it must take this into account when conducting its work. The Panel's priorities are therefore:

- 1) Protecting, maintaining and efficiently managing the balancing and settlement arrangements as they exist today; and
- 2) Looking ahead to the evolution of the market and how the current balancing and settlement arrangements need to adapt to facilitate such change.

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

### 1. Delivery of Core BSC Services

1.1 The BSC Panel's overall focus and main priority continues to be the delivery of its BSC obligations and the ongoing provision of robust, effective BSC services. The Panel will continue to focus on the delivery of its responsibilities, powers and ~~This includes these~~ functions as set out in appendix 2.

1.1 Over the coming year, particular focus will be

1.2 ~~Particular focus is~~ placed on:

- **Best-Practice Change Provisions:** The core provisions relating to Modifications under the BSC and those that set out the document architecture should be reviewed to ensure continued best practice in light of feedback from industry. Concerns have included:
  - Clarity of governance provisions for Modification Workgroups;
  - Concerns that BSC provisions limit the development of Alternative Modification Proposals;
  - A desire to ensure there is clarity in the status of, and relationship between, BSC documents.
- **Appropriate Provisions for Assessing Settlement Error Claims:** The BSC Panel and the Trading Disputes Committee have identified improvements and clarifications to the mechanisms in place for considering Trading Disputes to address concerns raised following the consideration of several large potential Settlement Errors. Improvements relate to clarifications of roles and responsibilities and treatment of legal advice and support.
- **Revised Customer Support Services:** Standardisation of good-practice customer support provisions across ELEXON to improve the way in which ELEXON supports its customers.
- **Clear and Accessible Web-Channels:** Delivery of an improvement programme for the ELEXON website to enhance the search facility and review the home page content and structure to make navigation more intuitive.
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## 2. Resolution of Known BSC Issues

2.1 The BSC Panel and its Committees have identified particular concerns relating to:

- **Credit:** Concerns have been raised that the existing credit provisions limit competition in a number of ways and could be made more flexible to accommodate changes in the financial marketplace. Offering greater flexibility and additional options for BSC Parties to lodge Credit Cover under the BSC could improve the options for providing collateral on their liabilities and lower the barriers for entering the market.
- **Metering:** Concerns have been raised that half hourly and metering issues may be one of the main causes of energy allocation errors between BSC Parties. Erroneous allocation of energy volumes could undermine competition by transferring error from one party to another. Issues are often identified upon change of metering equipment. In the interests of efficiency, it is important to address these issues now ahead of the move towards more half hourly metering.
  - Installation and Maintenance: Issues have been identified by the BSC Auditor and the Technical Assurance Agent in the processes used for installing and maintaining Metering Systems. Concerns relate to commissioning, measurement transformer programming and proving test processes.
  - Energisation: It is important that the processes for registering energisations and disconnections are efficient, well understood and failsafe, particularly where these require the co-ordination of Distribution Businesses and National Grid.
  - Dispensations: The Imbalance Settlement Group has raised concerns at the high volume of metering dispensations. This encompasses both new applications and requests to extend long-standing dispensations where corrective action has not been progressed.
  - Balancing Mechanism Unit Configurations: The number of non-standard applications has been increasing which suggests that the existing provisions may need to be revised.

## 3. Efficient Working Practice and Communication between Panel Committees

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

- **Panel Governance:** The BSC Panel has expressed a desire to consider its own governance to ensure that it remains fit for purpose and demonstrates best practice. This work could include, but is not limited to Panel working practices and policies, accountability, delegation of responsibilities and effective co-ordination of Panel Committee work.
- **More Efficient Risk Monitoring:** The Performance Assurance Board has identified a number of areas which could lead to efficiency in the monitoring and management of risk. This includes the streamlining of Risk Management Plans for parties, ways to better quantify the materiality of underperformance and the utilisation of information drawn from the Data Transfer Network.

3.2 The BSC Panel and its Committees have also endorsed work being undertaken by ELEXON in relation to:

- **Flexible, Efficient Reporting:** Delivery of an efficient, coherent and secure reporting suite that will allow BSC Parties and the Panel and its committees to have direct and timely access to their own and market-wide public data, with services such as trend based reporting and an easy to use secure online interface. Such a reporting suite will transform the way that ELEXON provides data, reports to industry and the support that can be provided to the Performance Assurance Framework.
- **Transformation of BSC Systems and Processes:** Current systems' architecture is rooted in the last century it is difficult and expensive to maintain and develop, and the risk of failure is increasing.

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Transformation is required, given the high level of change forecast in light of the rapidly evolving industry arrangements.

## 4. Evaluation and Management of Evolving Risks

4.1 Changes in market design, including, but not limited to, the introduction of Smart Metering and Electricity Market Reform (which will utilise data arising under the BSC), are likely to change the profile of risk across BSC systems and processes. It is important to ensure that appropriate assurance can be provided in relation to this changing risk profile. This may include consideration of the control-frameworks that exist across BSC Parties and checks and balances relating to changes in measurement class.

## 5. External Drivers for change that may impact the BSC

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

- **Licence Lite:** Ofgem introduced the 'licence-lite' supply regime in 2009 in order to improve market access for distributed generation schemes. The regime could be said to incentivise a new arrangement with local suppliers competing for local customers, readily moving their meters between senior suppliers and specialist consolidators. Changes to the BSC could be envisaged, (e.g. the creation of a 'Local Balancing Unit') to facilitate the existence of a local supplier active within a single region. No such change has been raised and no work is currently underway in relation to the BSC, however, the Panel remains mindful of the progress of the licence-lite regime.
- **Cash-out and Balancing:** The proposed changes arising from Ofgem's Electricity Balancing Significant Code Review must be appropriately assessed and implemented under the provisions of the BSC. It is also anticipated that, in addition to the move towards single-price cash-out, changes will arise from: Ofgem's Future Trading arrangements work.
- **Competition Markets Authority investigation into the energy industry:** The CMA is likely to seek input regarding the BSC from the BSC Panel and ELEXON during the course of its investigation. It is anticipated that the CMA will report on its findings in 2105. Its recommendations may have wide ramifications for the energy market which could have a profound impact the BSC.
- **Smart and the Development of Smarter Markets:** There are a wide range of implications arising from the move towards smart metering and smart grids. These include:
  - the practicalities of changes of measurement class and associated migrations;
  - swifter change of supplier processes to enhance competition;
  - impacts on residual non-half hourly provisions such as profiling; and
  - calls to reduce the Settlement timetable.

Work is already progressing under the BSC and also under Ofgem's Smart Programme.

- **European Harmonisation:** Work continues in Europe to harmonise energy markets. The Panel has already established (jointly with other Code Panels) the Joint European Standing Group and the European Code Co-ordination and Application Forum to consider such matters arising. It is important to ensure that appropriate support is co-ordinated within GB and that the BSC is ready to accommodate changes arising from this work which could, in due course, fundamentally impact market design and the balancing provisions.

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## 6. Other Considerations~~BSC Services and Governance~~

6.1 **BSCCo Governance:** ~~The BSCCo Board has reviewed its governance and is working with the BSC Panel to develop a proposal to improve accountability and ensure compliance with the UK corporate code. Ofgem has supported this review and, separately, has issued an open letter inviting views on a potential change to the Transmission Licence to remove the restriction preventing BSCCo from providing non-BSC services. The BSC Panel and its Committees have also endorsed work being recognises the significance of this work and undertaken by ELEXON in relation to believes it is important for the Panel to remain engaged in these processes. Any subsequent changes arising would progress under the Modifications processes and be overseen by the BSC Panel. ÷~~

- ~~• **Revised Customer Support Services:** Standardisation of good practice customer support provisions across ELEXON to improve the way in which ELEXON supports its customers.~~

~~**Clear and Accessible Web Channels:** Delivery of an improvement programme for the ELEXON website to enhance the search facility and review the home page content and structure to make navigation more intuitive.~~

~~**BSCCo Governance and Vires:** The BSCCo Board has reviewed its governance and is working with the BSC Panel to develop a proposal to improve accountability and ensure compliance with the UK corporate code. Ofgem has supported this review and, separately, has issues an open letter inviting views on a potential change to the Transmission Licence to remove the restriction preventing BSCCo from providing non-BSC services. It is anticipated that this would enable ELEXON to provide support and services where it is felt appropriate for the benefit of industry projects and initiatives. Any subsequent changes arising would progress under the Modifications processes and be overseen by the BSC Panel.~~

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## STRATEGIC WORK PROGRAMME

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### 1. Purpose

- 1.1 The Strategic Work Programme takes account of the strategic concerns noted above. It is a living document that presents a 3-year+ rolling view of the work programmes and activities arising from, and designed to address, the BSC Panel's strategic priorities.
- 1.2 The Strategic Work Programme will be used as **a key input to the development of the annual BSCCo business plan** prepared by ELEXON for each BSC Year. It will also be used to support:
  - Regular reviews of priorities by Panel Committee Chairs and Panel Sponsors
  - Co-ordination of Committee work programmes and actions by Committee Chairs and Panel Sponsors
  - Communication of activities across ELEXON, the BSC Panel and Panel Committees.

### 2. Ownership, Review and Maintenance

- 2.1 The Strategic Work Programme is owned by the BSC Panel. It is maintained by the BSC Panel Secretary and is updated periodically (no more than quarterly). The Strategic Work Programme will be reviewed by Panel Committee Chairs and Panel Sponsors on a quarterly basis and by the BSC Panel every six months.
- 2.2 Ad hoc reviews may take place should significant events create a need for review of the Strategic Work Programme.

### 3. Structure

- 3.1 The Strategic Work Programme is set out in three parts:
  - a) **Work-plan view:** This one-page view set outs the high level activities and work streams to be progressed over the next three years and beyond. It outlines the anticipated timing for the work and identifies key milestones both within the BSC and in relation to wider activities that could impact the balancing and settlement arrangements. The Work-plan view is split into seven sections covering:
    - *Planning Cycle:* The standard annual reviews and reports used to develop the overall strategy;
    - *PRIORITY 1: Delivery of Core BSC Services:* Those work streams and activities intended to ensure continued delivery of best practice BSC Services.
    - *PRIORITY 2: Addressing Known Settlement Issues:* Those work streams and activities intended to address known problems in the balancing and settlement arrangements.
    - *PRIORITY 3: Efficient Working Practice and Committee Communication:* Those streams and activities intended to improve efficiency and effectiveness of Panel and Panel Committee functions and delivery of BSC obligations.
    - *PRIORITY 4: Addressing Evolving Settlement Risks:* Those work streams and activities intended to improve the way in which evolving Settlement Risks are managed.
    - *PRIORITY 5: Future Settlement Design and Development - Drivers for Change:* Those work streams and activities intended to provide insight into the potential impacts on BSC Parties, BSC systems and BSC processes arising from external drivers for change. Work may encompass information gathering and the assessment of impacts and proposed changes.

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- ~~*PRIORITY 6: Other BSC Services and Governance*~~*Other Considerations: Those work-streams being progressed to improve the services provided by ELEXON to BSC Parties and Panel Committees*Activities that sit outside the BSC Panel's strategic priorities but which may impact it.

The Work-plan view offers a broad indication of the governance under which each activity will be progressed (e.g. Panel/ELEXON, Panel Committee, Modification Workgroup etc). The majority of (but not all) work-streams follow a standard approach including:

- i) Initial scoping and development of a way forward or candidate options;
- ii) Development and assessment of proposed changes under the appropriate governance (e.g. Modifications or Change Proposals);
- iii) Implementation of approved changes where the case for change has been demonstrated.

**b) Highlights and Key Matters:** This one-page summary outlines the key elements of the work-plan arising in the last quarter and sets out the main elements that are anticipated to be delivered in the forthcoming quarter. Any major changes or adjustments in the timing or prioritisation of existing work, or the introduction of additional work streams, are highlighted in this section.

**c) Overview of Strategic Work Streams and Deliverables:** The final part of the Strategic Work Programme summarises each work stream and activity in the work programme showing the ELEXON lead and, where applicable, the Panel Sponsor. These descriptions are included for reference and it is not anticipated that they will change significantly throughout their lifespan. Since the Planning Cycle sets out standard reviews and reports, these are detailed at the end of this section which is otherwise structured to match the work-plan view.

## 4. Limitations and Exclusions

4.1 The Strategic Work Programme sets out the **non-business as usual activities** that address the strategic concerns highlighted above. It includes a selection of Modification work (either existing Modification or anticipated Modifications) which relate to the Panel's strategic concerns to provide context.

4.2 The Strategic Work Programme **does not contain:**

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

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implementation) and Low Carbon Contracts Company Ltd (LCCC) / Electricity Settlement Company Ltd (ESC) contract (for operation)<sup>1</sup>.

## **5. Commentary on Delivery, Resourcing and Impacts**

**5.1** The amount of change across the industry is high and the volume of work under the BSC is likely to reflect this. While the BSC Panel and ELEXON remain committed to delivering services in an efficient and economic manner, it seems unlikely that it will be possible to deliver further reductions in operational costs as has been seen across the previous four years.

**5-15.2** The Panel acknowledges that addressing its strategic priorities may require an increase in the cost of delivering the BSC.

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

**5-25.4** The Panel further acknowledges that it is important for BSC Parties to be engaged across the range of activities noted in this strategy. In particular, the BSC Panel has reflected on the recent BSC Audit where it was concluded that greater efforts will be needed by all those involved to resolve long-standing issues and ensure appropriate controls are in place going forward. When combined with the current level of change (both within and out with the BSC), the BSC Panel recognises that this may contribute towards an upward pressure on cost. However, the BSC Panel believes that such pressures can be mitigated through the provision of the central support that the BSC Panel and ELEXON can provide under this strategy.

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<sup>1</sup> Work that is required to be undertaken within the BSC to facilitate the delivery of EMR would, however, be included in the Strategic Work Programme where applicable, consistent with the delivery of Applicable BSC Objective (f).

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## APPENDIX 1

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### Applicable BSC Objectives

[Condition C3 of the Electricity Transmission Licence](#) establishes six Applicable BSC Objectives:

- a) The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;
- b) The efficient, economic and co-ordinated operation of the national electricity transmission system;
- c) Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity;
- d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements;
- e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or Agency; and
- f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation.

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## APPENDIX 2

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### BSC Panel Powers and Functions

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

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

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

- |   |  |
|---|--|
| <b>a)</b> Deciding (subject to a reference to or approval of the Authority, as provided in the Code) on the <b>expulsion or suspension of the rights of any Party</b> (see Section H for the Default provisions relating to Credit Default or breach of the BSC); | Not Delegated  |
| <b>b)</b> Implementing or supervising the implementation of the procedures for <b>modification of the BSC</b> (see BSC Section F for the procedures);   | Not Delegated  |
| <b>c)</b> Establishing arrangements for the <b>resolution of Trading Disputes</b> (see BSC Section W);  | Delegated (in part) to:<br><b>TDC</b>                                    |
| <b>d)</b> Determining values for <b>trading parameters</b> (to be applied in the BSC) as may be required of the Panel in accordance with any provision of the Code;   | Delegated (in part) to:<br><b>ISG, SVG and Credit Committee</b>          |
| <b>e)</b> Adopting and from time to time <b>revising Code Subsidiary Documents</b> (see BSC Section F3);  | Mainly delegated to:<br><b>ISG and SVG</b> but also <b>TDC &amp; PAB</b> |
| <b>f)</b> Taking steps to <b>ensure that the Code is given effect</b> in accordance with its terms, and (but only where expressly so provided in the Code) taking steps to <b>ensure compliance by Parties</b> with the provisions of the Code;                   | Mainly delegated to:<br><b>PAB</b>                                       |

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| <b>g)</b> Providing or arranging for the <b>provision of reports and other information to the Authority</b> in accordance with the further provisions of the Code;  | Delivered by Panel and across Panel Committees as appropriate |
| <b>h)</b> <b>Approving the Business Strategy</b> prepared by ELEXON for each BSC Year, and revisions to that plan;  | Not Delegated   |
| <b>i)</b> <b>Deciding matters which are referred to it</b> (pursuant to any provision of the Code providing for such referral) following any decision or determination of ELEXON or a BSC Agent;                                    | Not Delegated   |
| <b>j)</b> <b>Setting the terms of reference for the BSC Auditor</b> and considering the BSC Audit Report;   | Delegated (in part) to:<br><b>PAB</b>                         |
| <b>k)</b> If requested by the Authority, <b>conveying any direction or request of the Authority</b> to any Party, ELEXON, the BSC Auditor or any BSC Agent;   | Not Delegated   |
| <b>l)</b> Preparing, considering, recommending changes (if necessary) and <b>approving documents relating to performance assurance</b> (in accordance with BSC Section Z) and hearing and determining Risk Management Plan Appeals. | Mainly delegated to:<br><b>PAB</b>                            |

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## ATTACHMENT 1 – BSC PANEL AND PANEL COMMITTEE STRATEGIC WORK PROGRAMME

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