

MINUTES

MEETING NAME	BSC Panel
Meeting number	242
Date of meeting	9 July 2015
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 (via Teleconference)
	Bob Brown	BB	Industry Panel Member
	Chris Alexander	CA	Consumer Panel Member
	Derek Bunn	DB	Independent Panel Member
	Ian Pashley	IP	Transmission Company Panel Member
	Peter Bolitho	PBo	Industry Panel Member
	Phil Baker	PB	Industry Panel Member
	Phil Hare	PH	Independent Panel Member
	Rory Edwards	RE	Ofgem Representative
	Stuart Cotten	SC	Industry Panel Member
Observers	Francesca Scucces		National Grid
	Graham Godsell		Spark Energy Supply Limited
	Harry Pick		First Utility
	John Conway		Utilita
	Jon Ferris		Utilitywise
	Joseph Underwood		Drax Power Limited
	Kamran Ali		First Utility
	Marcello Cecchini		First Utility
	Mari Toda		EDF
	Nigel Perdue		E.ON
	Paul Farmer		First Utility
	Steven Bradford		Flow Energy
External Presenters	Alex Haffner	AH	National Grid
	Adam Lattimore	AL	ELEXON (Part Meeting)
	Adam Richardson	AR	ELEXON
	Nicola Dempsey	ND	ELEXON
	Mark Bygraves	MB	ELEXON
	Oliver Xing	OX	ELEXON (Part Meeting)
	Simon Fox-Mella	SF-M	ELEXON (Part Meeting)
	Victoria Moxham	VM	ELEXON
Apoloiges	Andrew Warden	AW	Consumer Panel Member

MINUTES

Barbara Vest	BV	Industry Panel Member
David Lane	DL	DSO Representative

1. Apologies

- 1.1 The Chairman confirmed the apologies of David Lane, Barbara Vest and Andrew Warden..
- 1.2 The Chairman also noted that AC was unable to attend in person but would participate in the meeting via teleconference.
- 1.3 Finally the Chairman welcomed the observers to the meeting.

MODIFICATION BUSINESS (OPEN SESSION)

2. Report on Progress of Modification Proposals - Verbal

- 2.1 The Modification Secretary, Adam Lattimore, updated the Panel on the current status of Modifications.
- 2.2 The Panel noted that ELEXON would be hosting a workshop on P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8' implementation on the 5 August 2015. The Modification Secretary invited Panel Members to contact Simon Fox-Mella if they had any questions.
- 2.3 Peter Bolitho commented on the determinations made at the June Panel Meeting regarding P322 'Revised Implementation Arrangements for Mandatory Half Hour Settlement for Profile Classes 5-8'. Following the Panel meeting in June, the Panel Member had consulted some members of the P322 Workgroup and the Proposer of the Modification and wished to register that they felt that their vote regarding P322 was in error. He wished it recorded that, having had more time to reflect on the information set out in the urgent Modification Report Modification Report, which because of the urgent timetable was only provided to the Panel one day before its meeting, he felt that the Alternative Modification better facilitated the Applicable BSC Objectives and supported the Alternative Modification over the Proposed Modification in line with the majority Panel view
- 2.4 He also expressed concern that the principle of proposer ownership should not be undermined by Ofgem being able to select from multiple Implementation Dates or in light of possible changes to the proposed Implementation Date of P322 in the event that Ofgem had accepted the Panel's request to change the P272 Implementation Date. He felt that Proposals should be considered by Ofgem as the Proposer had written them not as a mix and match solution. Although they recognised that this did not need to be considered immediately, he did think it was worth Panel consideration at a later date.
- 2.5 The Chairman thanked the Panel Member for their comments and asked the Modification Secretary to comment on this issue. The Modification Secretary observed that there had been a recent trend for dates becoming part of the solution. This was a concern since the Modification process sees these as separate to the solutions themselves and, in this context, Implementation Dates are set by the BSC Panel based on feedback gathered via its consultations.
- 2.6 Peter Bothilo commented that one area of confusion with respect to P322 arose from referring to the date that migration was to be completed as the 'Implementation Date'.
- 2.7 Another Panel Member noted that the Modification Process was due for review as part of the Panel's work plan for the year and commented that these issues should be picked up as part of that work.

3. P323 'Enabling inclusion and treatment of SBR in the Imbalance Price' – 242/04

MINUTES

- 3.1 Modification P323 proposed to enable the value of Supplemental Balancing Reserve (SBR) to be included in the imbalance price calculation without affecting Balancing Mechanism (BM) cash flows. The Proposer sought to have this in place by 5 November 2015 in line with the implementation of approved Modification P305 'Electricity Balancing Significant Code Review Developments'. This is because it is necessary that elements of P305 are in place (e.g. the Value of Lost Load (VoLL) price). In addition, there is a need to avoid delays so that the market receives the appropriate signals.
- 3.2 A Panel Member enquired as to how often the proposed mechanism would be used. ELEXON replied that the expectation was that the mechanism would not be used often and possibly never. The Panel Member sought clarity on whether the Workgroup would question the need for the solution as proposed or whether an alternative, perhaps less costly, solution might deliver the benefits that were sought. Another Panel Member was clear that a well-defined mechanism was needed to give the industry confidence in the Imbalance Pricing calculations in the event the mechanism was invoked. ELEXON confirmed that the group would look at alternative solutions and noted that although the possibility of the mechanism being used was low, the impact should it be required was high.
- 3.3 A Panel Member echoed the point about a solution being required, querying the need for a complicated systems change if a manual workaround would be just as efficient, particularly as this was only required for three years. They wanted the Workgroup to consider the additional work this could give to National Grid. In addition, they wanted to know what systems National Grid would put in place to ensure that the testing actions didn't flow through into SBR and DSBR. National Grid confirmed that all testing actions are and would continue to be flagged. The Panel Member asked that the Workgroup consider how testing could affect the system.
- 3.4 Another Panel Member felt that the key point was that the proposed mechanism sent the right signals to the market and that there must be certainty over when it would apply and when it wouldn't.
- 3.5 A Panel Member expressed surprise to see that if the action was priced into the imbalance it would be priced at VoLL. They commented that it looked to them to be a Short Term Operating Reserve (STOR) action rather than a demand control action and that they felt this was an unusual principle, to price something at a proxy for demand control. The proposer (AH) noted that National Grid had been considering this through various consultations and explained that the rationale for considering this to be a proxy for demand control was linked to how the services were dispatched; they would only ever be used once every other action in the BM had been taken.
- 3.6 The Transmission Company Panel Member noted that it was important to distinguish between the requirements of the Transmission Licence (Standard Licence Condition C16) and the BSC. While they understood that this Modification raised valid issues, they felt that it is important for the Workgroup to maintain a focus on changing the BSC rather than getting into the merits of using other prices for the services (which could ultimately delay the assessment of the Modification).
- 3.7 A Panel Member noted the split between the C16 and the BSC but commented that they felt the split was wrong; their view was that decisions on pricing mechanisms should be under collective governance within the industry rather than the sole responsibility of National Grid. The Transmission Company Panel Member commented that National Grid was sensitive to this view and had taken this into account with additional consultation to ensure that all views were incorporated into its thinking.
- 3.8 A Panel Member noted that the consultation that National Grid had opened which covered this issue, closed after the date P323 was raised. Although the consultation did request earlier responses on the Modification, they felt that it had not been clearly flagged and they were concerned that some responses won't have been received until after P323 was raised. The National Grid Representative recognised that the consultation could have been clearer and will forward any comments from the consultation relating to the Modification onto the Workgroup.

MINUTES

3.9 The BSC Panel:

- a) **AGREED** that P323 progress to the Assessment Procedure;
- b) **AGREED** the proposed Assessment Procedure timetable;
- c) **AGREED** the proposed membership for the P323 Workgroup; and
- d) **AGREED** the Workgroup's Terms of Reference.

4. P320 'Reporting on Profile Classes 5-8 Metering Systems after the Implementation of P272' – 242/05

- 4.1 The implementation of P272 would require Profile Class 5-8 Metering Systems to be Half Hourly settled and would require changes to PARMS and Supplier Charges to report any non-compliance. Modification P320 proposed that the required changes to PARMS and Supplier Charges that were introduced by P272 should be removed. Instead, a committee report should be introduced to monitor the implementation of P272.
- 4.2 A Panel Member queried how the PARMS solution could be unfair to Suppliers. They commented that Meter Operator Agents (MOAs) were employed by Suppliers who should have a vested interest in fixing issues around compliance; they were concerned that the removal of the Supplier Charge was a disincentive to comply. ELEXON replied that the Suppliers' concerns had been around the risk that where there were Half Hourly Meters installed but without workable communications due to interference in certain regions. In such cases, they will not be obliged to HH settle these Meters. However the MOAs may mistakenly report these Meters as non-compliant under PARMS.
- 4.3 The Panel Member was concerned that there wasn't enough incentive to encourage Suppliers to address metering issues. ELEXON advised the Panel that, according to its analysis, Supplier Charges under PARMS that would apply to non-compliant Suppliers would be minimal under P272. This is because a majority of Suppliers either are very close or have already reached their Supplier Charge caps and they do not need to pay any charges beyond these caps. Therefore PARMS does not create a strong financial incentive for Suppliers to comply.
- 4.4 ELEXON noted that after analysis and consultation, undertaken during the assessment of P320, the most cost efficient way forward would be through the PAB and the escalation processes under the Performance Assurance Framework. ELEXON also noted that in the initial P272 discussions, the PARMS solution was added but not given in-depth consideration, however, during implementation, concerns with using PARMS had come to the fore.
- 4.5 The Chairman noted that this has raised an issue about the use and purpose of Supplier Charges. He asked if any work is being done on this. The Panel Secretary noted that the Panel Plan has recognised the need to review the purpose and function of Supplier Charges and identified a piece of work for the PAB, starting in late 2016.
- 4.6 A Panel Member commented on a difference between the slides which stated that 3 of the 6 Workgroup members believed that P320 was beneficial but in the paper says that the majority (3 to 2) did not agree. ELEXON explained that the Workgroup has six members including the Proposer. In the paper, the Proposer's views are listed and then the rest of the Workgroup, however, the slides reflect the view of all six of the Workgroup.
- 4.7 The BSC Panel:
- a) **AGREED** that the P320 Proposed Modification **DID** better facilitate Applicable BSC Objective (d);
 - b) **AGREED** an initial recommendation that the P320 Proposed Modification should be **APPROVED**;

MINUTES

- c) **AGREED** an initial Implementation Date for the Proposed Modification of 1 April 2016 if an Authority decision is received on or before 1 December 2016;
- d) **AGREED** the draft legal text for the Proposed Modification;
- e) **AGREED** that P320 is submitted to the Report Phase; and
- f) **NOTED** that ELEXON would issue the P320 Draft Modification Report (including the draft BSC legal text) for a 12 Working Day consultation and would present the results to the Panel at its meeting on 13 August 2015.

5. CACoP Principle 13 Work – 242/05

- 5.1 ELEXON presented the results of the industry consultation on the Proposed Principle 13 to the Code Administration Code of Practice (CACoP) and invited the BSC Panel to recommend its introduction to the Authority.
- 5.2 A Panel Member welcomed the introduction of Principle 13, but noted that communication and co-ordination on matters arising in other Codes that might impact the BSC was already part of the ELEXON and the Panel's role.
- 5.3 The BSC Panel:
 - a) **NOTED** the updated draft Principle 13; and
 - b) **RECOMMENDED** to the Authority that Principle 13 should be introduced to the CACoP.

NON-MODIFICATION BUSINESS (OPEN SESSION)

6. Minutes of Meeting 242 Actions arising

- 6.1 Chris Alexander requested a change to point 4.5 in the minutes; he wished to include his name in that section.
- 6.2 Another Panel Member expressed his view that all Panel members should be named. The Panel Secretary explained that the current working practice as agreed by the Panel is not to name members unless they specifically ask or where Panel decisions are not unanimous. He also noted that the Panel was currently reviewing its working practices (including its approach to producing minutes) and that this work should conclude over the next 6 to 8 weeks.
- 6.3 Mark Bygraves asked if there would be any objection to changing this practice now, if the Panel agreed to this. The Panel Secretary didn't see any reason that this couldn't be done but did note that there had previously been a concern that naming Panel members could stifle debate.
- 6.4 A Panel Member commented that the CUSC Panel does name members and at the request Ofgem, it lists CUSC Members' reasons for their votes. They noted that it would be good practice for all Code Administrators to have the same processes.
- 6.5 The Chairman noted that the Panel minutes do list voting and reasons for voting when the decisions are not unanimous. However, he also noted that there had been a concern about naming members and asked that if Panel members wished to be named, they could request that in the minutes.
- 6.6 A Panel Member commented that the Panel had a way forward with the work it was currently doing and that any decision should be held off until then. Another Panel Member agreed.
- 6.7 A Panel Member commented that it was interesting to hear other views.

MINUTES

- 6.8 The minutes of the previous meeting were agreed with the changes requested.
- 6.9 Actions 241/02, 241/03 and 241/06 were closed.
- 6.10 The following actions remain open and an update on progress given. 241/01, 241/04, 234/05, 234/03 and 228/02.

7. Chairman's Report

- 7.1 The Chairman noted that a new Modification regarding BSCCo Governance may be brought to the Panel at its August meeting.
- 7.2 The Chairman further noted that, following the discussion at last month's meeting, the search to replace Nigel Cornwall as an industry director of ELEXON Ltd. had begun. He reminded Panel Members that Nigel was stepping down when his current term came to an end in September 2015. He noted the aspiration for candidates to have a background in smaller energy companies if possible and asked Panel Members to encourage potential candidates to contact ELEXON if they had any questions.
- 7.3 The Chairman also noted that Gillian Wilmot's term on the ELEXON Board as a non-industry director was due to end in October 2015. He confirmed that the Board considered Gillian's performance to be satisfactory and that it was minded to re-appoint her for a further period of two years (as defined in the BSC). Accordingly, he had contacted the Panel Advisor to seek their view. The Chairman invited comments on the proposed appointment from Panel Members.
- 7.4 The Panel raised no questions in respect of the proposed re-appointment of Gillian Wilmot.

8. ELEXON Report – 242/01

- 8.1 Mark Bygraves provided an overview of ELEXON's consultation responses.
- [Warm Homes Reconciliation Service](#)
- 8.2 MB confirmed that DECC had extended its contract with ELEXON to run the Warm Homes Reconciliation Service for another two years.
- [European developments](#)
- 8.3 The Panel noted that National Grid had raised a BSC Issue (Issue Group 60) to examine how the BSC will interface with Project TERRE. The first meeting of the Issue Group will take place on 16 July 2015. ELEXON anticipated that the group would finish its work by year end, with any subsequent BSC Modifications raised in time for the TERRE go-live date in 2016.
- 8.4 MB brought the Panel's attention to the Chairman's letter to the Director of ACER concerning the European Network Code stakeholder engagement groups.
- [Competition and Markets Authority](#)
- 8.5 MB noted that the preliminary findings of the CMA report had been published earlier this week. ELEXON was currently reviewing the report and would reply in due course. Responses were required to be submitted to the CMA by 31 July 2015. (Post Meeting Addendum the CMA has subsequently extended this deadline to 5 August 2015)
- 8.6 MB noted that the CMA had put forward a wide range of potential remedies. Those particularly relevant to the BSC included support for requiring:
- the introduction of variable, locational transmission losses; and
 - the agreement of a binding plan for the introduction of a cost-effective option to use half-hourly consumption data in the settlement of domestic electricity meters.

MINUTES

- 8.7 The CMA had also made a number of recommendations in relation to industry code governance. This included the suggestion that Ofgem be more involved in the code modification process (including granting Ofgem more powers to project-manage and/or control the timetable of the process of developing and/or implementing code changes) and the possibility that a separate, independent code adjudicator, be appointed to determine which code changes should be adopted in the case of dispute. The Panel noted that the CMA had suggested that such an adjudicator could be granted Ofgem's current role approving or refusing code modification proposals.
- 8.8 MB also noted that the CMA was recommending that code administration and implementation of code changes should be made a licensable activity.
- 8.9 The Chairman noted that one of the speakers at the Annual BSC Meeting (being held later in the afternoon), would be dealing with this issue.
- 8.10 Peter Bolito noted ELEXON's responses to ACER and Ofgem consultations. He commented that the responses were comprehensive and thoughtful and noted that they were published in the name of ELEXON. He raised this as they felt that sometimes ELEXON could be unduly deferential Ofgem in some of its opinions. They felt that the current process contained important checks and balances (through engagement with the industry and the oversight of industry code panels) and expressed reservations about giving Ofgem more power in the BSC Modification process.
- 8.11 A Panel Member noted that the published materials comprised the summary of the CMA's provisional findings and its notice of potential remedies. The full provisional findings report was likely to be published in the next few days. Panel Members suggested it would be of value to discuss the CMA findings at its next meeting when members had digested the full report.
- 8.12 The Chairman noted that the Panel will want to discuss the CMA's conclusions at some point and noted that the Panel would make time to discuss it over the coming months.

ACTION 242/01

- 8.13 A Panel Member noted that they felt that the CMA would have to extend that deadline but that in the meantime perhaps ELEXON could contact the CMA and note that a response from the Panel would be forthcoming but would not meet the 31 July deadline.

ACTION 242/02

EMR

- 8.14 MB noted that Grant and Service Agreement payments are being received in accordance with the agreed payment schedule.

General

- 8.15 A Panel member noted that there had been a Central Systems Error (ELEXON Report 4.3). They asked if there would be a lessons learned exercise on what happened and asked whether the findings of the lessons learned would be presented to the Panel. The Panel Member was concerned that this was a serious issue and needed to be thoroughly reviewed. MB assured the Panel that he would report back on the findings of the lessons learned exercise through the ELEXON Report, without wishing to minimise the seriousness of the error, he also noted that the error had been noticed before anyone was financially impacted.
- 8.16 A Panel Member asked if at this stage we knew whether the error was caused because it was not included in P269 'Prevention of Base Trading Unit BMUS' or if it was a failure to implement part of the Modification. MB responded that we should await the outcome of the lessons learned work but that, at this stage it appeared that the error was because of a failure to identify that a system would be impacted by the P269 solution.

MINUTES

- 8.17 A Panel Member noted that he was content with how P272 was being implemented into the BSC but had a larger concern with how P272 was being implemented in other Codes. They felt that the Panel needed to take a larger role in oversight of this to encourage resolution of issues arising under other Codes. Another Panel Member commented that the CACoP Principle 13 should help. They acknowledged that Principle 13 would help but still felt that there was an issue. MB responded that ELEXON was working to improve co-ordination and suggested that he discuss the issue with the Panel Member outside the meeting.
- 8.18 For further details on ELEXON's work over the past month, please see the [ELEXON Report](#).

9. Distribution Report - Verbal

- 9.1 There was no Distribution Report.

10. National Grid Report – Verbal

- 10.1 The National Grid Representative noted that National Grid picked up an action from June's Panel meeting (241/04), to obtain a full copy of the BM Audit Report. They commented that with a few exceptions, what the Panel had been given was the full copy of the report. National Grid were unable to go back to the auditor and ask them to re-write a more detailed report this year but would pass the Panel's comments back to the relevant people at National Grid and look at the possibility of making the 'minor issues' report available to the Panel.
- 10.2 The Chairman explained that the Panel's view was that the industry paid for the audit at a cost of approximately £60,000 and that they received very little information, which did not seem like good value for money. The National Grid Representative stated that the payment is for the process not the report.
- 10.3 A Panel Member commented that the report isn't detailed enough to give the Panel knowledge of the process and whether any subsequent improvement action needs to take place. Therefore it is unable to decide whether the cost of the BM Audit is value for money or is aiding process improvement.
- 10.4 The Chairman commented that the change of the BSC Auditor had led to a change of approach and had refreshed the process, while the decision about their Auditor belongs to National Grid, he observed that there is an accountability gap in the BM Audit.

11. Ofgem Report – Verbal

- 11.1 The Ofgem Representative noted that last week, ACER, in collaboration with the European Network of Transmission System Operators requested that all interested stakeholders participate in the Market European Stakeholder Committee (the Market ESC). This is the first of three planned committees to ensure the effective involvement by stakeholders in the Network Code Implementation process. Details can be found on the [ACER website](#).
- 11.2 The Panel noted frustration that membership of the Market ESC was restricted to EU-wide trade associations.
- 11.3 The Ofgem Representative also noted that the deadline for responses to Ofgem's initial letter exploring a potential further Code Governance Review closed last month and that Ofgem was reviewing the responses. It would be hosting an industry workshop on 22 July 2015 and planned to issue another consultation at the end of the summer.

12. Report from the ISG – 242/01a

- 12.1 The Panel noted the report from the ISG.

13. Report from the SVG – 242/01b

- 13.1 The Panel noted the report from the SVG.

MINUTES

14. Report from the PAB – 242/01c

14.1 The Chairman noted that the PAB had an action (241/06) from the June Panel meeting. The report from the PAB, suggested that this issue was discussed (item 15) but didn't make clear what was decided and why. He requested that the report from PAB be amended to better capture the PAB's determination.

ACTION 242/03

14.2 He also requested further detail regarding the PAB's deliberations on the potential for additional assurance to be provided by the BSC Auditor (as part of the overall Performance Assurance Framework) in respect of the Change of Measurement Class process and the submission of migration plans in relation to Modification P272.

14.3 The PAB sponsor was not at the last PAB meeting commented that, while KPMG had suggested that it could offer assistance to the PAB in respect of the Change of Measurement Class process and the submission of migration plans in relation to Modification P272, the detail of this assistance had not been explored at last month's Panel Meeting. They noted the Panel had requested that the PAB consider KPMG's specific proposals and how such assistance might complement the existing assurance mechanisms. It could be that the service didn't offer value for money. However, more clarity was required from the PAB Chairman.

ACTION 242/04

14.4 The Panel noted the report from the PAB.

15. Report from the TDC – 242/01d

15.1 The Panel noted the report from the TDC.

16. Trading Operations: BSC Operations Headline Report – 242/02

16.1 The Panel noted the BSC Operations Headline Report.

17. Change Report – 242/03

17.1 The Panel noted the Change Report.

18. 2014 Customer Survey: Panel Update - Verbal

18.1 ELEXON presented the Panel with an update on actions raised in response to the results of the 2014 ELEXON Customer Survey.

18.2 MB reflected on the comments calling for increased engagement at senior level with BSC Parties. He emphasised how keen he has been to meet BSC Parties and understand the challenges that they are facing. He reported that, since his appointment as CEO last autumn he, and members of his Executive team, have been out with the relevant OSM's to meet BSC Parties and they continue to seek opportunities to engage with ELEXON's customers.

18.3 Another Panel Member commented on the ELEXON training videos and noted how useful they will be to people outside the industry to help them learn about ELEXON and the industry as a whole.

18.4 A Panel Member reflected on the Performance Assurance Framework and concerns regarding its lack of teeth. They commented that the provision of extra data from Electralink will help identify issues and flaws in the process; however, they noted that this won't help the PAF deal with resolving the issues that occur.

18.5 They also noted that the training videos are useful learning tools, however they would like to see more interactive learning tools on the ELEXON website and encouraged ELEXON to give some thought to how they could do that.

MINUTES

- 18.6 The Chairman reminded the Panel that the 2015 Customer Survey was currently underway and the results of this survey would be shared with the Panel in due course in the usual manner.
- 18.7 A Panel Member thanked ELEXON for the update. They noted that updates like this give industry reassurance that ELEXON is accountable and works to improve its service.
- 18.8 The BSC Panel:
- a) **NOTED** the update.

NON MODIFICATION BUSINESS (CLOSED SESSION)

19. ELEXON's Non-Industry Directors Fee Review – 242/08

The ELEXON Board had reviewed the fees payable to its non-industry directors for the first time in 10 years and proposed to increase the fees. ELEXON presented the results of this review to the BSC Panel.

The BSC Panel:

- a) **NOTED** the review of ELEXON's non-industry directors' fees; and
- b) **COMMENTED** on the proposed changes.

20. Panel Secretary Appointment – 242/087

ELEXON asked the Panel to approve the appointment of a new Panel Secretary.

The BSC Panel:

- a) **APPROVED** the appointment of Victoria Moxham as Panel Secretary from 10 July 2015.

21. Next meeting

- 21.1 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 August 2015.