

DRAFT MINUTES

MEETING NAME	BSC Panel
Meeting number	258
Date of meeting	13 October 2016
Venue	ELEXON Ltd, 350 Euston Road, NW1 3AW
Classification	Public

ATTENDEES AND APOLOGIES

Attendees	Michael Gibbons	MG	BSC Panel Chairman
	Alex Haffner	AH	Transmission Company Panel Member
	Andy Knowles	AK	Industry Panel Member
	David Lane	DL	DSO Representative
	Derek Bunn	DB	Independent Panel Member
	Diane Dowdell	DD	Independent Panel Member
	Lisa Waters	LW	Alternate Industry Panel Member
	Mitch Donnelly	MD	Industry Panel Member
	Phil Hare	PH	Independent Panel Member
	Rory Edwards	RE	Ofgem Representative
	Stuart Cotten	SC	Industry Panel Member
	Stew Horne	SH	Consumer Panel Member
	Tom Edwards	TE	Industry Panel Member
External Presenters/ Guests	Nadir Hafeez	NH	Ofgem
	Douglas Alexander	DA	ELEXON (Part Meeting)
	David Osborne	AR	ELEXON
	Elliott Harper	EH	ELEXON (Part Meeting)
	Giulia Barranu	GB	ELEXON (Part Meeting)
	Jessica Porter	JP	ELEXON
	Mark Bygraves	MB	ELEXON
	Matthew Fitt	MF	ELEXON (Part Meeting)
	Melinda Anderson	MA	ELEXON (Part Meeting)
	Royston Black	RB	ELEXON (Part Meeting)
	Thomas Routier	TR	ELEXON (Part Meeting)
	Victoria Moxham	VM	ELEXON
Apologies	Barbara Vest	BV	Industry Panel Member
	Richard Hall	RH	Consumer Panel Member

1. Apologies

DRAFT MINUTES

- 1.1 The Chairman confirmed the apologies of Barbara Vest and Richard Hall, he welcomed Lisa Waters who was attending as Barbara's alternate.

MODIFICATION BUSINESS (OPEN SESSION)

2. Change Report and Progress of Modification Proposals – 258/03

- 2.1 The Modification Secretary updated the Panel on the following:
- 2.2 There were no new Modifications raised in September but are currently 14 Proposed Modifications in assessment.
[P324 'Review of BSCCo's governance: introducing improved accountability to BSC Parties'](#)
- 2.3 A decision on this Proposed Modification is expected on Friday 14 October 2016.
[P351 'Align the BSC with changes to the SCR requirements'](#)
- 2.4 The Modification Secretary noted that there have been amendments to the transmission licence relating to how Ofgem will deal with significant change reviews in regards to the Proposed Modification. The Modification Secretary noted that it had been difficult to secure the required number of members for the P351 Workgroup. A workgroup meeting has been scheduled for 27 October and the Modification Secretary requested a two month extension for P351 which the Panel approved.

3. P343 'Increase the number of Supplier IDs that can be held by a Supplier' – 258/04

- 3.1 Suppliers currently may hold no more than three Supplier IDs where they are the first holder of that Supplier ID. P343 proposes to allow a Supplier to apply for a fourth or more Supplier IDs through an application form submitted to the Panel.
- 3.2 A Panel Member asked whether the SVAA improvements which go live in April 2017 are purely about processing power as opposed to increasing the number of available supplier IDs. ELEXON noted that the transition work and re-platform work that is due to be completed in April 2017 will move SVAA on to new hardware to improve processing power. Once the work has been completed ELEXON will reassess performance and capacity. The Panel Member asked whether improved processing power would result in the ability to go above 200 IDs but noted that there needs to be some sort of risk management process as the number of allocated Supplier IDs reaches the capacity of 200. ELEXON confirmed that there will be monitoring processes in place so that there is an accurate picture of how the processing power translates to real business metrics.
- 3.3 A Panel Member asked why there had been no assessment of the impact on the consumer of P343. ELEXON noted that the Workgroup had concluded that from a customer's point of view P343 will be an advantage because of the positive impact on competition of the third party license. The Chairman noted that a question about the consumer impact should be added to the consultation on P343.
- 3.4 A Panel Member asked if there had been any feedback from the Suppliers' IT system providers. ELEXON noted that no responses were received from this community.
- 3.5 The Chairman noted that Smartest, EDF and Bristol Energy had all highlighted the potential problem of reaching the capacity of 200 Supplier IDs.
- 3.6 A Panel Member asked what the timeline would be for applying for a new ID and noted that if it is only a month the cap becomes irrelevant because the system upgrade would be in place. ELEXON noted that P343 is a short term solution and not directly linked to the capacity review being conducted in parallel, this has

DRAFT MINUTES

been evaluated by the Workgroup as the best short term solution. The Panel Member asked how long short term is. ELEXON confirmed that it depends on testing and can't give an exact date.

- 3.7 The Chairman asked if each request would be presented to the Panel for decision and ELEXON confirmed that the request for a new supplier ID would go to the PAB. The Chairman suggested that ELEXON develop an approach for allocating supplier IDs (recognising capacity is being reached).

ACTION 258/01

- 3.8 The BSC Panel:

- a) **AGREED** that P343:
 - i. **DOES** better facilitate Applicable BSC Objective (c);
- b) **AGREED** an initial recommendation that P343 should be **APPROVED**;
- c) **AGREED** an initial Implementation Date of 23 February 2017 as part of the February 2017 BSC Systems Release;
- d) **AGREED** draft BSC and CSD changes for P343;
- e) **AGREED** an initial view that P343 should be treated as a Self-Governance Modification;
(For: AK, DB, DD, LW, MD, SC, SH, TE. Against: PH)
- f) **AGREED** that P343 is submitted to the Report Phase; and
- g) **NOTED** that ELEXON will issue the P343 draft Modification Report (including the draft BSC legal text) for a 12 Working Day consultation and will present the results to the Panel at its meeting on 10 November 2016.

4. P344 'Project TERRE implementation into GB market arrangements' – 258/05

- 4.1 P344 seeks to align the Balancing and Settlement Code (BSC) with the European Balancing Project TERRE (Trans European Replacement Reserves Exchange) requirements. This is in order to allow the implementation of the project at national level and be compliant with the first tranche of obligations in the European Network Codes (ENCs) that impact the BSC.
- 4.2 A Panel Member noted that smaller non-Balancing Mechanism (BM) parties have significant concerns with regards to this project and noted that ELEXON should ensure that it seeks input from these non-BM parties. The Panel Member also asked whether a new BSC system that would be neither current Supplier Volume Allocation (SVA) nor Central Volume Allocation (CVA) could cope better in the longer term with accommodating Embedded Generation.
- 4.3 ELEXON noted that it will look into ensuring that non-BM parties are either involved in the Workgroup or have the opportunity to submit comments and be involved. The Panel Member noted that ELEXON had raised concerns at National Grid's Connection and Use of System Code (CUSC) meetings about the alteration of embedded benefits and the different types of SVA generation needing to be flagged and how this could create problems with the data flows. ELEXON noted that it was aware that new functionality would be required for non-BM participants, and that this should be developed in a way that avoided placing unnecessary barriers in the way of non-BM participation. ELEXON also noted that the potential registration and data aggregation requirements may overlap with the functionality required for [P348 'Provision of gross BM Unit data for TNUoS charging'](#) and [P349 'Facilitating Embedded Generation Triad Avoidance Standstill'](#). ELEXON agreed that the current BSC system had not been built with non-BM participation in mind and noted that a new approach might be needed; ELEXON confirmed that this will be looked at once the requirements have been clarified for the Proposed Modification.

DRAFT MINUTES

- 4.4 The Chairman questioned whether the European Regulations would fall away with the conclusion of the Article 50 negotiations and Brexit. ELEXON noted that its understanding of the Repeal Bill being suggested by the Government is that it will, if enacted, transpose existing European Union law into UK law. This would then give the British Government, if it so decided, the option to repeal or amend such legislation in a more controlled manner post Brexit. Therefore, P344 will still be relevant and act as a useful safety net to ensure that there are no gaps.
- 4.5 A Panel Member noted that the consumer benefits from P344 are clear, but wished to see them clearly articulated in the paper. ELEXON noted that the consumer benefits point will be added to the Workgroup's Terms of Reference for discussion under the second part of P344's Assessment Procedure.
- 4.6 The BSC Panel:
- a) **AGREED** the P344 progresses to the second stage of the Assessment Procedure;
 - b) **AGREED** the proposed Assessment Procedure timetable;
 - c) **AGREED** the proposed membership for the P344 Workgroup;
 - d) **AGREED** the P344 should be progressed under the joint working procedure for cross code working; and
 - e) **AGREED** the Workgroup's revised Terms of Reference.

5. P346 'Changes to Supplier charges for Elective Half Hourly Meters' – 258/06

- 5.1 P346 proposes to amend the method by which the 'Supplier' half of the SVA Costs are recovered so that all of these costs are recovered through a single 'per Metering System Identifier (MSID)' fixed tariff. This will remove a barrier to Elective Half Hourly Settlement.
- 5.2 A Panel Member noted there was no assessment of the impact on consumers and asked that if it was judged that there was no impact, that this was fully articulated in the Assessment Report. ELEXON agreed that it would ensure that an assessment of consumer impact was incorporated into the Report.
- 5.3 The BSC Panel:
- a) **AGREED** that the P346 Proposed Modification:
 - i. **DOES** better facilitate Applicable BSC Objective (c);
 - ii. **DOES** better facilitate Applicable BSC Objective (d);
 - b) **AGREED** an initial recommendation that the P346 should be **APPROVED**;
 - c) **AGREED** an initial Implementation Date for the Proposed Modification of:
 - i. 23 February 2017 if an Authority decision is received on or before 10 November 2016; or
 - ii. 1 April 2017 if an Authority decision is received after 10 November 2016 but on or before 30 December 2016;
 - d) **AGREED** the draft BSC legal text for P346;
 - e) **AGREED** an initial view that P346 should be treated as a Self-Governance Modification;
 - f) **AGREED** that P346 is submitted to the Report Phase; and
 - g) **AGREED** that ELEXON will issue the P346 draft Modification Report (including the draft BSC legal text) for a 13 Working Day consultation and will present the results to the Panel at its meeting on 10 November 2016.

DRAFT MINUTES

NON-MODIFICATION BUSINESS (OPEN SESSION)

6. Minutes of Meeting 257 Actions arising

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

7. Chairman's Report

7.1 The Chairman noted that the December Panel Meeting will start at 9am to accommodate the high level of Modification business.

7.2 The Chairman noted that the Board is now using Boardpad for its papers and it has been very successful. He proposed that the Panel move to using the software. A Panel Member noted that some Panel Members will need to make sure that the licensing works on their company issued laptops.

7.3 The Chairman informed the Panel of the conclusions of the Credit Committee which has raised the Credit Assessment Price from £42/MWh to £53/MWh. He noted that this decision is currently out for consultation and likely to be effective from 21 October 2016. He also noted that the CAP trigger has been breached several times over 2016 and the trend is for it to increase further possibly to £70 to £80MWh.

7.4 The Chairman noted that the CMA's final report has been published and that an Ofgem consultation will begin in the near future. He noted that ELEXON will respond to it.

7.5 The Ofgem Representative noted that it is planning to publish a consultation on Code Governance remedies in November and an implementation plan will be published at the end of October covering the high level approach and time frames for CMA remedies. The Chairman asked about the expected length of the consultation which the Ofgem Representative believed would be 12 weeks.

7.6 New Panel Committee sponsors were allocated:

- ISG: Tom Edwards
- PAB: Mitch Donnelly
- SVG: Andy Knowles
- TDC: Stuart Cotten

7.7 While there is nothing to preclude a Panel Member being a member of a Panel Committee, it was agreed that it was good governance for Panel members to step down from their positions as committee members (recognising that situations may arise where the Panel is acting as an appeal body for decisions being made by a Panel Committee).

8. ELEXON Report – 258/01

8.1 Mark Bygraves provided an overview of ELEXON's consultation responses which can be found in the [Industry Insights](#) section of the ELEXON website.

European Developments

8.2 Mark Bygraves noted that the latest draft Electricity Balancing guideline had been published which had reinstated the "assignment" route, alongside "delegation", by which organisations such as ELEXON which were not TSOs, could continue to carry out their functions. It had also maintained the ability for countries in a "synchronous area" to all agree to be exempt from a move to 15 minute imbalance settlement periods, albeit subject to a cost benefit analysis every three years. ELEXON would be reviewing the draft guideline in more detail.

DRAFT MINUTES

8.3 The winter package on energy legislation was presented by the commission in September and will be further published in December to come into force in autumn 2018 and expected impacts on BSC.

CMA

8.4 Following publication of its final report in June, the CMA is progressing with its implementation activities (as outlined in the timetable it published in July).

8.5 ELEXON has responded to the CMA's initial consultation on its Locational Pricing Order. This Order will place new obligations on the Transmission Company regarding Locational Transmission Losses. The consultation was sent only to interested parties. ELEXON anticipate that the CMA will launch a formal consultation on its Locational Pricing Order in October. Mark Bygraves asked if the Panel wanted to respond to the consultation. The Panel agreed that it was happy just for ELEXON to submit a response.

8.6 Ofgem has published its own CMA Remedy Implementation Strategy. The Strategy outlines the high-level approach and indicative timelines associated with work Ofgem will progress in light of the CMA's recommendations. ELEXON understands that Ofgem will launch a consultation in the coming weeks as referred to by Ofgem at paragraph 7.5, inviting views on potential licensing regimes for code bodies, the development and publication of Ofgem's strategic direction and the proposed consultative board.

Ofgem's 3rd Code Governance Review (CGR3)

8.7 In its Code Governance Review Phase 3 Final Proposals, Ofgem concluded that it would commission an independent third party to undertake a cross-code survey on the performance of code administrators.

8.8 Ofgem is planning to run an open consultation on the content of the survey in October. ELEXON will respond to this consultation and will work closely with Ofgem and its provider to ensure that survey timings are coordinated and duplication with the ELEXON customer survey minimised wherever possible.

Update on the New BMRS Platform

8.9 The new BMRS system successfully went live on 14 September, and has thus far been operating without significant issue. The legacy BMRS system will continue to run in parallel with the new BMRS system until later this year and ELEXON was encouraging all users through its communication channels to switch to the new BMRS ahead of legacy being switched off and asked Panel Members to assist in communicating this also.

PAF Review

8.10 As part of the initial stage of the Performance Assurance Framework (PAF) Review, ELEXON has sought views on the current PAF arrangements from PAB members and issued an industry consultation. However, there has been a poor level of engagement in the PAF review so far. To try to address this, ELEXON has extended the deadline for the consultation, is reviewing the engagement plan and visiting BSC Parties to seek feedback in person. This will have an impact on the timescales initially proposed to the Panel.

EMR Update

8.11 The first collection of funds has occurred from suppliers in order to meet future payments to CMUs and this is a milestone achievement for the settlement system.

8.12 The Chairman noted that the EMR business makes a contribution to ELEXON overheads (ie creates a positive financial impact for BSC Parties).

ELEXON resourcing

8.13 Mark Bygraves updated the Panel on resourcing issues that ELEXON is facing. Experienced staff are being targeted by a number of other organizations and industry central bodies offering higher salaries than ELEXON

DRAFT MINUTES

believes is competitive. The ELEXON Executive Team does not believe that simply raising salaries is in the interests of industry (although wage inflation will be inevitable), noting that ultimately it is the industry that funds such bodies, and instead all central bodies should be working with a common interest for the industry so should be doing their fair share of training. He queried how some bodies, especially those which were licenced, could justify the remuneration being offered. To the usual destinations, could now be added MOSL (the equivalent to ELEXON in the water market).

- 8.14 A Panel Member noted the quality of ELEXON's training and the excellence of its staff but agreed that some of the salaries currently being offered elsewhere are overinflated for the skill set required.
- 8.15 A Panel Member noted that while wage inflation is a concern, ELEXON has lost key staff in recent months and that this was a tremendous loss. He noted that he would be comfortable to see ELEXON pay higher salaries to retain staff and secure the high levels of service it supplies the industry.
- 8.16 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 Alex Haffner noted that Mark Bygraves' update had covered the National Grid content.

11. Ofgem Report – Verbal

- 11.1 The Ofgem Representative, Rory Edwards, noted that this would be his last Panel meeting as Ofgem representative. The Chairman thanked Rory for his contribution to the Panel.
- 11.2 Ofgem noted that it was planning to publish a consultation on the CMA's code governance remedies in November. The governance consultation will incorporate licensing and look at the full scope of remedies with four key chapters. The consultation will be high level lasting 12 weeks with an industry invite to a workshop in January 2017.

12. Report from the ISG – 258/01a

- 12.1 The Panel noted the report from the ISG.

13. Report from the SVG – 258/01b

- 13.1 The Panel noted the report from the SVG.

14. Report from the PAB – 258/01c

- 14.1 The Panel noted the report from the PAB.

15. Report from the TDC – 258/01d

- 15.1 The Panel noted the report from the TDC.

16. Trading Operations: BSC Operations Headline Report – 258/02

- 16.1 The Panel noted the BSC Operations Headline Report.

17. System Price Analysis Report – ISG185/08

DRAFT MINUTES

- 17.1 A Panel Member expressed concern that the SPAR report is seen 2 months after the event and asked whether it was possible to speed up the process, ELEXON agreed to bring the SPAR report to the Panel as soon as it is available.

ACTION 258/02

- 17.2 The Panel noted the System Price Analysis Report.

18. BSC Panel Strategy – 258/07

- 18.1 ELEXON invited the BSC Panel to approve an updated BSC Panel Strategy, which will feed directly into the development of the BSCCo Business Strategy and inform the work of the Panel, its Committees and ELEXON going forward.
- 18.2 The BSC Panel:
- a) **APPROVED** the Proposed BSC Panel Strategy.

19. Market Index Definition Statement (MIDS) Review 2016 – 258/08

- 19.1 ELEXON has carried out the review of the MIDS as required annually by the BSC. The Imbalance Settlement Group (ISG) had sought industry views on the current parameters' weightings and products used. After consideration of the consultation responses and potential cost of the change to industry systems and contracts, the ISG recommended that no change be made to the MIDS.
- 19.2 A Panel Member asked which parties currently use the MIDS and noted that there was a reference in the consultation responses about users incorporating them into contracts. He asked how widespread this practice was because if over time, the MIDS became less core to ELEXON's processes, then there could be a question about whether there is a more efficient way of calculating the MIDS. He also noted that although the MIDS compares changes since the last review none of the three reports (MIDS, CADL, DMAT) comment or analyse the changes over multiple years, which he believed was particularly important with the MIDS. He felt that the review should report on whether liquidity in the market has improved or shifted over time. ELEXON noted that it doesn't have much data available on how widespread the use of MIDS is but that the 2015 MIDS consultation responses included five respondents who believed that the MIDS were widely used in industry and did not want to remove it.
- 19.3 The BSC Panel:
- a) **NOTED** the ISG's recommendations; and
 - b) **AGREED** that no change is made to the Market Index Definition Statement (MIDS).

20. Continuous Acceptance Duration Limit (CADL) Review 2016 – 258/09

- 20.1 The 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 potentially re-priced from the Energy Imbalance Price Calculation. The CADL has been set at 15 minutes since its introduction in 2001. ELEXON last reviewed the CADL in September 2014 and has reviewed the CADL value from 1 August 2014 to 31 July 2016 and the analysis suggests that the current limit remains suitable and invited the Panel to agree that no change should be made to the CADL.
- 20.2 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 conducts the next review in two years' time.

DRAFT MINUTES

21. De Minimis Acceptance Threshold (DMAT) Review 2016 – 258/10

- 21.1 ELEXON has reviewed the DMAT pricing parameter and the analysis has shown that there is no case for change. ELEXON presented the analysis to the Imbalance Settlement Group (ISG) at its September 2016 meeting. The ISG recommended that no change should be made to the DMAT. ELEXON sought the Panel's agreement that no change should be made to the DMAT.
- 21.2 A Panel Member asked for clarification of his interpretation that 98% of the time DMAT is costing £2 but that the impact at 0.1% could cost more if the winter was colder. ELEXON noted that the parameter cannot be removed or set to zero as National Grid never confirmed that the original error was fixed, which means that the parameter has remained over time even though it was originally a work around. The Panel Member noted that DMAT is being tested against historic pricing and historic pricing over more recent years has been driven by over capacity on the system with very mild winters. In this context, they felt that the real test of DMAT would be if there were high priced actions for very small volumes.
- 21.3 National Grid noted that the system impact would be felt by some defaulting back up to the next offering in the stack and noted that moving from the BM systems where the issue was found to EM could resolve this.
- 21.4 The BSC Panel:
- a) **NOTED** the contents of the paper;
 - b) **AGREED** the DMAT should remain unchanged at 1MWh; and
 - c) **AGREED** that ELEXON conduct the next review in two years' time.

22. Annual Performance Assurance Report 2016/17 – 258/12

- 22.1 The Annual Performance Assurance Report provided an account of the full year where the Performance Assurance Framework was applied to Settlement Risks.
- 22.2 A Panel Member noted that there was a significant increase in the volume of liquidated damages being paid, and that at around £18 million, it is close to double last year's number. He noted that this is a reflection on the market falling below the 97% standard as a whole with most suppliers not hitting the standard increasing anomalous results. This will be examined as part of the PAF review.
- 22.3 The BSC Panel:
- a) **NOTED** the Annual Performance Assurance Report 2015/16; and
 - b) **NOTED** that the Annual Performance Assurance Report 2015/16 have been published on the ELEXON website.

NON MODIFICATION BUSINESS (CLOSED SESSION)

23. Section H Default – 258/11

ELEXON invited the BSC Panel to serve an expulsion notice to a BSC Party as it is in Default of Section H 3.1.1(b) of the BSC, due to non-payment of its BSC Base Monthly Charges.

The BSC Panel:

- a) **NOTED** the update

1. Section H Default – Verbal

The BSC Panel:

DRAFT MINUTES

a) **NOTED** the update

24. Any other Business

24.1 There was no other business in the Closed Session.

25. Next meeting

25.1 The next meeting of the BSC Panel will be held at the offices of ELEXON Ltd, 350 Euston Road, London NW1 3AW on Thursday 10 November 2016.