



# BSC Panel 248

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14 January 2016

**ELEXON**

# Health & Safety

## In case of an emergency

An alarm will sound to alert you. The alarm is tested for fifteen seconds every Wednesday at 9.20am

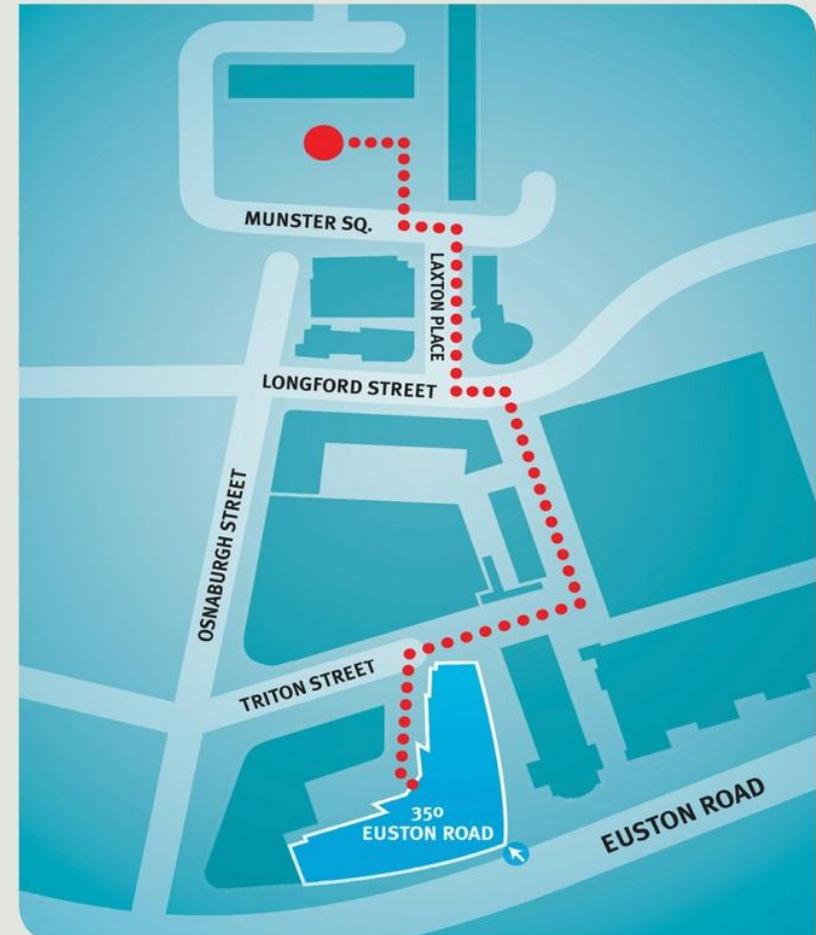
## Evacuating 350 Euston Road

- If you discover a fire, operate one of the fire alarms next to the four emergency exits.
- Please do not tackle a fire yourself.
- If you hear the alarm, please leave the building immediately.
- Evacuate by the nearest signposted fire exit and walk to the assembly point.
- Please remain with a member of ELEXON staff and await further instructions from a Fire Warden.
- For visitors unable to use stairs, a Fire Warden will guide you to a refuge point and let the fire brigade know where you are.

## When evacuating please remember

- Do not use the lifts.
- Do not re-enter the building until the all clear has been given by the Fire Warden or ground floor security.

**Our team on reception is here to help you, if you have any questions, please do ask them.**





# Report on Progress of Modification Proposals

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14 January 2016

**ELEXON**



# Recommendation to raise a Modification

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248/05

14 January 2016  
Simon Fox-Mella

**ELEXON**

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## Background and Issue

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- DA686 lessons learned conclusions: changes to the BSC and central systems to provide further assurance in preventing a reoccurrence
  - Automating elements of the Post-Final Settlement Run process (CP)
  - Automating validation of volume outputs during Settlement Runs (CP)
  - Extending the Dispute Deadline for Settlement Errors at the Post-Final Settlement Run (Mod)
  
- What is the issue
  - A proportion of the DA686 disputed period could not be corrected
  - Lack of flexibility for the TDC and the Panel to extend under exceptional circumstances

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## Proposed Solution

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- ELEXON presented the TDC with options for extending the deadline
- The TDC agrees that the Dispute Deadline for Settlement Errors at the Post-Final Settlement Run should be
  - extended from one month to two months
  - only under exceptional circumstances
- Legal text changes to BSC Section W and changes to BSCP11
- Applicable BSC Objective (d)
  - Provides more flexibility in the timeframes that corrections can be authorised, limited to when the TDC or Panel believe that there are exceptional circumstances
  - Therefore, would enable the resolution of more Settlement Errors

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## TDC's Final View

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- The TDC unanimously agreed to recommend to the Panel that
  - A Modification should be raised
  - Progressed under Self-Governance
  - With an Implementation Date of 30 June 2016

## Proposed Timetable under Self-Governance

Event	Date
<b>Present Initial Written Assessment to Panel</b>	<b>14 Jan 16</b>
Report Phase Consultation (15 WD)	15 Jan – 5 Feb 16
<b>Present Draft Modification Report to Panel</b>	<b>10 Mar 16</b>
Publish Final Modification Report	11 Mar 16
Appeal Window (15 WD)	11 Mar – 5 Apr 16

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## Recommendations (1 of 2)

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ELEXON invites the Panel to:

**a) RAISE** the Modification Proposal in Attachment A;

If the Panel agrees to raise the Modification Proposal, ELEXON invites the Panel to:

**b) AGREE** that this Modification progresses directly to the Report Phase;

**c) AGREE** that this Modification **DOES** better facilitate Applicable BSC Objective (d);

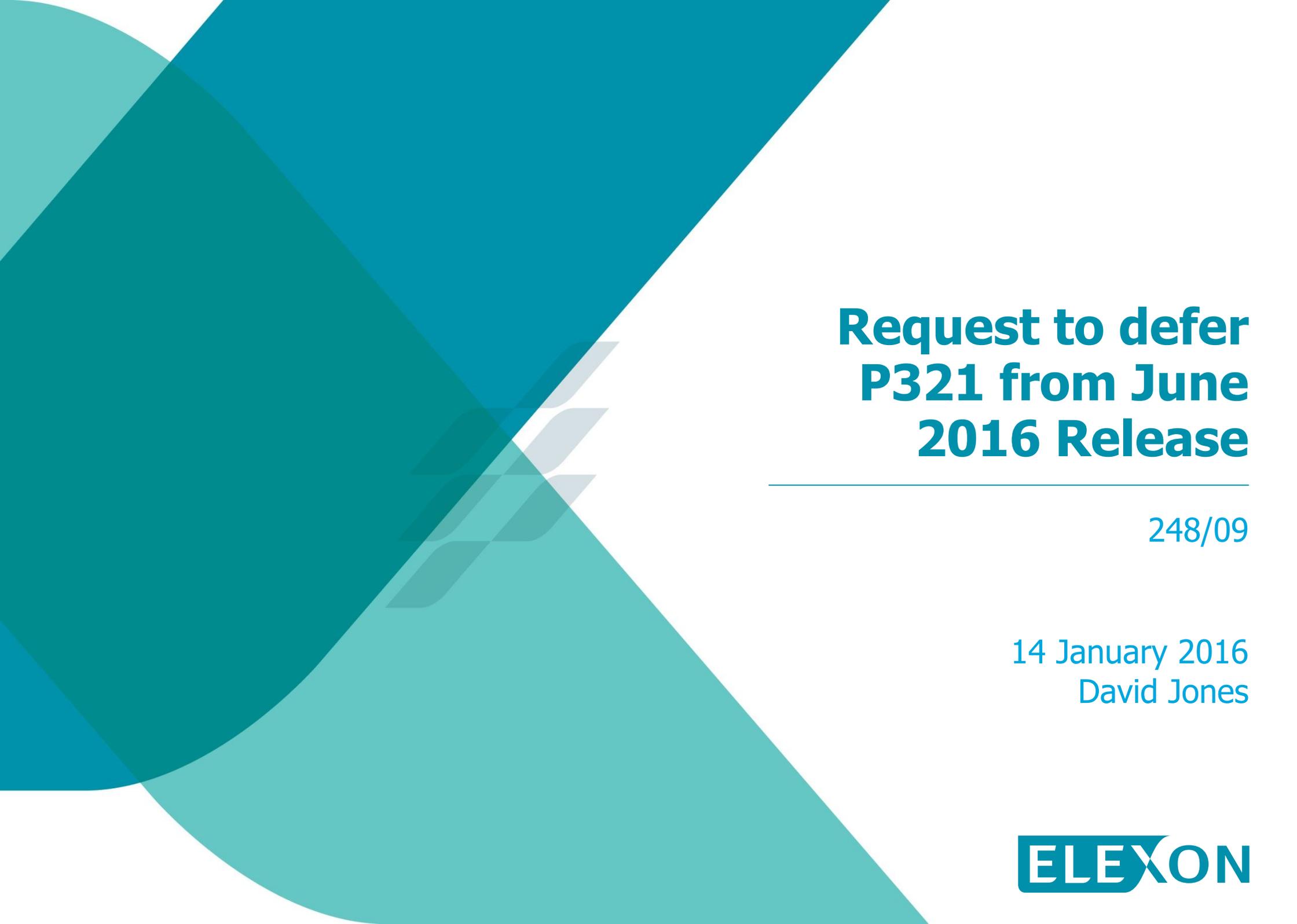
**d) AGREE** an initial recommendation that this Modification should be **approved**;

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## Recommendations (2 of 2)

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- e) **AGREE** an initial Implementation Date of **30 June 2016** as part of the June 2016 BSC Release;
- f) **AGREE** the draft legal text and redlined changes;
- g) **AGREE** an initial view that this Modification should be treated as a Self-Governance Modification; and
- h) **NOTE** that that ELEXON will issue the draft Modification Report (including the draft BSC legal text and redlined changes) for a 15 Working Day consultation and will present the results to the Panel at its meeting on 10 March 2016



# Request to defer P321 from June 2016 Release

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248/09

14 January 2016  
David Jones

**ELEXON**

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# Recommendations

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The Panel is invited to:

- a) **AGREE** that P321 implementation should be deferred from 30 June 2016 to 3 November 2016; and
- b) **WRITE** to the Authority to request that the implementation of P321 be deferred from 30 June 2016 to 3 November 2016.



# Minutes of Meetings 248 and Actions arising

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14 January 2016  
Victoria Moxham

**ELEXON**



# Chairman's Report

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14 January 2016  
Michael Gibbons

**ELEXON**



# ELEXON Report

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248/01

14 January 2016  
Mark Bygraves

**ELEXON**



# **Distribution Report**

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14 January 2016  
David Lane

**ELEXON**



# National Grid Report

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14 January 2016  
Ian Pashley

**ELEXON**



# Ofgem Report

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14 January 2016  
Rory Edwards

**ELEXON**



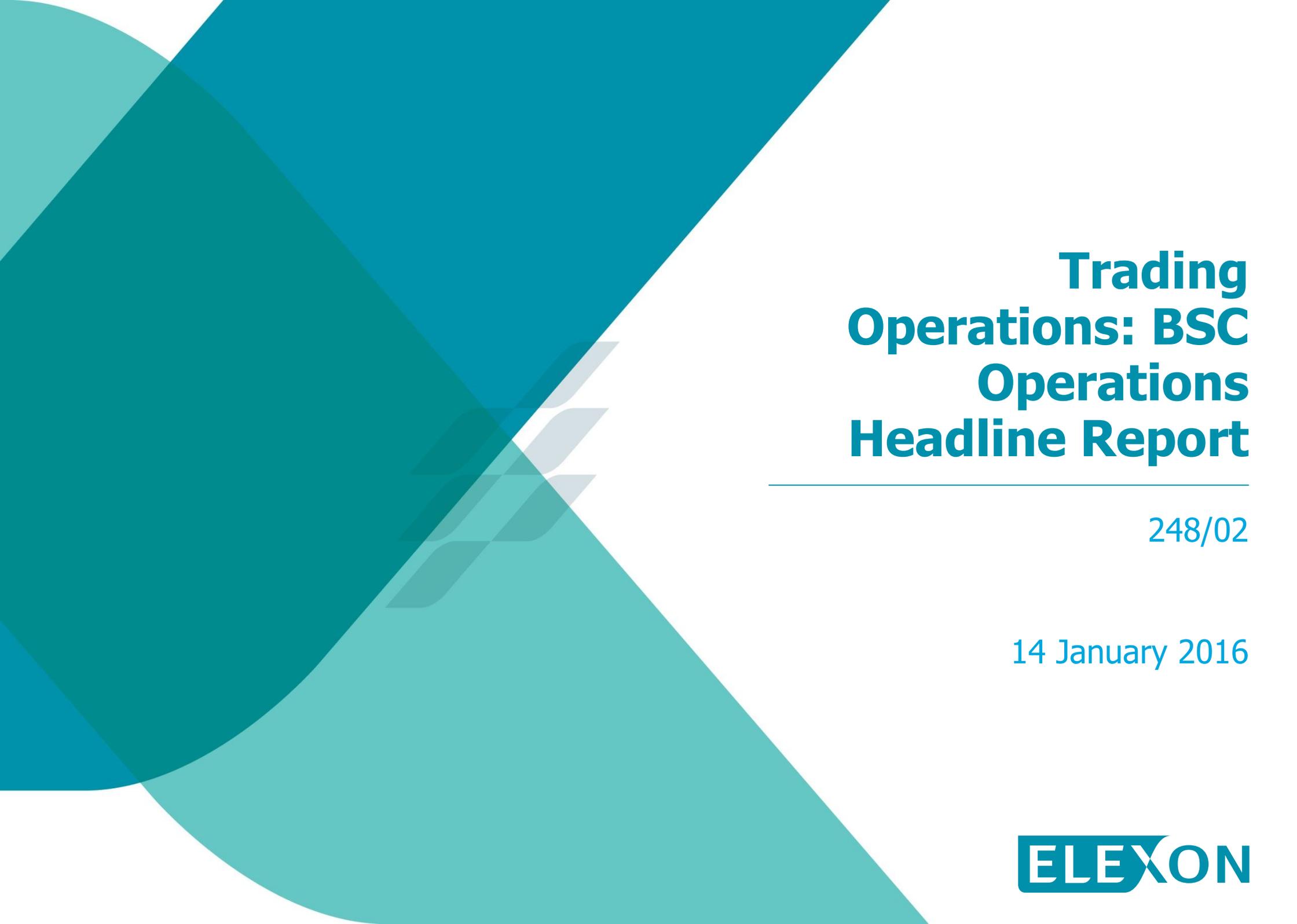
# Reports from the ISG, SVG, PAB, TDC, SRAG

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248/01a-e

14 January 2016

**ELEXON**



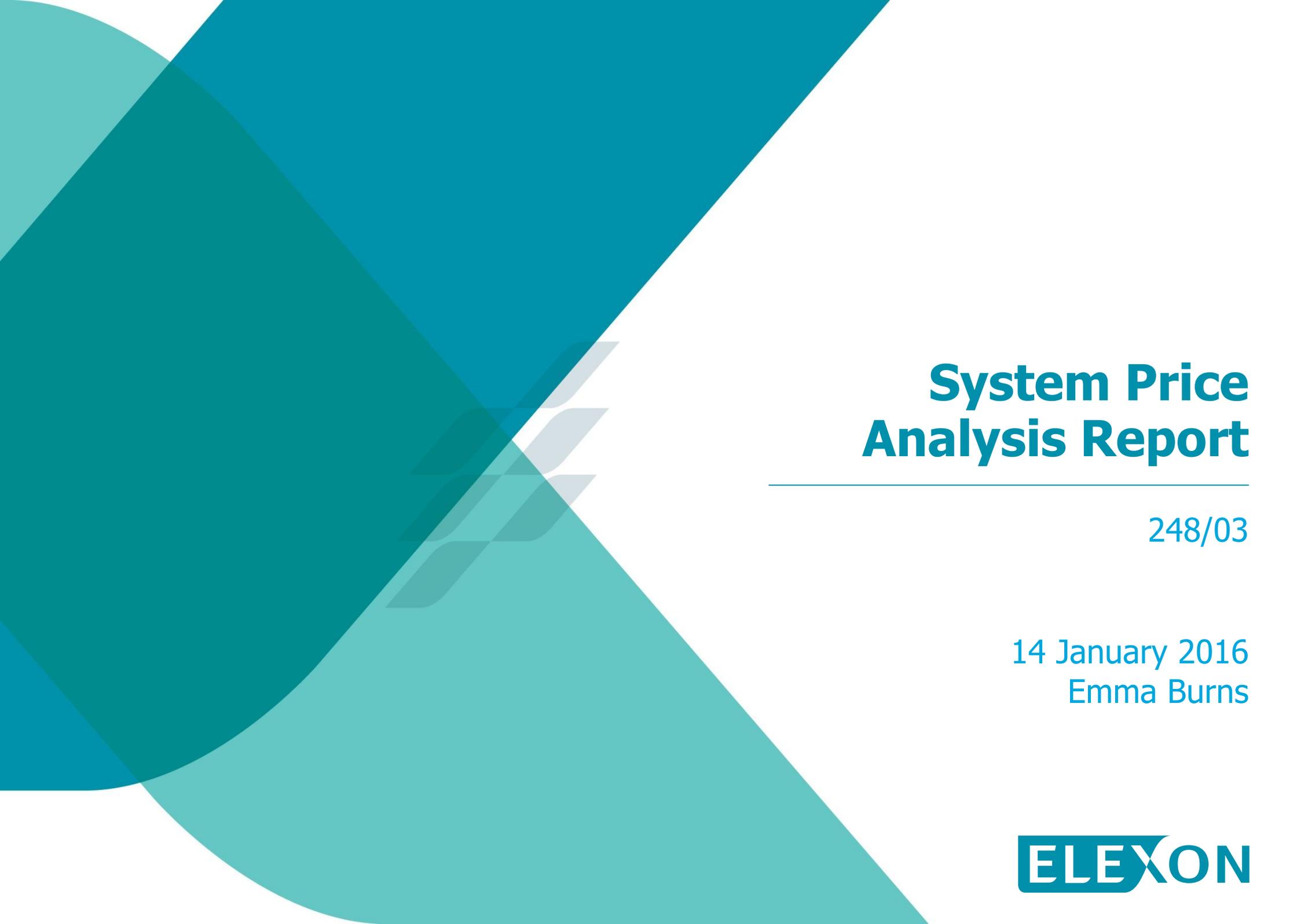
# Trading Operations: BSC Operations Headline Report

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248/02

14 January 2016

**ELEXON**



# System Price Analysis Report

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248/03

14 January 2016  
Emma Burns

**ELEXON**



# Change Report

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248/04

14 January 2016

**ELEXON**



# Lessons Learned following the failure of Modification P269

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248/06

14 January 2016  
Chris Price

**ELEXON**

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# Recommendations

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The Panel is invited to:

- a) **NOTE** the findings of the work streams established to investigate the matters arising following the failure of P269;
- b) **NOTE** the actions that are already in place and the suggested follow-on actions; and
- c) **NOTE** the enduring solution that is currently being implemented.



# Board Pad

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14 January 2016  
Rob Hillsdon

**ELEXON**



**Ofgem**

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14 January 2016  
Rachel Fletcher

**ELEXON**

## **Ofgem Consumers and Competition Division**

**Rachel Fletcher**  
14 January 2016

ofgem

Improving Regulation	Consumers and Competition	Energy Systems	Networks
<ul style="list-style-type: none"> <li>Enforcement and compliance</li> <li>Analytical excellence</li> <li>Impact assessment and quality assurance</li> <li>Sustainability</li> <li>Horizon scanning</li> <li>Better regulation and UKRN support</li> <li>KPIs</li> <li>Knowledge management</li> </ul>	<ul style="list-style-type: none"> <li>Retail markets</li> <li>Settlements and switching</li> <li>Principles-based regulation</li> <li>Consumer policy, standards and vulnerability</li> <li>Metering and smart meter rollout</li> <li>Smarter markets</li> <li>One-day switching</li> </ul>	<ul style="list-style-type: none"> <li>Wholesale markets</li> <li>Security of supply</li> <li>Energy trading, market integrity and transparency</li> <li>Transmission policy and pricing</li> <li>Connections, entry and exit</li> <li>Smart grids and distribution policy</li> <li>Flexibility and storage</li> <li>System operation</li> <li>System integration</li> </ul>	<ul style="list-style-type: none"> <li>RIIO and price control reviews</li> <li>Regulatory finance</li> <li>Reporting and monitoring costs and outputs</li> <li>Onshore competition</li> <li>Offshore tenders</li> <li>Interconnector investment</li> </ul>

- We welcome the support Elexon and the BSC Panel have provided to our switching programme so far. Important to:
  - ensure the new central registration service (CRS) continues to support electricity settlement
  - future-proof the new arrangements so that future reforms, eg half-hourly settlement, can be incorporated efficiently
- We have launched a significant code review to implement the new arrangements. We will revisit this in the light of any future changes, eg to code governance or potential legislation
- Success will continue to require leadership, resources and commitment from industry

## **Switching programme: activity in 2016**

- This year we will deliver the Blueprint phase of the programme - designing the high-level arrangements for more reliable, faster switching
  - Ofgem-led industry workgroups will design the new arrangements
  - An External Design Advisory Group will scrutinise proposals and provide further input
  - Decisions will be made by the Ofgem Design Authority
- At the end of the Blueprint phase we will consult on a Design Baseline and request information from industry for an updated impact assessment
- This will then inform the detailed changes to codes and licences, as well as the procurement of the new CRS

- Half-hourly settlement (HHS) reform is a priority work area for Ofgem
- We look forward to working collaboratively to deliver effective HHS reform
- Our initial target is to enable cost-efficient elective HHS for small sites by early 2017
- Our ambition is then for the central systems and industry rules to be in place by the first half of 2018 to facilitate the start of a transition to mandatory HHS (subject to a decision to proceed)

## **A priority work area**

- Ofgem and Ministers are committed to delivering HHS.
- We consider HHS a priority project. We expect that Elexon will also treat it as a priority, ensuring sufficient resources are available for it and that agreed outputs are delivered on time.

## **Collaborative working**

- We see Elexon as a key partner of Ofgem in delivering both elective and mandatory HHS. We are pleased that Elexon is committed to HHS and will support our work in this area.
- We greatly appreciate the work that Elexon has already started in this area through the Settlement Reform Advisory Group (SRAG) which the BSC Panel established. The SRAG will report to the Panel in February – we look forward to Elexon taking forward any recommendations. This will provide the first batch of reforms to deliver cost-effective elective HHS.
- I want to ensure we work together in a collaborative way with Elexon. I also want to remain in close contact to understand Panel's views as work progresses.

- **Scope** – Currently focused on domestic retail supply licences.
- **Objective** – Shorter, more comprehensive rulebook that relies more on principles and reduced unnecessary prescription. Successfully operationalising these changes (incl. engagement, monitoring, compliance, enforcement and guidance). Ultimately, improved consumer protection and a more flexible, innovative retail market.
- **Consultation on way forward** – Consultation published in December. Responses due in March. Plan to publish response by end of June.

## Key messages:

- **Improved consumer outcomes.** We are committed to developing a model that provides a stronger safety net for consumers. This will be a mixed approach with a continued strong but reduced role for prescription.
- **This is not deregulation.** It is more comprehensive regulation and offers effective protection for consumers.
- **Flexible and durable.** Will support and enable developments in the market. This flexibility and reduction in prescription will also enable innovation. Currently focused on domestic suppliers, but mindful of developing an approach that extends beyond this in the future.
- **Onus on suppliers.** Suppliers will increasingly be accountable for understanding and responding to the needs of their customers, and to get it right the first time. A focus on leading indicators will support this.
- **Increased dialogue.** While the onus is on suppliers to think for themselves, we will support them in understanding our expectations. We also expect them to come to us earlier to flag issues as they arise.

- Our Code Governance Reviews (CGR and CGR2) have improved the code governance arrangements
- But we have continued concerns that the arrangements may not be working in consumers' best interests
- We need to ensure the arrangements are fit-for-purpose for a changing industry and in light of the increasing pace, volume and complexity of change planned in the coming years
- We initiated a further review in 2015; our consultation on Initial Proposals has recently closed and we are carefully considering responses to inform Final Proposals (expected Spring 2016)

## Main CGR3 proposals include:

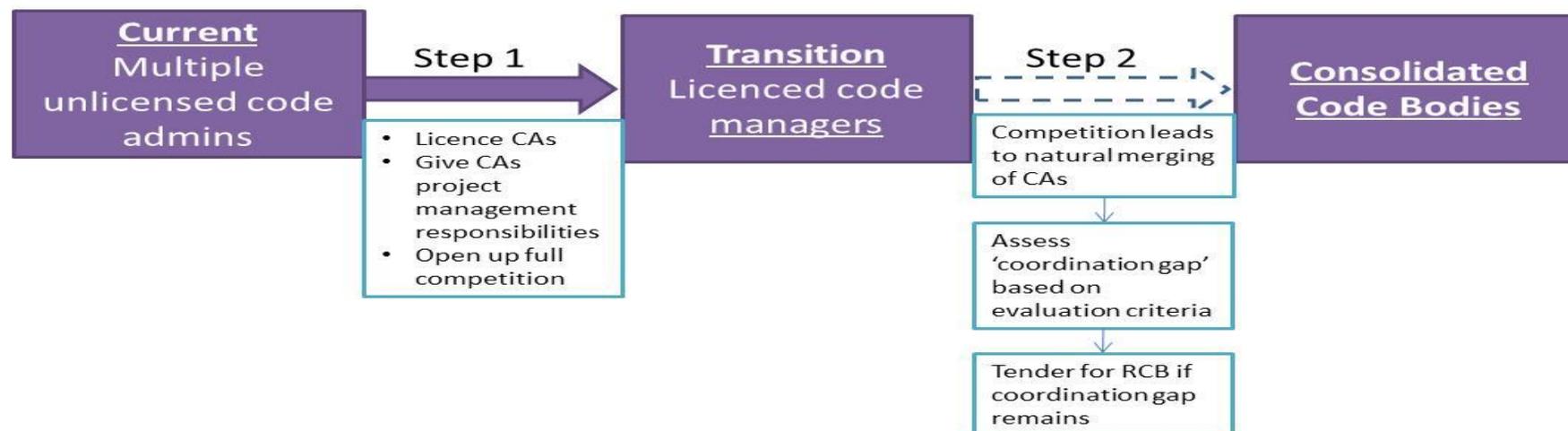
- **SCRs:** introduce a streamlined Ofgem led end-to-end process to reduce unnecessary duplication of processes
- **Code administration:** critical friend role – make it more visible & consistent across codes (will help smaller parties engage), and improve performance reporting against the CACoP principles to help identify and roll out best practice
- **Charging methodologies:** improve and make better use of charging pre-modifications process
- **Self-Governance:** tweak to self-governance criteria to encourage greater take up and work with code administrators and Panels to develop guidance on materiality threshold

**We think these reforms will improve the code arrangements as the industry is structured today, but consider that more fundamental reform is needed. We therefore welcome that CMA have identified this as an AEC and that they are developing remedies in this area.**

- The CMA identified current code governance arrangements as an AEC
- We support the CMA's focus on this area and are in broad agreement with the CMA's statement of the problem
- This presents a timely and one-off opportunity to introduce new governance arrangements that can deliver strategic change and facilitate innovation for years to come

## Our views on future code governance arrangements

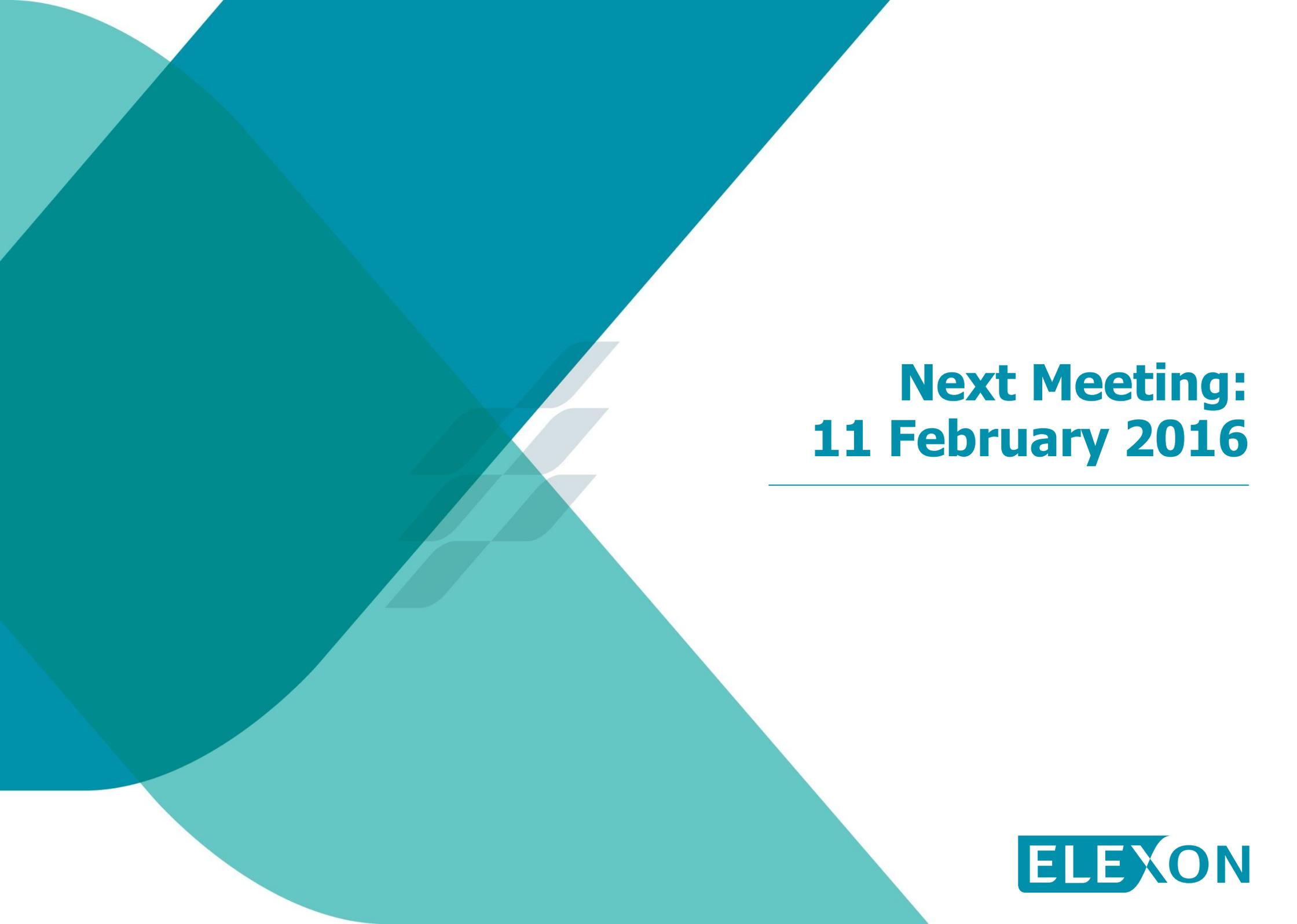
1. License code administrators to **re-direct lines of accountability** from industry to Ofgem, and ultimately consumers.
2. Use the licensing opportunity to **turn code administrators into code managers** with incentives for timely and effective delivery of code change.
3. Encourage coordination through incentives. In addition, prompt natural consolidation of code managers by introducing common model of responsibilities and opening up competition across the board. If coordination does not develop to the level that we identify is necessary we would tender licences for more consolidated code body responsibilities.



**Ofgem is the Office of Gas and Electricity Markets.**

**Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.**

**We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.**



**Next Meeting:  
11 February 2016**

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**ELEXON**