

# MINUTES

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<b>MEETING NAME</b>	BSC Panel
<b>Meeting number</b>	248
<b>Date of meeting</b>	14 January 2015
<b>Venue</b>	ELEXON Ltd, 350 Euston Road, NW1 3AW
<b>Classification</b>	Public

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## ATTENDEES AND APOLOGIES

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<b>Attendees</b>	Michael Gibbons	MG	BSC Panel Chairman
	Barbara Vest	BV	Industry Panel Member
	David Lane	DL	DSO Representative
	Derek Bunn	DB	Independent Panel Member
	Diane Dowdell	DD	Independent Panel Member
	Ed Reed	ER	Alternate for Bob Brown
	Ian Pashley	IP	Transmission Company Panel Member
	Peter Bolitho	PBo	Industry Panel Member
	Phil Hare	PH	Independent Panel Member
	Rory Edwards	RE	Ofgem Representative
	Stuart Cotten	SC	Industry Panel Member
	Adam Lattimore	AL	ELEXON (Part Meeting)
	Chris Price	CP	ELEXON (Part Meeting)
	David Osborne	DO	ELEXON
	Elliot Hall	EH	ELEXON (Part Meeting)
	Emma Burns	EB	ELEXON (Part Meeting)
	Nicola Dempsey	ND	ELEXON
	Mark Bygraves	MB	ELEXON
	Simon Fox-Mella	SFM	ELEXON (Part Meeting)
	Victoria Moxham	VM	ELEXON
Tina Wirth	TW	ELEXON (Part Meeting)	
<b>Apologies</b>	Andy Colley	AC	Industry Panel Member
	Bob Brown	BB	Industry Panel Member
	Chris Alexander	CA	Consumer Panel Member

### 1. Apologies

- 1.1 The Chairman confirmed the apologies of Andy Colley, Bob Brown and Chris Alexander. Ed Reed was attending as Bob Brown's alternate.

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## NON MODIFICATION BUSINESS (CLOSED SESSION)

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### 2. Section H Default Update – 248/07

- 2.1 ELEXON provided the Panel with an update on a Section H Default by a Party and invited the Panel to consider the Section H Default Resolutions.
- 2.2 The BSC Panel:
  - a) **NOTED** the contents of the paper;
  - b) **AGREED** that the Section H Default resolutions currently enacted under BSC Section HY3.2.1 remain suitable

## MODIFICATION BUSINESS (OPEN SESSION)

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### 3. Report on Progress of Modification Proposals - Verbal

- 3.1 The Modification Secretary, Adam Lattimore, updated the Panel on the progress of Modifications.
- 3.2 The Workgroup for Proposed Modification P330 'Allowing ELEXON to tender for the Uniform Network Code Gas Performance Assurance Framework Administrator (PAFA) role' now has the required number of participants so it will hold its first meeting in the next few weeks. A Panel Member wanted assurance that the workgroup members had electricity experience and ELEXON confirmed that they did.
- 3.3 The Modification Secretary also updated the Panel with the progress of Proposed Modification P324 'Review of BSCCo's governance: introducing improved accountability to BSC Parties' and P325 'Improving the accountability of BSCCo to stakeholders and better aligning BSCCo governance with best practice'. The Modifications Secretary noted that the work on this modification would take longer than initially expected and requested a five month extension, from February 2016 to July 2016.
- 3.4 The Chairman commented that five months was a long extension and requested some more detail of why it was required. The Modification Secretary thanked Adam Richardson for the detailed work that he had already completed to model the solutions, but noted that the solutions were complex with potential significant implications for ELEXON as a corporation (for example in areas such as pensions and tax). As such time was required to flush out the detail. Equally, there had also been a clear indication from the Panel that the workgroup should seek external legal advice on that modelling. This advice cannot be procured until the modelling work has been completed. The Modification Secretary offered that if the timescales do shorten then it will come back to Panel sooner.
- 3.5 The Chairman observed that he was frustrated on behalf of the Board, whose governance this was about and asked the Panel if it had any comments or questions.
- 3.6 A Panel Member noted that the last governance modification was P281 'Change of BSCCo Board of Directors & Chairman' and that the timeframe for this modification had been shorter than P324 and P325. He wondered if there was any useful comparison to be made. The Modification Secretary observed that P281 had an assessment timeframe of three to four months but has been focussed on a single area of governance i.e. the membership of the Board; however, P325 is a more complex and far reaching modification and will take longer to assess.
- 3.7 Mark Bygraves asked if P325 is holding up the progress of P324. The Modification Secretary responded that this was partly the case. He noted that P324 raised some questions that could not currently be answered and he was hopeful that the workgroup would be able to look at both modifications and perhaps develop separate timetables for each once the initial analysis had been completed.

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3.8 A Panel Member noted that there were legal implications to these modifications and commented that it was important to be prudent and get the work right first time. They also noted that there was no such thing as a simple governance Modification and noted that P264 'Two-thirds majority requirement for Panel recommendations on licence originated Modifications' had taken several months to complete.

## **4. Request to Raise a Modification 'Extended Dispute Deadline at the Post-Final Settlement Run under exceptional circumstances' – 248/05**

4.1 This Modification proposes to extend the Dispute Deadline for Settlement Errors at the Post-Final Settlement Run (PFSR) from one month to up to two months under exceptional circumstances and at the discretion of the TDC or the BSC Panel.

4.2 A Panel Member asked whether what constituted exceptional circumstances were listed. His concern was that not defining clearly what constitutes an exceptional circumstance could open the door to more disputes. ELEXON noted that 'exceptional circumstances' are decided on a case by case basis and invited the TDC sponsor to explain further.

4.3 The TDC Sponsor agreed that it was not well defined but observed that exceptional circumstances are granted at the discretion of the TDC. He noted that the TDC considers the impact on the raising participant, the type of participants that are affected, the impact on the market and how it will impact Settlement data and whether there is a cost benefit to going ahead with correction versus the actual value that will go through Settlement as a result of the correction. He observed that the system as it stands works well with very few disputes being referred up to Panel for decision, given the number the TDC looks at. However, while he could see no reason for a change to the current procedure, he did believe that the Panel and TDC should be mindful of whether the approach will change as a result of this Modification.

4.4 The Chairman noted that this Modification was being raised as a result of a lessons learnt exercise conducted following a specific Trading Dispute (DA686). He asked if this Modification had been in place would that dispute have been considered by the TDC to meet the exceptional circumstances criteria and what would have been exceptional about it? The TDC Sponsor noted that DA686 breached the standard timelines and that this resulted in a large value not being corrected in Settlement because the current exceptional circumstances did not allow correction back to the start of the disputed period. He couldn't say whether the TDC would have made a different decision on the Trading Dispute if this Modification had been in place but the answer is likely to be that if exceptional circumstances had been applied they would have been applied in the same way but it would have covered more of the disputed period.

4.5 The Chairman observed that the broad definition of what constitutes exceptional circumstances is not simply about the timeline of the dispute but also about the value of the dispute. The TDC Sponsor clarified that exceptional circumstances are based on the reasons for the dispute and the circumstances that the Supplier has found itself in. The question of 'value' is about the extension of the timeline which would capture more value or volume of the error.

4.6 A Panel Member asked if it was still considered that one month after Settlement is enough time to raise a Trading Dispute. The TDC Sponsor acknowledged that there was an issue of how long the timeline should be extended to and whether Suppliers would just consider this to be a little bit more time they could push for. However, he felt that this was a sufficient compromise and that it was something to keep under review.

4.7 A Panel Member raised an issue about the legal text. He sought clarification because it seemed to him that the legal text was offering a two month extension where there were exceptional circumstances and then an addition one month extension. ELEXON checked this with its legal team and explained that the text had been reformulated to reflect the additional extension proposed in the Modification for exceptional circumstances for the PFSR and the current rules for disputes not judged to be exceptional for the PFSR.

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- 4.8 A Panel Member observed that he was concerned about the moral hazard issue raised by the modification and would like this issue raised as part of the consultation.
- 4.9 The BSC Panel:
- a) **RAISED** the Modification Proposal in Attachment A;
  - b) **AGREED** that P331 progresses directly to the Report Phase;
  - c) **AGREED** that P331 **DOES** better facilitate Applicable BSC Objective (d);
  - d) **AGREED** an initial recommendation that P331 should be **APPROVED**;
  - e) **AGREED** an initial Implementation Date of 30 June 2016;
  - f) **AGREED** the draft legal text and redlined changes, subject to legal review;
  - g) **AGREED** an initial view that P331 should be treated as a Self-Governance Modification; and
  - h) **NOTED** that ELEXON will issue the P331 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.

## 5. Request to Defer P321 from June 2016 Release – 248/09

- 5.1 The Panel was asked to write to Ofgem to request a deferral of the implementation of P321 from the June 2016 Release to the November 2016 Release for the reasons set out in the paper, principally to reduce risk and potentially wasted cost.
- 5.2 A Panel Member noted that ELEXON was not certain that an interim solution could be implemented and asked if the Panel could delay making a firm decision until it was 100% certain that an interim system could be organised, perhaps as an ex-committee decision. ELEXON confirmed that it was 90% sure that it would be able to deliver a manual workaround but ELEXON needed to confirm that no impediments were highlighted in the impact assessment that had been issued in this respect. ELEXON noted that additional spend and manpower would need to be committed now to implementing the P321 solution in June 2016 if the Panel did not agree to defer.
- 5.3 A Panel Member asked if the option of a manual workaround was explored by the Modification Group during the P321 process. ELEXON responded that the Workgroup had explored publishing the information on the ELEXON Portal and determined that that was not an appropriate solution. BMRS was considered to be the appropriate platform for this information to be published and a manual solution was never developed and is not deemed to be a sustainable solution for the long term.
- 5.4 A Panel Member asked if the manual workaround would achieve the solution for consumers in the short term and whether it would have an impact on competition. ELEXON confirmed that it had spoken to three of the four respondents of the modification consultation; those three had no issue with a deferral of P321. However, the proposer objected to the referral because this information would allow its customers to validate costs passed back to them. However, ELEXON does not believe that a deferral accompanied by a manual workaround would have an impact on competition.
- 5.5 The Chairman noted that if the Panel decided to defer implementation, a letter would need be sent to Ofgem for a decision. The Ofgem Representative confirmed that Ofgem was aware of the issue and hoped to have a response published within a week or two of receiving the Panel's letter.
- 5.6 A Panel Member noted that the provisions on self-governance within the BSC are not clear on who has the right to defer a Self-Governance Modification Proposal and observed that this decision could set a precedent. ELEXON responded that the Code states that if the Panel wishes to change an Implementation Date it needs to write to the Authority. However, the BSC definition of Self-Governance Modification Proposals sets out

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where the Panel can make decisions without consulting the Authority and ELEXON noted that it does not address the issue of amending an implementation date where the modification has been approved under Self-Governance. ELEXON believed that this was not consistent with the principles of Self-Governance.

- 5.7 A Panel Member asked Ofgem for guidance on this. The Ofgem Representative noted that Self-Governance Modification Proposals are deemed not to have any material effect on competition or consumers. In this instance, he was unsure if the change of an implementation date could be deemed to have such an effect and felt that it was something that should be investigated further. The Panel Member agreed that this was something that needed to be reviewed.
- 5.8 Mark Bygraves asked whether the data to be published under P321 was currently available (albeit not in a format as easy to access as P321 would deliver) or not in the public domain at all. ELEXON confirmed that the data was currently available (and the workaround planned would put it into one place and ELEXON was 90% sure that this could be done but had not yet received the final impact assessment so didn't want to guarantee anything before that time). Mark noted therefore that the discussion should be one of reducing risk and cost of the June Release by delaying P321 rather than whether the data which was already available could be made more easily available via a workaround..
- 5.9 A Panel Member noted that the information was available to BSC Parties and that the aim of P321 was to make the information available to customers.
- 5.10 A Panel Member noted that P321 was designed to give comfort to the customer that it was being charged correctly. Therefore, the Panel Member would agree to defer the P321 implementation, provided that ELEXON was certain that it had a manual workaround. Without that assurance, the Panel Member would not be willing to agree to a deferral.
- 5.11 Another Panel Member felt that the Panel should agree to the deferral, noting that ELEXON was working on a manual solution, but also felt that the question of how much a manual workaround would cost must also have a bearing on the decision. If the cost of the manual solution was prohibitive, the Panel Member felt that the work should not go ahead given that a fully automated solution was being built as part of the new BMRS platform.
- 5.12 The Chairman asked that ELEXON update the Panel on whether it was able to provide an interim manual solution for P321 as soon as possible.

## **ACTION 248/03**

- 5.13 The Chairman requested that ELEXON look at the issue of the deferral of Self-Governance Modification Proposals and who should make the decisions on deferrals. The Modification Secretary observed that the original modification to allow Self-Governance was made with CUSC and that who could approve delays to Self-Governance modifications was a simple oversight. He also observed that this issue would not only impact the BSC but other Code Administrators; therefore, ELEXON would need to discuss this issue with them before proceeding to a solution.

## **ACTION 248/04**

- 5.14 A Panel Member asked that ELEXON also consider looking at the end to end Self-Governance modification process rather than focussing on just one aspect of it. .
- 5.15 David Osborne asked Ofgem to comment on this issue in its reply to the request for the deferral of P321. The Ofgem Representative noted that a response on this point may be in the letter but that it could delay getting the letter out to ELEXON.
- 5.16 The BSC Panel:
- a) **AGREED** that the P321 implementation should be deferred from 30 June 2016 Release to the November 2016 Release; and

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(For: DB, DD, PBo, PH, SC)

(Against: BV, ER)

- b) **AGREED** to write to the Authority to request the deferral to 3 November 2016 Release.

(For: DB, DD, PBo, PH, SC)

(Against: BV, ER)

## NON-MODIFICATION BUSINESS (OPEN SESSION)

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### 6. Minutes of Meeting 247 and Actions arising

- 6.1 The minutes of the previous meeting were agreed and an update on the actions provided.
- 6.2 A Panel Member commented on the general unease, reflected in the minutes, felt by the Panel members about Ofgem taking on the role of Project Manager for the Faster Switching Project (FSP) and contrasted this with the calls by Panel for Ofgem to take a more proactive role in other areas. He felt that this was a contradiction and asked the Panel to comment upon this.
- 6.3 The Chairman observed that he thought that the unease about Ofgem's Project Management role in the FSP had been in response to Ofgem's admission that its expertise was within the area of regulation and policy development and that it had taken on this PM role because there was no other body to take it on. A Panel Member noted that Ofgem was aware of this issue and this could be seen in Ofgem's planned recruitment of a Project Manager for FSP. The Ofgem Representative confirmed that the advertisement for this role had gone out but had no further update on the progress of recruitment.
- 6.4 A Panel Member noted that the calls for Ofgem to be involved had been concerning the SCR process, he saw that Ofgem needed to take a greater lead in the initial stages by pulling the industry experts together and deciding the general principles.
- 6.5 All of the actions were closed apart from 234/03 which is due to be delivered in February 2016.

### 7. Chairman's Report

- 7.1 The Chairman noted that Ofgem had publicly commended ELEXON's work on Data Quality.
- 7.2 The Chairman noted that the Panel had received copies of the correspondence between him and Cathy McClay from National Grid about the failure of the production and reporting of Loss of Load Probability and De-rated Margin data on 10 December 2015, which occurred immediately after Cathy's presentation to the Panel about the resolution of this issue.
- 7.3 A Panel Member expressed surprise that a letter was sent and felt that the Chairman could have contacted Cathy and had a conversation about this issue. The Chairman noted that he felt that the letter was necessary in part because he was not able to contact Cathy directly as she was away at the time, but also because of the serious impact of the failures on BSC Parties and that a further failure had occurred within hours of Cathy providing her assurance to the Panel. He believed that it was important that industry saw that ELEXON was taking action to address failures that were not of its making.
- 7.4 A Panel Member commented that he had been asked what ELEXON were doing to address the issues and therefore it was important that ELEXON's response was visible to industry in a way that a phone call was not.
- 7.5 The Panel confirmed that it did not feel that the Chairman needed to take any further action on this matter. A Panel Member noted that if ELEXON still perceived a risk in how it is receiving data flows from National Grid and felt that this was not being adequately addressed then he believed that ELEXON should bring this back to the Panel. ELEXON confirmed that it was working closely with National Grid to address this issue, from a

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lessons learned exercise, enhanced dialogue to look at how ELEXON could give National Grid more support and a review of escalation channels within National Grid. Mark Bygraves also noted that he and Michael have quarterly meetings with National Grid (with the next one taking place this month).

- 7.6 The Chairman also noted that Rachel Fletcher had written to him in his capacity as the Panel Chairman concerning Half Hourly Settlement and ELEXON's role in the project. He noted that Rachel had separately written to Mark Bygraves and to the industry about this issue and asked the Panel to consider whether it wished to respond to the letter.
- 7.7 Finally, the Chairman noted that the regular Panel Sponsor update would be revived this year, involving a forward look to the work of the committee and the involvement of the committee chairs.

## 8. ELEXON Report – 248/01

- 8.1 Mark Bygraves provided an overview of ELEXON's consultation responses.

### Credit Assessment Load Factor (CALF) values

- 8.2 These have been published and that the date for appeal is 1 February 2016.

### P272 Update

- 8.3 The deadline for submission of the latest Migration Updates (SMU) was the 4<sup>th</sup> January and all but two updates were received by the deadline, however the missing updates have now been received.

### Credit Committee

- 8.4 The Credit Committee met on 12 January 2016 and new Credit Assessment Price (CAP) of £38/MWh was set and goes live on Tuesday 9 February 2016.

### ELEXON'S response to ENTSO-E'S Cost Benefit Analysis

- 8.5 Chris Price gave the Panel a brief overview of ELEXON'S response to ENTSO-E'S Cost Benefit Analysis on the duration of Imbalance Settlement Periods. The full response can be found [here](#).

- 8.6 A Panel Member asked if the response was just about the Process and Systems for which ELEXON is responsible. ELEXON confirmed that it was, in accordance with the specific CBA instructions. The Panel Member asked who was providing an overview of the entire industry to ensure that everything was consistent. ELEXON noted that it had hosted an industry day and produced a rough set of figures but no one body had been tasked with producing a unified GB picture.

- 8.7 The Chairman queried why ELEXON had only replied on the costs but not the benefits in order to maintain its neutrality. ELEXON stated that there was no benefit to ELEXON as it would be required to fulfil its role whatever the Settlement period was. Therefore there would be no benefit to it and it could not comment on whether there was benefit to the industry or consumers. A Panel Member commented that if that was the case then ELEXON should have stated that there was no benefit to ELEXON.

- 8.8 A Panel Member observed that the ELEXON report mentioned the European Network Code arrangements and asked for an update at a future meeting.

### ACTION 248/05

- 8.9 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

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10.1 Ian Pashley, the National Grid Representative, noted that this would be his last Panel meeting. The Chairman thanked Ian for his work with the Panel over the last six years and wished him well with his new role.

## **11. Ofgem Report – Verbal**

11.1 There was nothing to report from Ofgem.

## **12. Report from the ISG – 248/01a**

12.1 The Panel noted the report from the ISG.

## **13. Report from the SVG – 248/01b**

13.1 The Panel noted the report from the SVG.

## **14. Report from the PAB – 248/01c**

14.1 The Panel noted the report from the PAB.

## **15. Report from the TDC – 248/01d**

15.1 The Panel noted the report from the TDC.

## **16. Trading Operations: BSC Operations Headline Report – 248/02**

16.1 The Panel noted the BSC Operations Headline Report.

## **17. System Price Analysis Report – 248/03**

17.1 ELEXON presented the details of the SPAR and invited the Panel to comment.

17.2 The Panel was supportive of the SPAR and commented that it was a useful report especially for smaller BSC Parties.

17.3 ELEXON welcomed this support and noted that it would be publicising this report in Newscast and on the ELEXON website.

## **18. Change Report – 248/04**

18.1 The Panel noted the Change Report.

## **19. Board Pad Presentation**

19.1 Rob Hillsdon, from Board Pad, gave a presentation of the Board Pad software.

19.2 The Panel noted that the ELEXON Board was currently trialling the system and agreed that it would conduct a trial once the Board had finished its trial.

**ACTION 248/06**

## **20. Lessons Learned following the failure of Modification P269 – 248/06**

20.1 ELEXON provided the Panel with an overview of why the implementation of P269 failed to have the correct impact. The investigation concluded that the original NETA Programme had introduced undocumented functionality which ELEXON was unaware of. Although this was not anticipated, measures have been put in place or are under consideration to mitigate a similar future occurrence.

20.2 The BSC Panel;

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

## 21. Ofgem Presentation – Verbal

- 21.1 Rachel Fletcher from Ofgem updated the Panel on the new Ofgem structure and the work of the Consumers and Competition Division.
- 21.2 A Panel Member asked where in the new structure the responsibility for the European Network Codes would sit. Rachel responded that this would sit within the Energy Systems division, which would also have a team to co-ordinate Ofgem's approach across the organisation. Rachel also noted that her Consumer and Competition division would take an interest in European issues as they related to Consumers and Competition.
- 21.3 A Panel Member expressed support for industry and ELEXON providing Ofgem with its expertise and was pleased that Ofgem was aware of resourcing and cost issues. The Panel Member was concerned that ELEXON did not rush to support Ofgem at the cost of losing expertise. He was also concerned that ELEXON carefully planned its workload in the next year taking this into account.
- 21.4 The Chairman asked Mark Bygraves for his comments on this issue. Mark noted that ELEXON had flagged concerns around supporting the Ofgem projects in its business plan and laid out its budgetary needs accordingly. He also noted that a number of ELEXON staff are currently supporting Ofgem projects (although none on a full time basis) and that the Executive Team remains aware of the issues and the need to balance competing needs and requests.
- 21.5 A Panel Member noted that the Faster Switching Project is high risk and that he did not feel that Ofgem's core competency of regulation was best suited to managing this project. He reflected that with similar projects i.e. the NETA programme, Ofgem had steered the direction of the project but the industry and Code Administrators had been responsible for devising a system that worked best for the industry. The Panel Member felt that the current management programme for the FSP was not fit for purpose and asked Rachel to comment.
- 21.6 Rachel noted the Panel Member's concerns, observing that the FSP was a more complex programme than NETA, dealing as it did with electricity and gas; she also noted that Ofgem had stepped into this role in the absence of any other industry body qualified to take on the work, which is why Ofgem has been clear about its need for industry experts to assist in the project and why it would be hiring a Project Manager to oversee the programme.
- 21.7 A Panel Member commented that there had been a question on what information would be available (and how it would be made available) to industry members not sitting on the project work groups. The Panel Member asked if this issue had been resolved because it was vital that a project as large as the FSP was as transparent and open as possible. Rachel acknowledged that Ofgem was aware that this is an issue and was working on how best to address it.
- 21.8 A Panel Member noted the possibility of Europe mandating 15 minute balancing and asked how this could affect Ofgem's Half Hourly Settlement reform work. Rachel noted that Ofgem was aware of these developments; however, it was not convinced that balancing for 15 minutes in the wholesale market would have any significant impact in the retail market or that the technology could not accommodate this. It will continue to track this issue and the relevant teams across Ofgem would continue working together to monitor developments.

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- 21.9 A Panel Member asked if the work being undertaken by the Settlement Reform Advisory Group (SRAG) was open and accessible to industry. Mark Bygraves responded that the SRAG had now finished its work and that its final report would be presented to the Panel in February.
- 21.10 A Panel Member noted Ofgem's intention is to undertake the Half Hourly Settlement reform via a Significant Code Review (SCR) and asked Rachel to explain Ofgem's decision to do it this way. Rachel responded that Ofgem wanted to get this through quickly. The Panel Member noted that the last SCR took five years and that SCR wasn't necessarily a quick process. Rachel noted this and pointed out that Ofgem is reviewing the SCR process under CGR3 which should streamline the process. The Panel Member asked Ofgem to clarify whether the SCR route for Half Hourly Settlement was to satisfy a requirement to get this done quickly rather than a reflection of how the regulator would like to implement industry change in the future. Rachel clarified that if Ofgem could be sure of an industry participant raising a Modification Proposal and it being implemented within the timeline, then that would be the route it would pick. She further noted that Ofgem would be issuing consultations and asking for industry feedback because it did not have a fixed and firm view of how the change would happen.
- 21.11 The Panel Member noted that the timeframe was not necessarily set by Ofgem but was concerned about how an SCR would facilitate the outcome required within the timeframe set out. He also commented that this was a large project at a time when there were several large projects being worked on by industry and he was concerned about industry's ability to manage such an onerous workload.
- 21.12 A Panel Member observed that Ofgem's updates at the December 2015 Panel meeting had been very welcome. Knowing that an SCR could lead to tension within the industry, he felt that continued dialogue was important.
- 21.13 A Panel Member noted that he was interested in the SCR process from end to end but that he would not wish to see the SCR process shortened and industry input cut out. This was crucial in ensuring that industry developed innovative solutions. Long term, he was worried that there would be a constraint imposed on the right of appeal. Rachel commented that she thought the input of industry and the right of appeal were important factors in the SCR process; however, she felt that the current SCR process was overlong and perhaps involved industry in the process at the wrong point which in the past had led to the extreme length of the SCR process.
- 21.14 The Chairman asked Ofgem whether it would embark on the Half Hourly settlement reform programme if it knew for certain that Europe was going to mandate 15 minute settlement. Rachel replied that she didn't have an answer to that because she was uncertain as to how important it was that the wholesale and retail markets aligned in this way. She noted that the first stage of the reform would be more efficient, elective half hourly settlement which ELEXON had assured Ofgem would not involve any significant changes its system but would be primarily about changing the rules. Ofgem recognised that there were Suppliers that wished to offer half hourly settlement to their domestic and small business customers but weren't able to do it currently and this feels like something the industry should be doing. Ofgem is aware of the debate in Europe but also recognises that a lot can change in 18 months and that careful analysis would be needed of the costs versus benefits of swapping to 15 minute settlement, particularly with the smart meter roll out.
- 21.15 The Chairman asked Rachel to explain how Ofgem envisaged the new Code Manager role as different from the current role performed by ELEXON. Rachel said that fundamentally there would be a clear high level plan that came from government via Ofgem which the Code Manager would be responsible for delivering. Currently ELEXON's work plan is based on the desires of BSC Parties with a narrow focus on the BSC. Rachel noted that the industry required a different more joined up view of change and a Code Manger would be charged with working with individual Code Administrators to implement the changes and answerable to Ofgem for them.

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- 21.16 A Panel Member noted that this would mean that government would be setting the agenda. Rachel replied that the CMA had already noted that there was a lack of clarity about what the responsibility of government was and what was for Ofgem. A working model for this might be that government set out a broad policy outlook for the parliamentary term and that Ofgem would then distil that down into a plan for the Code Managers for deliverables.
- 21.17 The Panel Members noted that a government's priorities are limited to the length of their term in office and that Code Administrators bypass this political motivation and are driven by what's best for the industry. Rachel disagreed with this point, noting that Ofgem spent much of its time managing political expectation as to what is possible and what would work for consumers. Her view was that it was impossible to plan without having an understanding of the larger aims of government and making that a priority would hopefully mitigate surprise announcements from government and give industry the ordered, stable change that it desires.
- 21.18 A Panel Member felt that the possible change described by Rachel was about changing bodies like the Panel from Code Administrators into Code Change Managers and redirecting implementation from industry to Ofgem. The Panel Member observed that the model is that Code Managers will be instructed to make change happen rather than work out what the industry feels would work better and do that.
- 21.19 A Panel Member noted that Ofgem is an independent regulator and had misgivings about it becoming a government delivery body.
- 21.20 Mark Bygraves noted that co-ordination across the industry was a good idea but noted that if ELEXON's role was changed to put obligations that it had to deliver upon, it would require additional powers to ensure that it could deliver those obligations. Rachel stated that she did not believe that was the intention to make the system entirely top down, she thought that Ofgem would also have a view as to what changes need to be looked at or implemented and noted that it would as usual consult industry about it too.
- 21.21 As to the extra powers argument, Rachel noted that although Ofgem is not writing the fine detail, her expectation is that ELEXON would take a more active approach to writing change with a review process that works much as the current modification process does.
- 21.22 The Chairman thanked Rachel for attending the Panel meeting and for her open and clear responses. He asked that Rachel come back perhaps after the CMA document is published in February.

## 22. Any other Business

- 22.1 A Panel Member noted that the SBR process developed under P323 was currently a manual process and asked whether a cost benefit analysis had been conducted to review this process and see if a more automated process would be more beneficial. The Panel Member asked how the process could be started if this had not been done already. ELEXON advised that a CP would need to be raised and that the Panel Member should contact the Change Team, who would be happy to help.
- 22.2 There was no other business in the Closed Session.

## 23. Next meeting

- 23.1 The next meeting of the BSC Panel will be held at the offices of ELEXON Ltd, 350 Euston Road, London NW1 3AW on Thursday 11 February 2016.