

BSC Modification Proposal Form		At what stage is this document in the process?
<h1>Move Section F designation of third parties from Authority to Panel</h1>		<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="margin-bottom: 5px;">01 Modification</div> <div style="margin-bottom: 5px;">02 Workgroup Report</div> <div style="margin-bottom: 5px;">03 Draft Modification Report</div> <div style="margin-bottom: 5px;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>To enable the BSC Panel, rather than the Authority, to determine which “bodies representative of interested third parties” may be designated as organisations that may raise BSC modifications.</p>		
	<p>ELEXON recommends that this Modification should:</p> <ul style="list-style-type: none"> be raised by the Panel in accordance with the provisions of Section F2.1.1(d)(i); not be a Self-Governance Modification Proposal; and be assessed by a Workgroup and submitted into the Assessment Procedure. <p>This Modification will be presented by the Proposer to the BSC Panel on 12 July 2018. The Panel will consider the Proposer’s recommendation and determine how best to progress the Modification.</p>	
	<p>High Impact:</p> <p>N/A</p>	
	<p>Medium Impact:</p> <p>This Modification Proposal will impact the BSC Panel and the Authority. No other impacts are anticipated</p>	
	<p>Low Impact:</p> <p>N/A</p>	

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Timetable		 Any questions? Contact: <i>Edwin Foden</i>
The Proposer recommends the following timetable:		 <i>Edwin.Foden@ELEXO N.co.uk</i>
Initial consideration by Workgroup w/c	30 July 2018	 <i>02073804118</i>
Assessment Procedure Consultation	28 August 2018 - 17 September 2018	Proposer: <i>BSC Panel</i>
Workgroup Report presented to Panel	8 November 2018	 <i>n/a</i>
Report Phase Consultation	14 November 2018 - 29 November 2018	 <i>n/a</i>
Draft Modification Report presented to Panel	13 December 2018	Proposer's representative: <i>Lawrence Jones</i>
Final Modification Report submitted to Authority	19 December 2018	 <i>Lawrence.Jone@ELE XON.co.uk</i>
		 <i>0207 380 4118</i>
		Other: <i>n/a</i>
		 <i>n/a</i>
		 <i>n/a</i>

1 Summary

What is the issue?

[BSC Section F 'Modification Procedures'](#) paragraph 2.1.1 details who can raise a BSC Modification Proposal. As well as the BSC Parties (who have raised 66% of all Modifications) that may raise Modifications, Section F2.1.1 (c) states that a Modification Proposal may be made by “such other bodies representative of interested third parties as may be designated in writing for this purpose by the Authority from time to time”.

In March 2017, the Authority’s designation process was tested (the first time since the BSC was introduced in 2001) and proved to be overly time consuming, adding almost 12 weeks to the front-end of the Modification Procedure.

What is the proposed solution?

The main features of the solution are:

- to move responsibility for the operation of the current F2.1.1 (c) designation process from the Authority to the BSC Panel;
- for the Authority to become the body to whom appeals may be made.

This would:

- extend and improve the scope of the Panel’s self-governance arrangements;
- improve the accessibility of the Modification Procedures to “interested third parties” removing any perceived barriers to innovation and change;
- be complementary to other proposed changes, particularly P362: ‘Introducing BSC arrangements to facilitate an electricity market sandbox’ to the extent that it facilitates increased engagement with non-BSC Parties; and
- improve designation timescales and transparency through the development and publication of the criteria to be used by the Panel to determine which “bodies representative of interested third parties....” may be designated as organisations that may raise Modification Proposals.

2 Governance

This Modification should not be considered suitable for treatment as urgent, Fast Track or Self-Governance.

Justification for proposed progression as not Self-Governance

The proposal **not** to treat this modification as a Self-Governance Modification Proposal has been taken because it does not meet the Self-Governance Criteria. Specifically, criterion (a)(v) which relates to the impact on the Code’s governance and Modification Procedures. This Modification, if implemented, will amend the Modification Procedure itself and the decision making capacity of the Authority and will therefore materially impact criterion (a)(v).

Requested Next Steps

This Modification should be:

- be assessed by a Workgroup; and
- be submitted into the Assessment Procedure.

3 Why Change?

What is the issue?

In the face of an ever changing energy sector we continue to see an increasing and often publically stated view that the governance and regulatory arrangements act as a barrier to innovation, restrict the introduction of new operating models and can also pose as a barrier to market entry. We continue to see the emergence of a range of new operating models that do not “fit” with the traditional roles around which the BSC was originally designed. Increasingly these new operating models require access to, or are impacted by, arrangements that are governed, either partially or wholly, under the BSC.

For example, there are growing numbers of small flexible generators, which are not licenced and so have their meters registered to Suppliers. This means that they are indirectly bound by the Code but are not signatories to it. Consequently, this limits their privileges towards raising changes to the Code.

Additionally, the Authorities [Code Governance Review](#) (CGR) projects have sought to improve the governance arrangements of Industry Codes and reduce fragmentation. As part of this, Code governing bodies such as the BSC Panel have been encouraged to take on greater Self-Governance responsibilities.

4 Code Specific Matters

Technical Skillsets

We recommend that the Workgroup assessing this Modification Proposal has expertise in the following areas:

- BSC governance; and
- Change Management.

Reference Documents

No particular reference documents need to be considered.

5 Solution

Proposed Solution

Amend BSC section F2.1.1 (c) as follows: “such other bodies representative of interested third parties as may be designated in writing for this purpose by the **Authority Panel** from time to time”

Insert new statement (plain English) in BSC section F2.1.1 to the following effect: where the Panel determines not to designate a body as representative of interested third parties, for the purposes of raising a proposal to modify the Code, the party may appeal such decision to the Authority. Such appeal shall be submitted to the Authority within [15] working days of receipt of the Panel's written determination, setting out the reasons for such appeal.

The Workgroup may wish to consider:

- the criteria to be used by the Panel, noting that the Workgroup may decide that the existing “applicable BSC Objectives” are sufficient, to determine which “bodies representative of interested third parties....” may be designated as organisations that may raise Modification Proposals;
- whether these criteria should be captured within the Code itself, in a subsidiary document or elsewhere;
- how such criteria will be publicised, e.g. published on the BSC Website or otherwise made available;
- the process and timescales for the review and amendment of the criteria;
- the [Workgroup Standard Terms of Reference](#) that have been set for the Panel and whether these are still fit for purpose, particularly to enable participation, perhaps on a flexible basis, smaller parties;
- the representatives the Panel should be able to nominate i.e. individual market participants, representative bodies, or either to represent the “interested third parties”;
- if the representatives the Panel nominates can raise Modifications in general, or just a specific Modification they’ve requested to raise;
- the ability of the ability of the “interested third parties” to be able to raise Change Proposals and/ or Issues as well as Modifications;
- the ability of Parties to be able to appeal to Ofgem if they believe the Panel has designated an inappropriate representative; and
- the actions to be taken by the Authority, in the event that an appeal is upheld. For example, the Authority could:
 - determine itself whether the appellant should be designated as a body representative of third parties, for the purposes of raising a proposal to modify the Code, in which case the Panel is required to take no further action, other than to await the submission of a Modification Proposal; or
 - refer the determination back to the Panel for reconsideration.

6 Impacts & Other Considerations

Impacts

This Modification will impact the roles undertaken by the BSC Panel and the Authority. In addition, it will also impact the Modification Procedure.

No other impacts are anticipated.

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification does not impact any existing SCRs or other significant industry change projects. The Proposer requests that this Modification be exempt from the SCR Process.

Consumer Impacts

Day to day operation of balancing and Settlement will be unaffected so there will be no direct cost on consumers. However, there may be indirect benefits for consumers if competition is better facilitated by allowing non-Parties to more easily raise Modifications, which could lead to greater innovation. No negative consumer impacts have been identified.

Environmental Impacts

No environmental impacts have been identified

7 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	Positive
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Positive
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

Objective (c)

This Modification will, if implemented, promote effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity by:

- Improving the ease for “Interested third parties” to progress potentially industry beneficial and innovative changes. This could allow a greater number of organisations to offer an increased variety of solutions in serving customers throughout the electricity industry.

Objective (d)

This Modification will, if implemented, improve the efficiency in the operation and implementation of the BSC arrangements by:

- improving accessibility of the Modification Procedures to “interested third parties”, removing any perceived barriers to innovation and change; and
- address any perception that the BSC is a “closed shop” that is only accessible to BSC Parties.

This Modification will also:

- extend and improve the scope of the Panel’s Self-Governance arrangements; and

- improve designation timescales and transparency through the development and publication of the criteria to be used by the Panel to determine which “bodies representative of interested third parties...” may be designated as organisations that may raise Modification Proposals.

8 Implementation Approach

As this will be a “documentation only” change it is proposed to be implemented 5 working days following an Authority decision.

9 Legal Text

Proposed legal text has been provided in section 5 above.

10 Recommendations

Proposer’s Recommendation to the BSC Panel

The BSC Panel is invited to:

- Agree that this Modification Proposal is **not** progressed as a Self-Governance Modification Proposal; and
- Agree that this Modification Proposal be sent into the Assessment Procedure for assessment by a Workgroup.