

MODIFICATION REPORT for Modification Proposal P197 'SVA Qualification Processes Review'

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This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.²

Proposed Modification P197 seeks to create a new SVA Qualification process to replace the existing Certification and Entry Processes. The new SVA Qualification process is intended to be more efficient and relevant to the developing market than the current processes. This is the recommendation that was developed by the SVA Qualification Review Group and the Supplier Volume Allocation Group following the review of SVA Qualification processes.

Alternative Modification P197 seeks to refine the solution defined in the Proposed Modification to ensure that it is flexible to all the requirements of new entrants. It also excludes any requirement for Suppliers to re-Qualify and it removes the concept of Qualification limits.

BSC PANEL'S RECOMMENDATIONS

Having considered and taken into due account the contents of the P197 draft Modification Report, the BSC Panel recommends:

- **that Proposed Modification P197 should not be made;**
- **that Alternative Modification P197 should be made;**
- **an Implementation Date for Proposed Modification and Alternative Modification P197 of 1 November 2007 if an Authority decision is received on or before 28 September 2006, or 28 February 2008 if the Authority decision is received after 28 September 2006 but on or before 25 January 2007;**
- **the proposed text for modifying the Code, as set out in the Modification Report.**

¹ ELEXON Ltd fulfils the role of the Balancing and Settlement Code Company ('BSCCo').

² The current version of the Code can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as the Modification Group has been able to assess, the following parties/documents would be impacted by P197.

Please note that this table represents a summary of the full impact assessment results contained in Appendix 4 of the P197 Assessment Report .

Parties		Sections of the BSC		Code Subsidiary Documents	
Distribution System Operators	<input checked="" type="checkbox"/>	A	<input type="checkbox"/>	BSC Procedures	<input checked="" type="checkbox"/>
Generators	<input type="checkbox"/>	B	<input checked="" type="checkbox"/>	Codes of Practice	<input type="checkbox"/>
Interconnectors	<input type="checkbox"/>	C	<input type="checkbox"/>	BSC Service Descriptions	<input checked="" type="checkbox"/>
Licence Exemptable Generators	<input type="checkbox"/>	D	<input checked="" type="checkbox"/>	Party Service Lines	<input checked="" type="checkbox"/>
Non-Physical Traders	<input type="checkbox"/>	E	<input checked="" type="checkbox"/>	Data Catalogues	<input type="checkbox"/>
Suppliers	<input checked="" type="checkbox"/>	F	<input type="checkbox"/>	Communication Requirements Documents	<input checked="" type="checkbox"/>
Transmission Company	<input type="checkbox"/>	G	<input type="checkbox"/>	Reporting Catalogue	<input type="checkbox"/>
Party Agents		H	<input checked="" type="checkbox"/>	Core Industry Documents	
Data Aggregators	<input checked="" type="checkbox"/>	I	<input type="checkbox"/>	Ancillary Services Agreement	<input type="checkbox"/>
Data Collectors	<input checked="" type="checkbox"/>	J	<input checked="" type="checkbox"/>	British Grid Systems Agreement	<input type="checkbox"/>
Meter Administrators	<input checked="" type="checkbox"/>	K	<input checked="" type="checkbox"/>	Data Transfer Services Agreement	<input type="checkbox"/>
Meter Operator Agents	<input checked="" type="checkbox"/>	L	<input type="checkbox"/>	Distribution Codes	<input type="checkbox"/>
ECVNA	<input type="checkbox"/>	M	<input type="checkbox"/>	Distribution Connection Agreements	<input type="checkbox"/>
MVRNA	<input type="checkbox"/>	N	<input type="checkbox"/>	Distribution Use of System Agreements	<input type="checkbox"/>
BSC Agents		O	<input checked="" type="checkbox"/>	Grid Code	<input type="checkbox"/>
SAA	<input type="checkbox"/>	P	<input type="checkbox"/>	Master Registration Agreement ³	<input checked="" type="checkbox"/>
FAA	<input type="checkbox"/>	Q	<input type="checkbox"/>	Supplemental Agreements	<input type="checkbox"/>
BMRA	<input type="checkbox"/>	R	<input type="checkbox"/>	Use of Interconnector Agreement	<input type="checkbox"/>
ECVAA	<input type="checkbox"/>	S	<input checked="" type="checkbox"/>	BSCCo	
CDCA	<input type="checkbox"/>	T	<input type="checkbox"/>	Internal Working Procedures	<input checked="" type="checkbox"/>
TAA	<input type="checkbox"/>	U	<input type="checkbox"/>	BSC Panel/Panel Committees	
CRA	<input type="checkbox"/>	V	<input type="checkbox"/>	Working Practices	<input checked="" type="checkbox"/>
SVAA	<input type="checkbox"/>	W	<input type="checkbox"/>	Other	
Teleswitch Agent	<input type="checkbox"/>	X	<input checked="" type="checkbox"/>	Market Index Data Provider	<input type="checkbox"/>
BSC Auditor	<input type="checkbox"/>			Market Index Definition Statement	<input type="checkbox"/>
Profile Administrator	<input type="checkbox"/>			System Operator-Transmission Owner Code	<input type="checkbox"/>
Certification Agent	<input checked="" type="checkbox"/>			Transmission Licence	<input type="checkbox"/>
Other Agents				Entry Process Coordinator	<input checked="" type="checkbox"/>
Supplier Meter Registration Agent	<input checked="" type="checkbox"/>				
Unmetered Supplies Operator	<input checked="" type="checkbox"/>				
Data Transfer Service Provider	<input checked="" type="checkbox"/>				

³ There are no contingent changes required to the Master Registration Agreement (MRA) for P197, however changes to the Entry Process requirements under the MRA to allow greater alignment between the two governances are being processed by the MAP05 Review Group under the auspices of the MRA.

1 DESCRIPTION OF MODIFICATION

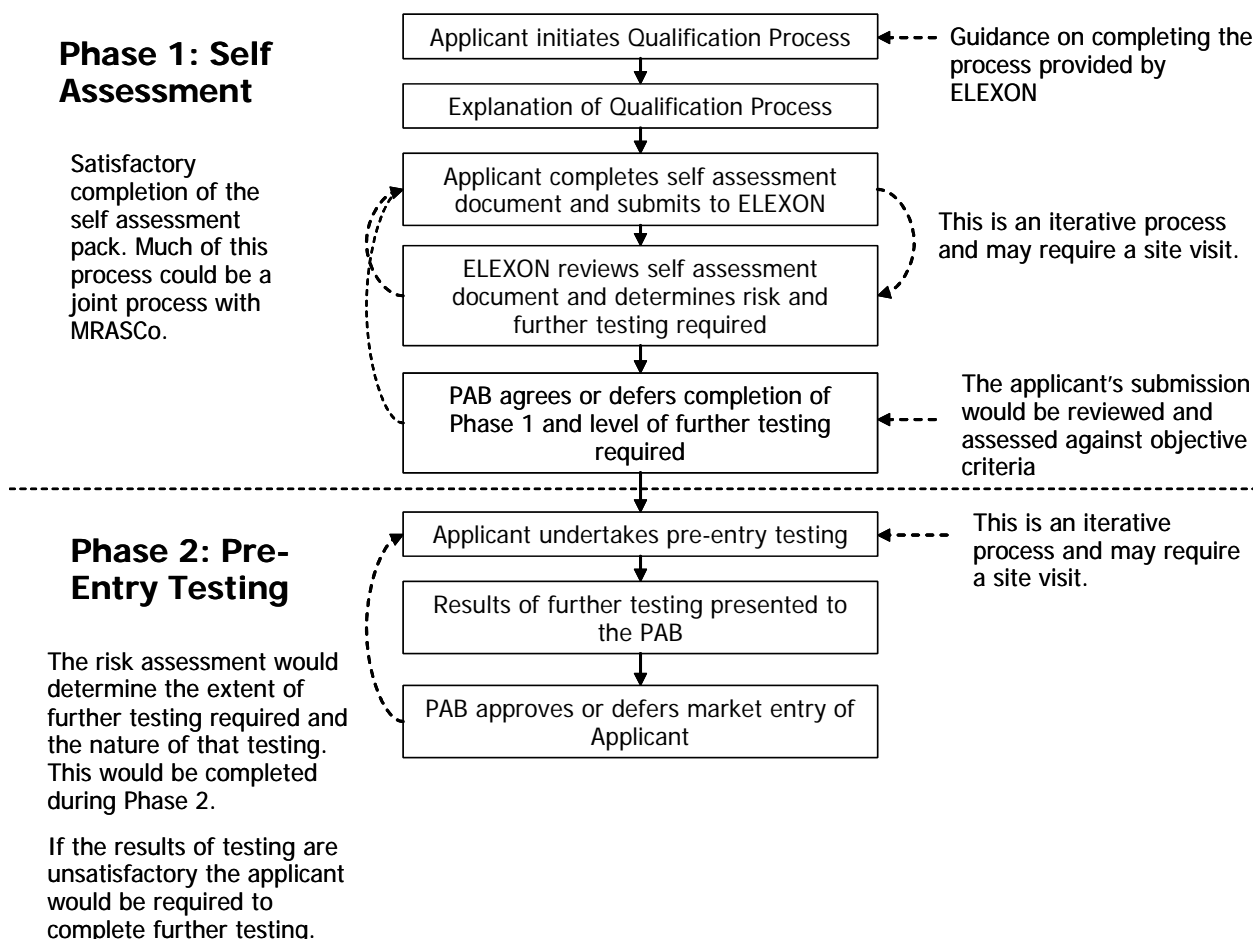
This section outlines the solutions for the Proposed Modification and Alternative Modification, as developed by the P197 Modification Group ('the Group') during the Assessment Procedure.

For a full description of the original Modification Proposal as submitted by Laing Energy ('the Proposer'), the background to the proposal, and a description of the current process, please refer to the P197 Initial Written Assessment (IWA).

1.1 Proposed Modification

The current arrangements of Certification, Accreditation and Entry Processes⁴ were designed to meet the market risks associated with the opening of the market to domestic competition in 1998. The level of risk now is different to that of 1998. This different level of risk was recognised by the SVA Qualification process Review Group in 2005. The Proposed and Alternative Modification are therefore not simple replacements for current practices, but are designed to address the level of risk that now exists from Applicants entering the market.

1.1.1 Process Diagram



⁴ Certification, Accreditation and Entry Processes are described in the P197 IWA

1.1.2 Overview

The new SVA Qualification process would have the following parts:

Phase 1: Self Assessment

- Initiation of the process by new Party/Party Agent;
- Explanation of Qualification process by ELEXON or its agent and, if appropriate, MRASCo;
- Completion and submission of Self Assessment Document by Applicant (which may be an iterative process);
- Review of Self Assessment Document and evidence (by ELEXON or its agent) to determine the risk of the new entrant (which may be an iterative process); and
- Level of further testing required agreed by the PAB.

Phase 2: Pre-entry Testing

- Applicant undertakes Pre -entry testing;
- Results of further testing presented to the PAB;
- Application agreed or deferred by the PAB; and
- Right of appeal by Applicant.

In addition the following processes may take place once an Applicant has entered the market:

- Technical Assurance checks;
- Re-Qualification; and
- Removal of Qualification (not applicable to Parties).

1.1.3 Scope of the Solution

The following participants would be required to use this process:

- Suppliers;
- Licenced Distribution Systems Operators (LDSOs) when acting in their capacity as Unmetered Supplies Operators (UMSOs)⁵;
- Supplier Meter Registration Agents (SMRAs);
- CVA and SVA Meter Operator Agents;
- Data Collectors;
- Data Aggregators; and
- Meter Administrators.

LDSOs would be subject to the Qualification process only when acting in their capacities as UMSOs and SMRAs. Under P197, it would be the responsibility of the LDSO to ensure that its UMSO and SMRA have been Qualified. If an LDSO's UMSO and SMRA functions are not Qualified, the LDSO would be in breach of the Code.

⁵ UMSO is not currently a Party Agent in its own right, although it is a role performed by the LDSO.

The Data Transfer Service Provider (DTSP) is required to be Accredited and Certified under the current arrangements. Under the P197 Qualification process, the DTSP would not be required to be Qualified (and therefore would not be required to re-Qualify).

1.1.4 Phase 1 – Self Assessment

1.1.4.1 Applicant Initiates Process

The Qualification process would be initiated by the Applicant contacting ELEXON or its agent. This could be via a letter or a phone call. For Party Agents and SMRAs, the submission of the Qualification letter binding them to particular sections of the Code could initiate the Qualification process. ELEXON would contact Suppliers and LDSOs regarding the Qualification Requirements following receipt of an Accession Letter, as the Group agreed that Suppliers and LDSOs can accede to the BSC before becoming Qualified. ELEXON would notify the Master Registration Agreement Service Company (MRASCo) if a Supplier or SMRA had entered into the Qualification process. If ELEXON is notified by MRASCo that a Supplier or SMRA had entered into Master Registration Agreement (MRA) Entry Processes, ELEXON would contact that participant in order to advise them of the BSC Qualification requirements. If the Applicant wishes, it may contact ELEXON to discuss the Qualification process in order to gain an understanding of it prior to formally initiating the process. The application by phone or by letter should include a minimum of the following information:

- Proposed Market Role e.g. Supplier, Data Collector;
- Current role(s); and
- Their expectations on how long it would take to enter the market.

1.1.4.2 Explanation of Qualification Process by ELEXON

Once the process has been initiated, ELEXON or its agent would provide the Applicant with an information pack and a Self Assessment Document. An example of which is provided in Appendix 5 of the P197 Assessment Report. ELEXON would also ask that any Party Agents or SMRAs sign the Qualification letter to bind them into the appropriate sections of the Code, if this has not already occurred, before proceeding with the Qualification process further. ELEXON or its agent would meet with the Applicant at this stage to discuss the Applicant's business, development and project plans and give the Applicant an overview of the Qualification process (if they had not already done so previously). This meeting could be combined with the equivalent body if the Applicant is also required to accede to the MRA. During this meeting, the following subjects would be discussed (although this list is not necessarily definitive);

- Introduction of the key staff at ELEXON or its agent and the Applicant;
- Applicant's overview of the systems and processes that are to be Qualified;
- Overview of the Qualification process;
- Overview of the Self Assessment and Pre-entry Testing requirements;
- Agreement of a timetable for completion of the Qualification process including key deliverable dates; and
- Explanation of the risk assessment process by ELEXON or its agent.

1.1.4.3 Completion and Submission of Self Assessment Document

The Applicant would be required to complete the Self Assessment Document which describes how it intends to meet its obligations under the BSC.

Structure of Self Assessment Document

The Self Assessment Document would contain separate sections including but not limited to:

- Entry Timetable;
- Project Management and System Development;
- Testing (System Testing, User Acceptance Testing, Operational Acceptance Testing);
- Operational Procedures;
- Data Population and/or Data Migration;
- Management Controls (Physical and Logical Security, Change Management, Risk Management, Disaster Recovery);
- Management (resourcing, organisation structures, training); and
- The Business Scenarios relevant to the Applicant type.

As far as is possible, this document would not duplicate questions in the MRA document set.

Change Control of Self Assessment Document

The Self Assessment Document would be an appendix to the Qualification Balancing and Settlement Code Procedure (BSCP) and would be subject to change control under BSCP40 'Change Management'.

Completion of Self Assessment Document

The Applicant would be required to describe how it would meet its obligations under the BSC and the evidence that it could provide if requested to support its answers. The Applicant would be allowed to complete the entire Self Assessment Document before submitting it to ELEXON or its agent for review and guidance (if necessary). Alternatively, the Applicant could draft a response to each section separately and then submit it to ELEXON or its agent for review and guidance (if necessary) prior to drafting a response to the next section.

Regardless of how the Applicant approaches the completion of the Self Assessment Document, ELEXON or its agent would be available for general support and problem resolution throughout, however the Applicant has to manage its application for Qualification.

It should also be noted that submission of draft versions of the Self Assessment Document would not be subject to full reviews by ELEXON or its agent but instead ELEXON or its agent would carry out high level checks to ensure that the responses are being prepared to a reasonable standard. ELEXON or its agent would provide guidance, education and clarification to the Applicant.

The key questions the Applicant must consider during the completion of the Self Assessment Document are:

- Does the response answer all of the points raised in the question?
- Has evidence been cited to support the response?
- Are there any areas that cannot be completed at the current time, for example if a tender process for services is being undertaken, and if so, when these areas would be completed?

The Applicant could cite the following as evidence that would be available for submission to ELEXON or its agent:

- The existence and application of management processes including problem resolution, change management, configuration control, release management and test management;
- The results of the internal testing that has been completed by the Applicant; and
- Local working instructions that the Applicant has developed that detail how the Applicant intends to meet its BSC obligations.

ELEXON or its agent would produce 'storyboards', an example of which is provided in Appendix 6 of the P197 Assessment Report to aid the Applicant in the development of its business process testing. The storyboards would be provided as guidance, and would therefore not be maintained under BSCP40.

1.1.4.4 *Review of Self Assessment Document and Determination of Risk Carried out by ELEXON*

ELEXON or its agent would carry out a full review of the Self Assessment Document once the completed version is submitted. Following the review of the Self Assessment Document, ELEXON or its agent would determine what evidence (from the evidence that the Applicant has cited as available) is required to be submitted for verification. The evidence required would be requested on a sample basis. The level of evidence required would be determined by ELEXON or its agent based on the amount and quality of information provided within the Self Assessment Document. However, the amount of evidence required and depth of verification may increase or decrease dependent on the review of the initial evidence provided. The verification of the evidence may be on or off site. The review of the Self Assessment Document and associated evidence may be an iterative process. ELEXON or its agent would contact the Applicant to discuss any areas of the Self Assessment Document or associated evidence that it feels needs further work.

The Group agreed that ELEXON or its agent would develop an internal process during the implementation of P197 to determine how they would review the Self Assessment Document and how they would determine the level of evidence they require in relation to the completed Self Assessment Document.

When ELEXON or its agent and/or the Applicant believes that the Self Assessment Document has been completed, ELEXON would present a recommendation to the PAB as to whether it believes the Applicant is ready to move onto Phase 2 of the Qualification process. Note that ELEXON would not make a recommendation to the PAB until it felt that the Applicant had completed Phase 1 of the Qualification process. However, if an Applicant believes that it has completed Phase 1 before ELEXON or its agent does, the Applicant can ask that the application be presented to the PAB in any event. The Applicant may attend the PAB meeting to explain why it thinks that it is ready to move onto Phase 2⁶.

ELEXON's recommendation to the PAB would also contain a view on the risk posed by the Applicant, determined by the review of the Self Assessment Document and associated evidence and therefore it would recommend the level of Pre-entry testing (if any) that should be carried out in Phase 2 by the Applicant. The level of pre-entry testing is wholly dependent on the outcome of the review of the Self Assessment Document by ELEXON or its agent, and if the evidence submitted to the Self Assessment Document is clear and comprehensive, there may not be any need for any testing.

1.1.4.5 *Level of Further Testing Required Agreed by the PAB*

ELEXON Initiates Discussion with the PAB

Where ELEXON or its agent feels that the Applicant is ready to move onto Phase 2 of the process, it would make its recommendation to the PAB.

The PAB could defer its decision if it believes that more evidence is required to be provided by the Applicant in Phase 1. If the PAB defers its decision, it would provide the Applicant with guidance detailing what further evidence is required before the successful completion of Phase 1 would be granted (this guidance would be presented to the Applicant in writing following the PAB meeting).

When the PAB agrees that the Applicant has completed Phase 1, it would also approve the level of Pre-entry testing (based on the recommendation of ELEXON or its agent) that the Applicant would need to carry out in Phase 2 of the Qualification process. The level of testing is contingent on responses to the Self Assessment Document and the evidence provided by the Applicant. If it is deemed satisfactory then the level of testing

⁶ It should be noted that the Code / PAB's Term of Reference currently allow attendance at a PAB meeting at the discretion of the Chairman. The Code / PAB's Terms of Reference would however be amended as part of P197 to allow any Applicant to attend the section of the PAB meeting where the Applicant's entry is presented, without the agreement of the PAB Chairman.

could be as low as zero. The PAB would also determine whether any testing would need to be witnessed by ELEXON or its agent, or whether the Applicant would simply be required to submit the results of the testing to ELEXON or its agent. This would again be based on a recommendation by ELEXON or its agent depending on the risk posed by the Applicant.

Applicant Initiates Discussion with the PAB

As described in section 1.1.4.4, the Applicant may request that its application be presented to the PAB. The PAB would then determine whether the Applicant is ready to move onto Phase 2 based on the recommendation of ELEXON or its agent and the written justification provided by the Applicant as well as any verbal justification in the situation where the Applicant has attended the PAB meeting. If the PAB defers its decision, it would provide the Applicant with guidance detailing what further evidence is required before the successful completion of Phase 1 would be granted. This guidance would be presented to the Applicant in writing following the PAB meeting.

When the PAB agrees that the Applicant has completed Phase 1, it would also approve the level of Pre-entry testing (based on relevant objective criteria) that the Applicant would need to carry out in Phase 2 of the Qualification process. The level of testing is contingent on responses to the Self Assessment Document and the evidence provided by the Applicant. If it is deemed satisfactory then the level of testing could be as low as zero. The PAB would also determine whether this testing would need to be witnessed by ELEXON or its agent, or whether the Applicant would simply be required to submit the results of the testing to ELEXON or its agent.

1.1.5 Phase 2 – Pre-Entry Testing

1.1.5.1 Applicant Undertakes Pre-entry Testing

Following the agreement by the PAB of the amount of further testing required, the Applicant would undertake this testing. This testing could range from no testing to a maximum range of testing including exception handling and business as usual situations. The testing would have to be carried out by the operational staff using completed systems and it is envisaged that most testing would be completed in actual operational timescales.

Unlike the current process ELEXON would not provide test scripts to the Applicant for this testing. The Applicant would write its own test scripts. ELEXON or its agent would review the results of the testing or witness the testing, as determined by the PAB.

The Group agreed that ELEXON or its agent would develop a process during the implementation of P197 to determine how they would review the results of this testing. The separate Qualification requirements of ELEXON and those of the equivalent body under the MRA would be coordinated (where possible) in order to avoid the same tests being carried out twice by the Applicant. Both ELEXON and the equivalent body under the MRA would work together to determine the degree of overlap from the differing regimes. Where it is deemed by PAB that tests should be witnessed by ELEXON or its agent and there is a degree of overlap with similar testing requirements under the MRA, ELEXON or its agent may witness this in conjunction with the equivalent body under the MRA.

1.1.5.2 Application Agreed or Deferred by PAB

ELEXON Initiates Discussion with the PAB

When ELEXON or its agent believes that the Applicant has completed the further tests and that sufficient evidence of this has been provided, ELEXON would present a recommendation to the PAB as to whether it believes the Applicant has completed the Qualification process. The Applicant would be informed of ELEXON's recommendation prior to the PAB meeting.

At the meeting the PAB would decide, on the basis of the information provided, whether the Applicant is ready to enter the market. If the PAB agrees that the Applicant is ready to enter the market, it would

approve the Qualification of the Applicant. For SMRAs and Party Agents (excluding Meter Administrators), the PAB also approves their Qualification limit in terms of number of Metering Systems. The PAB may also impose certain conditions on the Applicant; for example, it may state that the Applicant should undergo a Technical Assurance check after 6 months.

If the Applicant had failed to complete some minor aspects of the Qualification process, the PAB may still agree the Qualification of the Applicant. The minor non-compliances would then be managed by other Performance Assurance Framework (PAF) techniques, e.g. Technical Assurance checks.

It should be noted that it is not expected that the PAB would approve an Applicant in this fashion if the non-compliance could instantly trigger the Removal of Qualification process. An example of a minor non-compliance where the PAB may agree the Qualification of a new entrant is where the Applicant has Disaster Recovery plans in place that have not been tested prior to the PAB meeting. This is consistent with the current process whereby the PAB approves Certification applications 'subject to' minor issues being resolved within certain timeframes.

If the PAB does not believe that the Applicant is ready to enter the market, the Applicant would be informed in writing of the areas where the PAB requires further testing or evidence to be provided. ELEXON would be available to assist the Applicant in ensuring that the further requirements of the PAB are met. Qualification of the Applicant would be deferred until the Applicant can satisfy the PAB that it is ready to enter the market.

Applicant Initiates Discussion with the PAB

If the Applicant is of the view that it has completed the further tests (requested by the PAB) and provided evidence of the completion of these tests before ELEXON or its agent does then it may ask that its application be presented to the PAB. The Applicant may attend the PAB meeting to explain why it thinks that it has completed the further tests⁷.

At the meeting the PAB would decide, on the basis of the information provided, whether the Applicant is ready to enter the market. If the PAB agrees that the Applicant is ready to enter the market, it would approve the Qualification of the Applicant, and for SMRAs and Party Agents (excluding Meter Administrators), their Qualification limit in terms of number of Metering Systems. The PAB may also impose certain conditions on the Applicant; for example, it may state that the Applicant should undergo a Technical Assurance check after 6 months. As described in the section above the PAB may agree the Qualification if the Applicant has failed to complete some minor aspects of the Qualification process.

If the PAB does not believe that the Applicant is ready to enter the market, the Applicant would be informed in writing of the areas where the PAB requires further testing or evidence to be provided. ELEXON would be available to assist the Applicant in ensuring that the further requirements of the PAB are met. Qualification of the Applicant would be deferred until the Applicant can satisfy the PAB that it is ready to enter the market.

1.1.5.3 Right of Appeal

If the Applicant disagrees with the decision of the PAB (including if it disagrees with a decision to defer approval), it would have the right to appeal that decision to the Authority. As is currently the case for Accreditation and Certification, there would be limited grounds on which an appeal could be made, as set out in section J3.7.2 of the Code and as follows:

- The PAB has not followed the procedures set out in the appropriate Code sections and Code Subsidiary Documents;
- The PAB has given undue weight to particular evidence submitted or lack of particular evidence;

⁷ It should be noted that the Code / PAB's Term of Reference only allow attendance at a PAB meeting at the discretion of the Chairman. The Code / PAB's Terms of Reference would however be amended as part of P197 to allow any Applicant to attend the section of the PAB meeting where the Applicant's entry is presented, without the agreement of the PAB Chairman.

- The PAB has misinterpreted all or some of the evidence submitted in connection with such application; or
- The PAB should not have taken into account the failure to satisfy one or more specified Accreditation or Certification Requirements).

Any appeal would have to be made in writing by the Applicant within 10 days of receipt of the PAB letter setting out the reasons for its decision.

1.1.5.4 Accreditation

Currently, Party Agents and SMRAs are required to be Accredited and to have Certified systems. Accreditation is the simple process by which Party Agents and SMRAs are bound to certain sections of the Code, including the requirement that they have Certified systems and processes.

The legal text for both the Proposed and Alternative Modification has been drafted in such a way as to incorporate aspects of both Accreditation and Certification Requirements within the Qualification process, i.e. an Applicant is only required to complete the Qualification process.

The Group agreed that there would be a continued requirement for a Party Agent or SMRA to complete a letter (equivalent to the Accreditation letter) to bind them into certain relevant sections of the Code. The Party Agent or SMRA would have to sign this letter at the start of the Qualification process⁸. A Qualified Person would forever remain Qualified provided that they continue to meet the Qualification Requirements, unless that Qualified Person requested the voluntary removal of their Qualification.

1.1.6 Testing of Supplier Hubs

It should be noted that under the Qualification process, it would be the responsibility of the Supplier to ensure that it manages its Supplier hubs and that the Supplier hub can communicate with other members of the hub and with any existing or new SMRA. It is however expected that the Applicant (Supplier) would provide the appropriate evidence, as part of the Self Assessment Document that it is able to interoperate with its agents. There would be no requirement for each individual Supplier hub to be Qualified. There would also be no prescribed testing to ensure that the Supplier hub can communicate with the SMRA, although the Applicant would need to provide evidence that it can.

1.1.7 Re-Qualification

Market participants would be required to re-Qualify if:

- They decide to implement any Material Change to their systems and processes; or
- They decide to increase the number of Metering Systems that they are responsible for, to above the limit that they are Qualified for (Party Agents and SMRAs only).

A Material Change would be defined as a change to a participant's systems or processes which is of such a type or magnitude as to raise the reasonable expectation of an impact on that participant's ability to meet its obligations under the BSC if the change was not implemented correctly. The Group discussed some generic trigger events that would indicate a Material Change, based on equivalent work undertaken by MRASCo in their review of MAP05 (MRA Agreed procedures for Entry Processes and re-Qualification). Examples of these trigger events are included in Appendix 7 of the P197 Assessment Report.

The re-Qualification process would not just apply to Accredited Party Agents and SMRAs; all market participants who have to Qualify would also have to re-Qualify if and when the circumstances arose. Therefore the following participants would be included within the scope of the re-Qualification process:

⁸ Suppliers and LDSOs would not be required to submit a letter as they will have signed up to the Framework Agreement before the Qualification process is initiated, as described in section 1.1.4.

- Suppliers;
- LDSOs when acting in their capacity as UMSOs;
- SMRAs;
- CVA and SVA Meter Operator Agents;
- Data Collectors;
- Data Aggregators; and
- Meter Administrators.

It should be noted, however, that Suppliers would not (and have not) qualified up to a specified number of Metering Systems. Therefore there would not be a requirement for Suppliers to re-Qualify at any particular threshold of Metering Systems. The Group noted that UMSOs and Meter Administrators would not be Qualified to set numbers of Metering Systems as the concept of Metering System does not apply for Unmetered Supplies.

1.1.7.1 Process

The relevant participant would be responsible for initiating the re-Qualification process in sufficient time, prior to a Material Change taking place. The participant would therefore need to have a business as usual process in place for assessing the risk posed by planned changes. The participant would need to submit a Self Assessment Document containing information regarding why the participant wishes to re-Qualify; including brief details of the new intended scale of operation, and the systems and processes that are impacted. The participant would then complete the relevant sections of the Self Assessment Document relating to the systems and processes that are impacted by the planned change and would provide the required evidence to ELEXON or its agent. As with the Qualification process, this may be an iterative process and when ready, ELEXON would present a recommendation to the PAB about the participant's completion of Phase 1 of the process. Once the PAB has agreed that the participant has completed Phase 1 of the process, the PAB would determine the level of testing (based on the recommendation of ELEXON), if any, the participant has to complete in Phase 2 of the process. The PAB may agree at the end of Phase 1 that no further testing in Phase 2 is required, and if so, the participant would undertake Phase 1 and Phase 2 concurrently. When the participant has completed any required testing, as with the Qualification process (which again could be an iterative process), ELEXON would present the outcome of the testing to the PAB and ask that the application be approved. Participants would also have the right to appeal the decision of the PAB (as discussed in section 1.1.5.3 above).

1.1.7.2 Submission of Annual Return

Party Agents and SMRAs are currently required to annually send in a statement (signed by a company director or appropriately authorised person) stating that no Material Changes have been made to systems and processes, including that they have not increased their intended scale of operation or if they have, that the appropriate re-Certification has been approved. Under the Qualification process, all participants that have to re-Qualify (including Suppliers, SMRAs and LDSOs when operating as UMSOs) would be required to do this.

1.1.8 Payment for Qualification and Re-Qualification

The Group agreed that there should be a provision for an Applicant to be required to pay for the Qualification and re-Qualification Service. The Group, however, felt that this cost should initially be set at zero.

The Group agreed that it may not be appropriate to charge Applicants who need more assistance a higher price than others.

1.1.9 Technical Assurance Checks

Under the Qualification process, the Technical Assurance process would change in its remit to include LDSOs when operating in their capacity as UMSOs, SMRAs and Meter Administrators, not just Suppliers and Supplier Agents⁹.

Currently all new Supplier Agents undergo a Technical Assurance check 6 months after they commence operations in the market. In addition to this, the PAB are able to initiate Technical Assurance checks as they deem necessary.

Under P197 Technical Assurance checks would only be carried out when the PAB deem it necessary i.e. there would be no requirement for all new Qualified Persons to undergo a check after 6 months. In addition, the PAB may determine that a Qualified Person should undergo more than one Technical Assurance check.

When the PAB approves a new entrant to the market, or a re-Qualification, it may choose to require that a Technical Assurance check be carried out after a certain amount of time. For example, the PAB may accept an Applicant's entry into the market, but may feel that the Applicant presents a particular risk to Settlement and so would recommend that a Technical Assurance check be carried out. The PAB would need to be clear when agreeing that a Technical Assurance check should be undertaken on a new entrant as to the purpose of this check. The purpose could be to check that the new entrant's processes worked as claimed or to confirm that particular issues have been addressed.

It should be noted that the PAB, when deciding whether to request a Technical Assurance check would also consider whether the participant would be subject to review as part of the annual BSC Audit. It is envisaged that if a recently Qualified participant is subject to a BSC Audit site visit then reliance would be placed on the results of that particular audit.

1.1.10 Removal of Qualification

Under P197, a Removal of Qualification process would replace the current Removal of Accreditation Process. The Removal of Qualification process would not apply to Suppliers, SMRAs or LDSOs acting in their capacity as UMSOs as they are subject to the Default provisions already set out in Section H3 of the Code, i.e. this process only applies to Qualified Party Agents.

The Removal of Qualification process would be initiated when a Qualified Person demonstrates severe underperformance (non-compliance) in the same way as it is triggered currently. The PAB would be granted the ability to notify Parties when a Qualified Person's performance has led to the removal of Qualification process being initiated. This notification would take place during the process as well as at the end of the process when Qualified status has actually been removed. Information on why the process was initiated and the actions being taken to address the non-compliance would also be provided to Parties.

The process for the removal of Qualification would be clearly set out in the Code or Code Subsidiary Document and would have the following steps:

- The PAB and the Qualified Person would agree a plan for the participant to improve its performance during the probation period with specific milestones. The PAB and the Qualified Person would also determine which of these milestones are material;
- If a Qualified Person did not, or was unwilling to, agree a reasonable rectification plan, the PAB would advise the participant that if this was not completed within a reasonable period of time then it would notify the industry (via an ELEXON Circular) that the Qualified Person was within the removal of Qualification process and further that its associated Suppliers might be advised that they would be in material breach of the Code due to the Qualified Person's non-compliance;

⁹ A Supplier Agent is a Data Collector, Data Aggregator, Meter Operator Agent or Meter Administrator.

- The PAB would monitor the Qualified Person's performance against the plan (on a monthly basis);
- If all relevant material milestones have not been met for two consecutive months, the PAB would notify the Qualified Person, in writing, that it intends to inform the rest of the Industry (via an ELEXON Circular) that the Qualified Person is in the Removal of Qualification process and that their ability to take on new Metering Systems would be restricted if the milestone at the end of the third month was not met; and
- If all relevant material milestones have still not been met by the end of the third month, the PAB would notify the industry that the Qualified Person was in the Removal of Qualification process and that the number of Metering Systems that they can take on has been restricted; or
- If the Qualified Person meets the milestone at the end of the third month, the PAB would not notify the industry that they are in the Removal of Qualification process. The Qualified Person would have to fail to meet its milestones for a further two months before PAB could again notify them that it would inform the rest of the industry that they are in the Removal of Qualification process.
- The Qualified Person could appeal the PAB decision (see appeal process set out in section 1.1.5.3 above).

Currently, if the PAB determines that a participant's Accreditation is to be removed, they give the Accredited Person and the industry a Notice Period (three months) before the Accreditation is removed to allow the industry to make preparations for the exit of the Accredited Party. Under P197 this Notice Period and notification would remain.

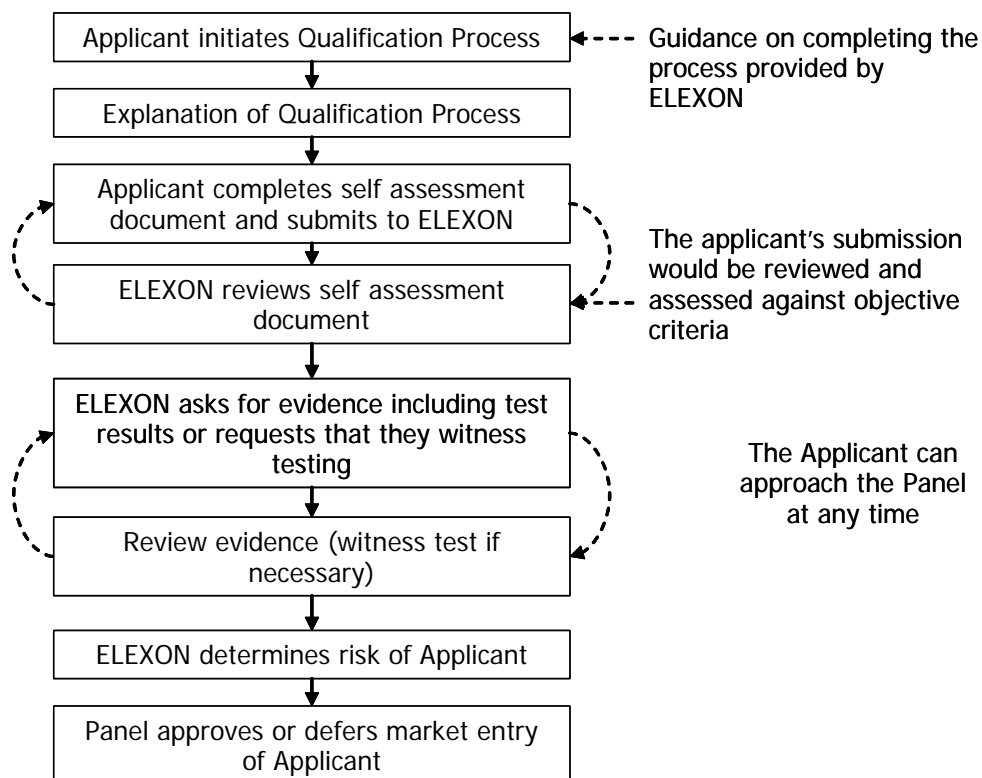
1.1.11 Surrender of Qualification

Currently, if an Agent wishes to leave the market, they must request that the PAB removes their Accredited status. This forces the Suppliers that use the agent to change agents. It would be appropriate in this scenario for an agent to be able to voluntarily withdrawal from the market (in the same way as a Party can voluntarily withdraw from the Code). In order to facilitate this withdrawal the Group agreed that there should be a surrender of Qualification process.

The Agent would notify ELEXON that they wish to surrender their Qualified status. For Data Aggregators, the PAB would not withdraw their Qualified status until they have completed processing for all Settlement Runs for all Metering Systems that they are appointed to. For all other Qualified Persons, their Qualified status would be withdrawn on the date agreed between the Qualified Person and the PAB.

1.2 Alternative Modification

1.2.1 Process Diagram



1.2.2 Overview

The Group developed the Alternative Modification following the discussion of a number of options. The main differences between the Alternative Modification and the Proposed Modification are as follows:

- The responsibility would lie with the Panel to approve Qualification applications, however it would be expected that the Panel delegate this responsibility to a Panel Committee such as the PAB, the SVG or ISG or a new Panel Committee;
- Phases 1 and 2 of the Qualification process would be merged;
- The Applicant would have the ability to go to the Panel or its delegated Authority at any point in the process;
- Suppliers would not be required to re-Qualify; and
- There would be no Qualification limit for any participant.

1.2.3 Scope of the Solution

The P197 Alternative Modification Qualification Requirements would apply to the same participants as the Proposed Modification (as set out in section 1.1.3)

1.2.4 Qualification Process

1.2.4.1 Applicant Initiates Process

The Applicant would initiate the Qualification process in the same way as described in the Proposed Modification.

1.2.4.2 Explanation of Qualification Process by ELEXON

ELEXON or its agent would meet with the participant in the same way as described in the Proposed Modification to discuss the Qualification process. If appropriate, ELEXON or its agent may discuss and agree with the Applicant the potential areas that may require witness testing. This would mean that the Applicant can contact ELEXON or its agent when they are ready to test these areas to confirm whether witness testing is required. This would not preclude ELEXON or its agent requiring witness testing in other areas further into the process.

1.2.4.3 Completion and Submission of Self Assessment Document

The Self Assessment Document would have the same structure and change control as described in the Proposed Modification. The Applicant would complete the Self Assessment Document and send it to ELEXON or its agent for review. As described in the Proposed Modification, the Applicant may wish to send the Self Assessment Document to ELEXON or its agent section by section to obtain feedback and guidance on how it has completed each section. The Applicant may wish to carry out its internal testing concurrently with completing the Self Assessment Document. If this is the case, the Applicant may wish to contact ELEXON or its agent to determine whether any of its internal testing should be witnessed, particularly in the areas that ELEXON or its agent has previously stated as possibly requiring witness testing. Should the Applicant wish to, it can go to the Panel or its delegated authority at any time during the drafting of the Self Assessment Document for advice, clarification or endorsement of its plans.

1.2.4.4 Review of Self Assessment Document and Determination of Risk Carried out by ELEXON

As described under the Proposed Modification, once ELEXON or its agent receives the completed Self Assessment Document, ELEXON or its agent would review the document. ELEXON or its agent would then determine, from the evidence that the Applicant has cited as available, what evidence it wishes to review. At this stage, ELEXON or its agent may determine that they wish to review evidence on site or witness some of the Applicant's testing. As described in the Proposed Modification, the amount of evidence and witness testing that ELEXON or its agent wishes to review may increase or decrease dependent on the review of the initial evidence provided. The review of the Self Assessment Document and associated evidence and witness testing may be an iterative process. Should the Applicant wish to, it can go to the Panel or its delegated authority at any time during the drafting of the Self Assessment Document for advice, clarification or endorsement of its plans, or if it disagrees with the level of evidence or witness testing that ELEXON or its agent wishes to review.

1.2.4.5 Application Agreed or Deferred by the Panel or its Delegated Authority **ELEXON Initiates Discussion with the Panel or its delegated authority**

When ELEXON or its agent feels that the Self Assessment Document has been completed to an appropriate standard and it has seen appropriate evidence or witnessed testing to confirm the statements in the Self Assessment Document, it would recommend to the Panel or its delegated authority that the Applicant should be Qualified. The Panel or its delegated authority would then determine whether the Applicant should be Qualified.

At the meeting the Panel or its delegated authority would determine, based on the information provided, whether the Applicant is ready to enter the market. If the Panel or its delegated authority agrees that the Applicant is ready to enter the market, it would approve the Qualification of the Applicant. The Panel or its

delegated authority may also impose certain conditions on the Applicant, for example, it may state that the Applicant should undergo a Technical Assurance check after six months.

As with the Proposed Modification, if the Applicant has failed to complete some minor aspects of the Qualification process, the Panel or its delegated authority may still agree the Qualification of the Applicant.

If the Panel or its delegated authority does not believe that the Applicant is ready to enter the market, the Applicant would be informed in writing of the areas where the Panel or its delegated authority requires further testing or evidence to be provided. ELEXON or its agent would be available to assist the Applicant in ensuring that the further requirements of the Panel or its delegated authority are met. Qualification of the Applicant would be deferred until the Applicant can satisfy the Panel or its delegated authority that it is ready to enter the market.

Applicant Initiates Discussion with the Panel or its Delegated Authority

If the Applicant is of the view that it has completed the Qualification process earlier than ELEXON or its agent does, then it may ask that its application be presented to the Panel or its delegated authority. The Applicant may attend the meeting of the Panel or its delegated authority to explain why it thinks that it is ready to enter the market.

At the meeting the Panel or its delegated authority would decide, on the basis of the information provided, whether the Applicant is ready to enter the market. If the Panel or its delegated authority agrees that the Applicant is ready to enter the market, it would approve the Qualification of the Applicant. The Panel or its delegated authority may also impose certain conditions on the Applicant, for example it may state that the Applicant should undergo a Technical Assurance check after 6 months. As described above, the Panel or its delegated authority may agree the Qualification if the Applicant has failed to complete some minor aspects of the Qualification process.

If the Panel or its delegated authority does not believe that the Applicant is ready to enter the market, the Applicant would be informed in writing of the areas where the Panel or its delegated authority requires further testing or evidence to be provided. ELEXON would be available to assist the Applicant in ensuring that the further requirements of the Panel or its delegated authority are met. Qualification of the Applicant would be deferred until the Applicant can satisfy the Panel or its delegated authority that it is ready to enter the market.

1.2.4.6 Notification of Qualification to the PAB

ELEXON would notify the PAB when an Applicant becomes Qualified (if this has been agreed by a body other than the PAB) and any recommendation for Technical Assurance checks.

1.2.4.7 Right of Appeal

The Applicant would have the right to appeal the decision of the Panel or its delegated authority to the Authority, as described in the Proposed Modification.

1.2.4.8 Accreditation

As described in the Proposed Modification, a Party Agent or SMRA would be required to complete a Qualification letter at the start of the Qualification process to bind it into the appropriate sections of the Code.

1.2.5 Testing of Supplier Hubs

As in the Proposed Modification, there would not be any testing of Supplier hubs.

1.2.6 Re-Qualification

Under the Alternative Modification, the following participants would need to re-Qualify when making a Material Change to their systems and processes (examples of the types of activities that could trigger a Material Change are included in Appendix 7 of the P197 Assessment Report):

- LDSOs when acting in their capacity as UMSOs;
- SMRAs;
- CVA and SVA Meter Operators;
- Data Collectors;
- Data Aggregators; and
- Meter Administrators.

Material Change would have the same definition as in the Proposed Modification in terms of changes to systems and processes. However under the Alternative Modification, there would not be a requirement for a participant to re-qualify when it reached a particular limit in terms of numbers of Metering Systems. Instead, the examples of when a re-Qualification would be required under the definition of Material Change would include a step change in the numbers of Metering Systems.

1.2.6.1 Process

The re-Qualification process would be based on the Qualification process. The relevant participant would be responsible for initiating the re-Qualification process in sufficient time, prior to a Material Change taking place (examples of the types of activities that could trigger a Material Change are included in Appendix 7 of the P197 Assessment Report). The participant would therefore need to have a business as usual process in place for assessing the risk posed by planned changes. The participant would need to notify ELEXON or its agent when wanting to re-Qualify. The participant would then complete the relevant sections of the Self Assessment Document relating to the systems or processes that are impacted by the planned change for which the participant is seeking re-Qualification and would provide the required evidence to ELEXON or its agent. This may include ELEXON or its agent witnessing testing. As with the Qualification process, this would be an iterative process and when ready, ELEXON or its agent would present a recommendation to the Panel or its delegated authority to recommend the re-Qualification of the participant. Participants would also have the right to appeal the decision of the Panel or its delegated authority (as discussed in section 1.2.4.7).

1.2.6.2 Submission of Annual Return

As described in the Proposed Modification, all participants that are required to re-Qualify would be required to annually submit a form to ELEXON stating that they have not made any Material Changes to their systems and processes. If they have made Material Changes, they should confirm that they have completed the re-Qualification process.

1.2.7 Payment for Qualification and re-Qualification

As with the Proposed Modification, there would be provision in the Code to charge participants for the Qualification and re-Qualification process, but initially this cost would be set to zero.

1.2.8 Technical Assurance Checks

Technical Assurance checks would be carried out in the same circumstances as described in the Proposed Modification.

1.2.9 Removal of Qualification

The removal of Qualification process would be carried out in the same way as described in the Proposed Modification.

1.2.10 Surrender of Qualification

The process for the voluntary surrender of Qualification would be the same under the Alternative Modification as it is under the Proposed Modification.

2 AREAS RAISED BY THE TERMS OF REFERENCE

The following areas were considered by the Modification Group during the Assessment Procedure for P197:

- The Detailed Process Proposed by P197;
- The Interaction with the MRA;
- Interaction with the Performance Assurance Framework Review;
- The Scope and Details of the Re-Qualification Process;
- The Impact on Different Types of Party
- The Removal of Accreditation Process;
- Technical Assurance Checks of New Participants;
- Current Roles;
- Costs and Benefits; and
- Potential Alternative Modifications.

These issues are discussed in the Assessment Report referred to in Appendix 3, and are not covered further here.

3 IMPLEMENTATION APPROACH AND COSTS

3.1 Proposed Modification

PROPOSED MODIFICATION IMPLEMENTATION COSTS¹⁰

		Stand Alone Cost	Incremental Cost	Tolerance
Total Demand Led Implementation Cost		To be determined ¹¹	To be determined ¹¹	
ELEXON Implementation Resource Cost		925 Man days £203,500 ¹²	865 Man days £190,300	+/- 10%
Total Implementation Cost		To be determined ¹¹	To be determined ¹¹	

PROPOSED MODIFICATION ONGOING SUPPORT AND MAINTENANCE COSTS

	Stand Alone Cost	Incremental Cost	Tolerance
Service Provider Operation Cost	To be determined ¹¹	To be determined ¹¹	
Service Provider Maintenance Cost			
ELEXON Operational Cost			

a) BSC Agent Impact

P197 would remove the Certification Agent from the Code. The Qualification and re-Qualification process would be undertaken by ELEXON or its agent. Any agent of ELEXON would be a service provider as opposed to a BSC Agent.

b) BSC Party and Party Agent Impact

New Parties and Party Agents entering the market would be required to undergo a more streamlined Qualification process and all new entrants may be subject to a Technical Assurance check if directed by the PAB. The proposed re-Qualification requirements are an expansion of the current re-Certification Requirements; however they are being expanded to include Suppliers (under the Proposed Modification only), and LDSOs when operating in their capacity as UMSOs. Therefore Suppliers and LDSOs when acting in their capacity as UMSOs would be impacted by the change as they would need to have processes in place to identify when re-Qualification is required and, when required, they would need to go through the re-

¹⁰ An explanation of the cost terms used in this section can be found on the BSC Website at the following link:
http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

¹¹ These costs will be determined following the procurement of a new service provider.

¹² Note that the stand alone cost does not include the cost of any additional resources which may be required to implement this Modification outside a scheduled release concurrently with delivering other changes to the release timetable.

Qualification process. Party Agents and SMRAs would be impacted to a lesser extent; however they would need to follow the new process for re-Qualification.

Respondents to the Impact Assessment have indicated that they need a maximum lead time of six months to implement the P197 changes.

Full copies of the Party and Party Agent impact assessment responses are included in the P197 Assessment Report.

c) Transmission Company Impact

P197 has no impact on the Transmission Company. The Transmission Company Analysis is included in Appendix 4 of the P197 Assessment Report.

d) BSCCo Impact

BSCCo would be required to implement the new requirements and then run, or manage its agent in delivering the Qualification and re-Qualification process.

The BSCCo implementation assumptions are as follows:

- The services currently provided by the Certification Agent and the Entry Process Coordinator are re-procured;
- Services would continue to be provided by 2 service providers;
- The impact of the Proposed and Alternative Modifications is the same;
- The revised BSCP531 detailing the Qualification requirements would be significantly simpler in comparison with the current BSCPs (511, 512, 531);
- The Self Assessment Document and the guidance document on the level of evidence required would be developed by the Service Provider following the re-procurement of the service; and
- The scope and detail contained in the Self Assessment Document would be similar to the current Self Assessment Certification Return.

Since the service would be procured, it is not possible to determine the costs associated with the operation of the service at this stage. Nor is it possible to determine the costs associated with a service provider implementing the new process until the tender process has been carried out.

The proposed Implementation Date for P197 gives a 54 week lead time to allow the drafting and review of all the documents associated with the Qualification and re-Qualification process (a non-exhaustive list of which is included in Appendix 8 of the P197 Assessment Report). The lead time also includes the procurement of new Service Providers and time for the new Service Providers to implement the Qualification and re-Qualification processes, including the writing of the Self Assessment Document. The following table shows the breakdown of the activities that would need to be undertaken in the implementation of P197:

Weeks	Activity
1 – 24	Documentation
16-37	Procurement
37-54	Operational acceptance

The documentation phase allows for the drafting and industry review of the BSC documentation that would be drafted by ELEXON. The procurement phase allows 8 weeks for the definition of the procurement requirements (week 16 to week 24) and a further 13 weeks (week 24 to week 37) to complete the invitation to tender, tender evaluation and appointment processes. The Operational Acceptance Phase allows the Service Provider to set up the service and draft and allow industry review of any associated documents, including the Self Assessment Document.

3.2 Alternative Modification

The central costs, timescales and impacts on BSC Agents, the Transmission Company and BSCCo associated with the Alternative Modification are the same as for the Proposed Modification. The impacts on BSC Parties and Party Agents are similar to the Proposed Modification, however there are the following differences between the Proposed and Alternative Modification that will have a different impact on BSC Parties and Party Agents:

- The Qualification Process will be more streamlined under the Alternative Modification and so should be easier to complete by BSC Parties and Party Agents;
- Suppliers will not be required to re-Qualify under the Alternative Modification; and
- Qualified Party Agents will not be required to re-Qualify at a set number of Metering Systems, however Qualified Party Agents (except Meter Administrators) will need to ensure that they can identify where they need to re-Qualify due to a step change in the number of Metering Systems that they intend to be responsible for.

4 RATIONALE FOR MODIFICATION GROUP'S RECOMMENDATIONS TO THE PANEL

This section summarises the recommendations of the Modification Group, as detailed in the Assessment Report in Appendix 3.

4.1 Assessment of Proposed Modification Against Applicable BSC Objectives

The **UNANIMOUS** view of the Modification Group was that the Proposed Modification **WOULD NOT** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline, for the following reasons:

Applicable BSC Objective (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:

- The Qualification process is designed to manage risks for all Parties. Without robust Qualification processes, these risks could increase and this could lead to problems for existing Parties. If this leads to Parties going into Default and having to leave the arrangements then the overall impact of this Modification could be a reduction in competition;
- The market depends on equitable energy Volume Allocation and the ability of Market participants to interoperate effectively. This is the rationale for the current Entry Process, Accreditation and Certification techniques. Whilst there is scope for making these techniques more effective than they are at present, replacing these with a more loosely defined 'risk based' Qualification technique, and placing greater reliance on other areas of the PAF such as the BSC Audit and Technical Assurance checks would be to the detriment of new Suppliers;
- The process outlined in the Proposed Modification would be no less onerous for Applicants than the current arrangements and so would do nothing to remove this barrier to entry;

- The supporting documentation has not been developed adequately and so the Proposed Modification may be a more lengthy, arbitrary and uncertain process than the current arrangements. This may introduce some gaps in the Performance Assurance Framework. Therefore, it is not possible to say that the Proposed Modification better facilitates the achievement of the Applicable BSC Objectives when compared to the current baseline;
- Whilst the Proposed Modification has a number of advantages over the current baseline, it is felt that the PAB is not required to be involved in the approval of the transition from Phase 1 to Phase 2 of the Qualification process. If both the Applicant and ELEXON feel that the Applicant is ready to move onto Phase 2 of the process, the involvement of another body at this stage would add bureaucracy and prolong the process which defeats the objective of the Modification;
- The Modification does not justify the value of obligating Suppliers to undergo re-Qualification.

The Group agreed that the Proposed Modification would have a neutral impact on Applicable BSC Objectives (a), (b), and (d).

4.2 Assessment of Alternative Modification Against Applicable BSC Objectives

The **MAJORITY** view of the Modification Group was that the Alternative Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current baseline or the Proposed Modification for the following reasons:

Applicable BSC Objective (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:

- The current Entry Process and Certification Requirements may be seen as a barrier to entry as they are unnecessarily onerous on new entrants. The changes proposed by P197 would address the current risks that new entrants pose to Settlement as opposed to the ones that were present when the current arrangements were designed for the 1998 Trading Arrangements. This would therefore better facilitate competition;
- The Alternative Modification offers a more appropriate and flexible approach to Qualification than the current baseline. This streamlined process would make it easier for new entrants to enter the market whilst maintaining a level of assurance applicable to today's market. This would reduce the costs for Applicants and should promote effective competition;
- The Alternative Modification provides more flexibility in the timing of testing and other Qualification work which potentially reduces the uncertainty for participants entering the process as to the work that they are going to be required to carry out meaning that the process can best fit the requirements of any new entrants, thus promoting competition;
- The Alternative Modification includes the use of a more tailored approach, based on iterative risk assessment and review. This is more appropriate and efficient than the present prescribed arrangements in the BSC and would therefore aid competition;
- The focus on self assessment means that Applicants are incentivised to demonstrate their readiness to enter the market;
- The introduction of the concept of the role of a Qualification Board, whether this is performed by an existing Panel Committee or new Panel Committee whose function is isolated to that of Qualification and re-Qualification is more efficient than the current process;

- The inclusion of Suppliers into the re-Qualification process can not be justified. Suppliers have commercial incentives to ensure that their systems and processes meet the BSC requirements. The exclusion of Suppliers from the re-Qualification process therefore better facilitates competition; and
- The removal of the requirement for Party Agents and SMRAs to re-Qualify for an increase in numbers of Metering Systems for which they are responsible better facilitates competition. There is no need for a Party Agent or SMRA to go through this process when they go from being responsible for, say 999 Metering Systems to 1001, provided that they continue to use the same systems and processes. The inclusion of a step change in numbers of Metering Systems being included within the definition of Material Change as a reason to trigger a re-Qualification is more efficient than the current baseline.

The **MINORITY** view of the Modification Group was that the Alternative Modification **WOULD NOT** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current baseline or the Proposed Modification, for the following reasons:

Applicable BSC Objective (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:

- As with the Proposed Modification, the Qualification process is designed to manage risks for all Parties. Without robust Qualification processes, these risks could increase and this could lead to problems for existing parties. If this leads to Parties going into Default and having to exit the market then the overall impact of this Modification could be a reduction in competition;
- The market depends on equitable energy Volume Allocation and the ability of Market participants to interoperate effectively. This is the rationale for the current Entry Process, Accreditation and Certification techniques. Whilst there is scope for making these techniques more effective than they are at present, replacing these with a more loosely defined 'risk based' Qualification technique, and placing greater reliance on other areas of the PAF such as the BSC Audit and Technical Assurance checks would be to the detriment of new Suppliers as they may have more issues once they have entered the market;
- The supporting documentation has not been developed adequately and so the Alternative Modification may be a more lengthy, arbitrary and uncertain process than the current arrangements. This may introduce some gaps in the Performance Assurance Framework. Therefore, it is not possible to say that the Alternative Modification better facilitates the achievement of the Applicable BSC Objectives when compared to the current baseline;
- The role of the PAB would be undermined by the proposal for the Panel or a separate Qualification Board to carry out this function, particularly if there is ambiguous accountability under both the BSC and the MRA. It would be more advantageous to amend the existing PAB requirements so that the PAB can undertake this role;
- There may be situations, for example major industry changes or major changes to a Suppliers systems and processes, where the risks may be most appropriately managed by a preventative Performance Assurance Technique (i.e. re-Qualification). There are undoubtedly some processes that Suppliers need to have in place including for the handling and processing of Meter readings into Settlement and the updating of standing data, the performance or otherwise of which may affect Settlement or other Market Participants. It may create unnecessary risk if Suppliers are completely removed from the re-Qualification process; and
- The number of Metering Systems trigger limit for re-Qualification for Party Agents should not be excluded from the process as a participant may need to make changes to systems and processes to cater for an increase in numbers of Metering Systems but may not do so without the limit being in place. The number limit trigger seems to have operated quite successfully to date and, with suitably

pragmatic rules for its application, provides an appropriate safeguard. It may be difficult to define a step change in the numbers of Metering Systems under the definition of Material Change.

The Group agreed that the Alternative Modification would have a no impact on Applicable BSC Objectives (a), (b), and (d).

4.3 Implementation Date

The Modification Group agreed the following recommended implementation approach for P197:

- An Implementation Date for the Proposed Modification and Alternative Modification of 01 November 2007 if an Authority decision is received on or before 28 September 2006, or 28 February 2008 if the Authority decision is received after 28 September 2006 but on or before 25 January 2007.

Any Applicant going through Entry Processes, Certification or re-Certification when P197 is implemented would continue to follow the old process, although they would be required to complete the process within nine months of the P197 Implementation Date. After this time all applications would revert to the new process. Any Applicant wishing to enter the market, or an existing participant wishing to re-Qualify on or after the Implementation Date would have to do so using the new process.

Any participant that is in the market on the P197 Implementation Date that would fall in the remit of the P197 Qualification and re-Qualification requirements would be deemed to be Qualified on the P197 Implementation Date for the functions that it is performing at that time.

4.4 Legal Text

The Group considered the draft P197 legal text at the last Group meeting and by correspondence and provided comments on the draft legal text. The draft legal text was updated as a result of these comments prior to the industry consultation. The Group carried out a further review of the revised draft legal text in parallel with the P197 Report Phase consultation.

5 RATIONALE FOR PANEL'S RECOMMENDATIONS TO THE AUTHORITY

5.1 Panel's Consideration of Assessment Report

The Panel considered the P197 Assessment Report at its meeting on 11 May 2006. This section summarises the Panel's discussions in formulating its provisional recommendation for inclusion in the draft Modification Report. Details of the Report Phase consultation responses, the Panel's discussion of the responses and its final recommendation to the Authority can be found in Sections 5.2, 5.3 and 5.4 respectively.

5.1.1 Assessment Procedure Consultation Responses

One member of the Panel commented that they believed that it was desirable for the Panel to have a choice of who made determinations on Qualifications, as recommended by the Alternative Modification. It was felt that there was a difference between assessing a participant's ability to enter the market and the ongoing monitoring of performance. Another member of the Panel voiced concern with the potential replacement of the PAB in carrying out determination on Qualifications by the Panel or a Panel Committee. This Panel Member believed that the PAB had already established a reputation for diligence and firmness when making decisions on the entry and performance of market participants and therefore felt that they were the most appropriate body to be making these determinations.

One Panel Member noted the concerns raised by some respondents to the Assessment Procedure Consultation and one Modification Group member surrounding the lack of the detail of the process in supporting documentation at this stage. The Panel noted that the rest of the Modification Group was comfortable with the level of detail provided at this stage. The Panel noted that it is intended that some of

the documents will be developed by the service provider who carries out the Qualification process and that examples of some of the detailed documentation had been given in Appendices 5, 6 and 7 of the Assessment Report.

One Panel Member commented that they were surprised that it was not possible to estimate the cost of the process to be delivered by the service provider at this stage. The Panel noted that the proposed process is broadly similar to the current Certification Process, but extended to include Suppliers and LDSOs when acting in their capacities as UMSOs. Therefore it was felt that the costs were likely to be broadly similar to current costs to provide Certification and Entry Processes, however it would not be possible to estimate this further until a procurement had been carried out. The Panel noted that the cost savings associated with P197 are likely to be made by Applicants as opposed to centrally.

One Panel Member queried why P197 was including the provision for Applicants to pay for the Qualification service. The Panel noted that this provision currently exists for the Certification Process. The current Certification Process determines the inherent risk of an Applicant based on their intended role and intended size. Any Applicant determined to be 'high' risk is charged a fee for the Certification Process. This menu of fees is contained on the ELEXON Website at: [ELEXON - Menu of Certification Fees](#). The Panel noted that the Modification Group believed that it was useful to retain the provision for an Applicant to pay for the Qualification service, however believed that it should initially be set to zero. The Panel noted that any change in this fee (i.e. away from zero) would have to be agreed by the PAB. Since the Qualification process does not determine the inherent risk of an Applicant at the start of the process, it may be that if a fee was set for the Qualification process, it would be applied equally across for all Applicants. One Panel Member asked whether a charge would be levied on participants if issues arose whilst they were completing the Qualification process. The Panel noted that the Group agreed that it may not be appropriate to charge Applicants who needed more assistance a greater fee. However, for example a fee could be set uniformly if over time the PAB felt that this would encourage participants to take a more proactive approach to their Qualification.

One Panel Member questioned whether a joint service provider with the MRA could be procured. The Panel noted that the Modification Group had to consider P197 within the confines of the BSC. The Panel noted that there would be a need for a service provider to deliver P197. The Panel also noted that whilst the Group felt that it would be useful to have a joint service provider, if witness testing at an Applicant was required, this could be witnessed by two people representing the BSC and MRA respectively at the same time. This would be better than the current process whereby the BSC and MRA witness the testing separately so that individual tests need to be carried out twice.

One Panel Member noted that under the Alternative Modification, there would be no need for Suppliers to re-Qualify. The Panel noted that under the current provisions, Suppliers only have to re-Qualify (in as much as they have to undergo further Entry Process testing) when there is a major industry change. The majority of the Modification Group felt that the fact that Suppliers do not have to re-Qualify currently when making a major change to systems and processes does not appear to be an issue. A majority of the Group also felt that Suppliers do not pose a fundamental risk to Settlements. Therefore the majority felt that there was no need to introduce re-Qualification for Suppliers unless there was a major industry change, in which case the Modification introducing any major industry change could include any relevant re-Qualification requirements. The Panel noted that a minority of the Modification Group felt that it would be desirable for Suppliers to have to re-Qualify when making material changes to their systems and processes.

One Panel Member noted that the Alternative Modification was removing the Qualification Limit for Party Agents. The Panel noted that the majority of the consultation respondents and the majority of the Modification Group felt that there is no value in having a limit at which a Party Agent should have to re-Qualify, as they felt that a gradual increase in the numbers of Metering Systems that a Party Agent is responsible for should not cause the Party Agent any problems. The Panel noted that the majority of the Modification Group believed that if a Party Agent took on a large number of Metering Systems in a short period of time, then this would be a requirement for re-Qualification under the definition of a Material

Change. The Panel noted that a minority of the Modification Group felt that there should be a limit at which Party Agents have to go through the re-Qualification process.

The Panel noted that the aim of P197 was to introduce a Qualification process that was based on the risks posed by each individual Applicant as opposed to a uniform process that is applied to all Applicants no matter what risk they pose to Settlement.

5.1.2 Applicable BSC Objectives

a) Proposed Modification

The **UNANIMOUS** provisional view of the Panel was that the Proposed Modification **WOULD NOT** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline, for most of the same reasons as cited against the Proposed Modification by the Assessment Procedure consultation respondents and the P197 Modification Group. The Panel disagreed with the minority of Modification Group members and Assessment Procedure consultation respondents who suggested that it is not possible to determine whether the Proposed Modification better facilitates the Applicable BSC Objectives due to the detail of the supporting documentation not being developed at this stage. The Panel agreed that they were comfortable with the level of detail developed at this stage.

The Panel agreed that the Proposed Modification would have no impact on Applicable BSC Objectives (a), (b) and (d).

b) Alternative Modification

The **UNANIMOUS** provisional view of the Panel was that the Alternative Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current baseline and the Proposed Modification, for same reasons as cited for the Alternative Modification by the Assessment Procedure consultation respondents and the P197 Modification Group, and for the following reason:

Applicable BSC Objective (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:

- The current Accreditation, Certification and Entry Process requirements are overly complicated and therefore form a barrier to entry. The Qualification process proposed under the Alternative Modification is more relevant to the current market thus removing this barrier to entry. This would lead to a decrease in the costs for new entrants to enter the market which would promote competition, thus better facilitating the achievement of Applicable BSC Objective (c).

The Panel agreed that the Alternative Modification would have a neutral impact on Applicable BSC Objectives (a), (b), and, (d).

c) Provisional recommendation to the Authority

The Panel therefore agreed a **UNANIMOUS** provisional recommendation to the Authority that:

- The Proposed Modification **SHOULD NOT** be made; and that
- The Alternative Modification **SHOULD** be made.

5.1.3 Implementation Date

The Panel agreed with the Modification Group's recommendations regarding the Implementation Date for P197.

5.1.4 Legal Text

The Panel noted that some changes had been made to the P197 draft legal text to take into account comments from Group members and that this version of the draft legal text would be issued as part of the P197 Report Phase consultation.

5.2 Results of Report Phase Consultation

9 responses (representing 54 Parties and 1 non-Party) were received for the P197 Report Phase consultation.

A summary of the consultation responses is provided in the table below (bracketed numbers represent the number of Parties and non-Parties represented by respondents).

Q	Consultation question	Yes	No	Neutral
1.	Do you agree with the Panel's views on P197 and the provisional recommendation to the Authority contained in the draft Modification Report that P197 should not be made? Please give rationale.	9 (54,1)		
2.	Do you agree with the Panel's views on Alternative Modification P197 and the provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P197 should be made? Please give rationale.	5 (30,1)	4 (24,0)	
3.	Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	7 (37,1)	1 (10,0)	1 (7,0)
4.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P197? Please give rationale.	7 (39,1)	1 (5,0)	1 (10,0)
5.	Are there any further comments on P197 that you wish to make?	3 (21,0)	6 (33,1)	

Full copies of the consultation responses can be found in [Appendix 4](#).

5.2.1 Applicable BSC Objectives

The Report Phase consultation responses contained the following new arguments in addition to those previously expressed during the Assessment Procedure:

Against Proposed Modification P197:

- Proposed Modification P197 does not offer sufficient advantages to warrant the time and effort required for its implementation.

One respondent stated that whilst they did not believe that the Proposed Modification better facilitates the Applicable BSC Objectives, it was preferred over the Alternative Modification as it includes the re-Qualification of Suppliers. This respondent felt that there is not any justification for removing Suppliers from

re-Qualification requirements given their potential impact on Settlement (for example from Systems migration and industry consolidation).

In favour of Alternative Modification P197

- P197 may reduce the initial costs of market participation, thereby reducing a barrier to entry that is present in the current process

One respondent stated that whilst they felt that the P197 Alternative Modification is preferable to the Proposed Modification, they did have concerns surrounding the exemption of Suppliers from the Qualification process and the removal of the concept of a Qualification limit. This respondent stated that the exclusion of Suppliers from the re-Qualification process does not appear to have been sufficiently justified as the systems and processes run by Suppliers are crucial to the efficient and accurate operation of the Supplier hub. This respondent also stated that the removal of the Qualification limit may mean that an agent will have to make serial re-Qualification applications to facilitate continued expansion as opposed to applying for re-Qualification at a specified target volume.

Against Alternative Modification P197

- The Alternative Modification does not effectively address the issues that have been identified (e.g. appropriate methods to mitigate Settlement risk, streamlining and alignment in conjunction with MRA documentation);
- There should be witnessed testing, in order to mitigate risk and maintain standards;
- It is hard to see how the removal of the Supplier hub approval element of Entry Processes and the exclusion of Supplier re-Qualification will positively contribute to the overall issue of data quality and inconsistencies across the industry;
- There is a concern about the exclusion of the 'hook' in the Code for the application of re-Qualification to Suppliers in the case of major industry change and instead relying on appropriate Modifications to introduce this as it was felt that Performance Assurance aspects do not always receive adequate attention in the Modification Process. It was also felt that in this case, new Suppliers would have to Qualify to a substantially different (and potentially more onerous) baseline than existing ones have;
- The detailed requirements have not been developed and therefore it is impossible to assess the costs and benefits for market participants meaningfully;
- There is no estimate of the Service Provider costs;
- Any increased costs on the other Performance Assurance techniques (or the impact of the weakening of the framework) do not appear to have been taken into account; and
- The proposed changes may be superseded or changed considerably within the next year or two by proposals from the current PAF Review, meaning a reduced timescale for any benefits to be realised.

All those respondents who did not agree with the Panel's provisional recommendation that Alternative Modification P197 should be made reiterated concerns about the exclusion of Suppliers from the re-Qualification process.

General Comments

One respondent noted that P197 would remove the requirement for individual Supplier hubs to be qualified for new Suppliers and felt that this could lead to problems if information could not be successfully transferred between a Supplier and its agents. This requirement would also apply to existing Suppliers registering new Supplier hubs following the Implementation Date of P197. The Modification Group felt that this current requirement is unnecessary as it is a paper exercise. As part of the Qualification process, participants would have to provide evidence that they can communicate with other relevant participants.

One respondent stated that they did not believe that the process of agents voluntarily withdrawing from the market should be included in the Modification as there are no details on how this would be managed. The Modification Group agreed that the detail of these processes would be developed during the implementation of the Modification. The Group noted that agents do sometimes want to withdraw from the market, and currently, the PAB has to remove the Accreditation of an agent that wishes to withdraw from the market. The Group felt that it was more appropriate to have a mechanism whereby an agent can voluntarily have their Qualification withdrawn, to force Suppliers who use that agent to change agents.

5.2.2 Implementation Date

One respondent felt that the implementation should be in a shorter timescale. This was due to the belief that the nature of this Modification is procedural and therefore would have no impact on BSC or Party computer systems. Another respondent stated that they felt that the timescale was disappointingly far into the future, however they understood the basis for this timescale and agreed with the proposed Implementation Date.

One respondent stated that they agreed with the proposed Implementation Date but felt that due regard should be given to any other document changes that would be needed in light of P197.

One respondent expressed concern about the impact of any reworking that may stem from further proposals raised following the PAF Review and suggested that the implementation of P197 could be overtaken by events. This respondent also questioned whether the late completion of documents allows an adequate lead time for Applicants who may wish to commence the new process immediately following the Implementation Date.

5.2.3 Legal Text

The following comments were provided on the legal text by consultation respondents and the following changes have been made to the legal text:

- In paragraph J1.2.4 (and in Section J generally) it needs to be made clearer that persons are always Qualified in respect of particular functions – in particular, that just because someone is Qualified as a Supplier does not mean they are Qualified in respect of Party Agent functions. *Section J.2.1.4 has been clarified to make it clear that this section relates to a Party being Qualified in respect of the Party Agent role that it is to carry out;*
- Regarding the implementation approach, one respondent noted in paragraph J2.1.5 that applicants already in the existing “processes” at the Implementation Date are to be given the option of continuing to remain subject to these (provided they complete them within 9 months). However, they questioned whether these “processes” would still be in force after the Implementation Date (since it does not say anywhere that this will be the case), and suggested that the drafting of Section J needs to be modified to correct this, possibly by maintaining the existing processes in the Code alongside the new ones, with appropriate wording regarding the Implementation Date. This respondent felt that otherwise a loophole would be created or any applicants trying to follow the old process may be delayed. *An extra sentence has been added to say ‘for the avoidance of doubt, these processes shall be enforceable for nine months after the Implementation Date of the Modification’. The Modification Group agreed that Applicants undergoing the old Entry Process, Certification and Accreditation techniques on the P197 Implementation Date would have nine months to complete these processes.*
- One respondent felt that it needs to be clarified whether J3.3.14 means the Applicant will be considered Qualified immediately following this decision or only when it has completed the additional matters. *Sections J3.3.13 and J3.3.14 have been amended to clarify that an Applicant will be Qualified immediately following this decision;*

- It needs to be clear that J3.3.15 does not mean the Applicant can attend the whole of that part of the meeting – The Panel/committee must have the opportunity for a confidential discussion before reaching its decision, like any other such body. *In section J3.3.15 'considered' has been changed to 'presented' to allow the Panel to have a confidential discussion about the Applicant, if so required*
- It needs to be made clear in J3.4.1 that Qualification can be removed in respect of Party Agent functions, whether or not the person concerned is also a Party. *Section J 3.4.1 has been clarified by stating that Qualification cannot be removed from a Party 'acting in its capacity as a Supplier, SMRA or UMSO'*
- J3.4.8 would not appear to be as intended for a Party which ceased being a Party but wished to continue as a Party Agent. *Section J 3.4.8 has been clarified to show that it is a Party acting in its capacity as a Supplier, SMRA or UMSO.*
- In J3.5.2 it would be better to say "stating whether or not it has been subject to a Material Change ..." rather than require the Qualified Person to make a statement which might be untrue and which would not therefore help. *This has been amended;*
- A number of typing errors and formatting issues highlighted by consultation respondents have also been amended;
- One respondent felt that there needs to be an explanation as to why there is a complete omission of the use of the words "Qualification Board" in the Alternative legal text as this version was created on the basis that the PAB was deemed unsuitable in their current capacity to carry out the relevant Qualification process decision-making. *Throughout the Modification process, the Modification Group felt that a separate body, i.e. a Qualification Board should be responsible for the Qualification Process as opposed to the PAB in the Alternative Modification. At the last Modification Group meeting, as a result of responses to the Assessment Procedure consultation, the Modification Group agreed that instead of defining the role of a Qualification Board in the Alternative Modification, it would be more appropriate if the role rested with the Panel as the Panel could decide whether to carry out this role themselves, delegate this role an existing Panel Committee, or create a new Panel Committee (a Qualification Board) to carry out this role. The Modification Group's discussions around the Qualification decision making body are included in the P197 Assessment Report;*
- One respondent stated that they did not think that the proposed wording of section J3.5.1 (introduced to make significant increases in volume part of the definition of Material Change rather than a separate criterion) works, because the number of Metering Systems in relation to which the person intends to perform the functions (see (b)) will presumably already have increased (and hence the Material Change will already have occurred) before the person has completed the Re-Qualification process, and therefore they will already be non-compliant. Under such circumstances this respondent felt that it is not realistic to expect participants to submit a Re-Qualification document with which they would effectively be declaring themselves non-compliant. This respondent stated that they assumed that the Qualification document would have to state the maximum number of Metering Systems in relation to which the person intends to perform the functions in order to make the basis against which any "significant increase" would have to be judged objectively assessable and therefore enforceable, and that this figure would have to be updated. The respondent felt that it would have been much better to retain the clearer and simpler volume limit process to provide the trigger (the risk assessment at this point would be no more onerous). *The start of this paragraph of the legal text states that a Qualified Person shall be required to re-Qualify prior to it being subject to a Material Change. The paragraph is also designed to give examples of where a Qualified Person shall be required to re-Qualify. Therefore no changes have been made to this paragraph. It should also be noted that the majority of the Modification Group agreed that under the Alternative Modification, there should be no volume limit to provide the trigger for a re-Qualification;*

- One respondent stated that it is not clear why the words "this Section J and" have been added in 2.2.2 as the requirements could be in either in Section J, BSC Procedures or indeed other documents. *The Qualification requirements in the Code are much more detailed than they use to be. Therefore section J has been referenced here. It should also be noted that any requirement in relation to the Qualification process would be included in the Code or BSC Procedures. Requirements would not be included in other documents. Therefore, no changes have been made in respect of this comment;*
- One respondent stated that the last line of paragraph J2.1.5 states: "...and shall be obliged to apply for Qualification." This respondent stated that although they agreed that this would be a requirement if the Party / Party Agent decided to proceed with market entry, they were unsure that this would be an obligation per se. *This has not been amended as if an Applicant is going through the old processes at the P197 Implementation Date and was unable to complete those processes within nine months, they would have to start the new processes and so this would be an obligation;* and
- One respondent questioned whether J3.3.13(c) should refer to a technical assurance check within a specified period of time. *This would be at the PAB's discretion, so no changes have been made to the legal text in respect of this comment.*

In addition to the changes made to the draft legal text as a result of consultation responses, the following additional clarifications have been made to the legal text as a result of internal ELEXON review:

- Section J2.1 has been split into two sections and a new paragraph heading has been inserted as Section J2.1A so as to highlight the Transitional Arrangements. References to Certification have also been amended so that where necessary it correctly includes the fact that it is the Agency Systems which have been Certified;
- Section J2.1.2 has been amended so that the requirement to carry out Section O testing "processes" is in fact a requirement to carry out Section O testing "requirements". It was thought that the word "processes" was misleading;
- In the Alternative Modification legal text, a new paragraph has been inserted at Section J3.1.4 which states that "For the avoidance of doubt, the Panel may establish or appoint a Panel Committee to discharge its functions under this Section J and BSCP 531 in relation to the Qualification Process." This was included so as to give further assurance that the Panel may delegate its Qualification functions;
- Section J3.3.13 details the decisions that the PAB / Panel or its delegated authority has in making a determination in the qualification of an Applicant. Clauses (a) and (b) have been amended as it was felt that there was some repetition in these clauses;
- Section J3.3.14(d) has been amended so that the cross referencing is correct. It should be cross referenced to 3.3.14(c) as the clause 3.3.14 is referring to the fact that an Application will still be accepted if minor non compliances are in existence provided that they are subject to a technical assurance check. In addition, the body of this paragraph has been amended so that it is consistent with the wording in 3.3.13(c); and
- A number of typing errors and formatting issues have also been amended.

5.3 Panel's Consideration of Draft Modification Report

5.3.1 Report Phase Consultation Responses

The Panel noted that there had been a number of comments by respondents on the draft legal text. It was confirmed that the changes made to the draft legal text as a result of these comments were clarifications

and did not alter the intent of the draft legal text. The Panel confirmed that they were happy with the process for producing the legal text.

One Panel Member noted the strength of feeling by the consultation respondents that disagreed with P197 relating to the exclusion of Suppliers from the re-Qualification process in the Alternative Modification. The Panel noted that the current requirements are that Suppliers would have to re-Qualify (undergo Entry Process testing) as a result of a major industry change. The P197 Proposed Modification would expand this requirement so that Suppliers would have to re-Qualify if they made a material change to their systems and processes. The P197 Alternative Modification would decrease current requirements and exclude Suppliers from re-Qualification. The Panel felt that whilst there were concerns, the Alternative Modification is better than the Proposed Modification.

One Panel Member noted the concerns raised by consultation respondents relating to the removal of the concept of a Qualification Limit for Party Agents. Currently Party Agents are Accredited to a certain number of Metering Systems and have to re-Certify where they want to increase the number of Metering Systems over this limit. This concept is included in the P197 Proposed Modification, but removed in the P197 Alternative Modification. Under both the Proposed and Alternative Modifications, there is a requirement for participants to re-Qualify when making material changes to their systems and processes. Guidance and examples of what would constitute a material change would be included in BSCP531. An example of the type of detail that would be included is given in Appendix 7 of the P197 Assessment Report. Under the P197 Alternative Modification, this would include where a Party Agent was making a step change in the numbers of Metering Systems that it was responsible for (i.e. a large increase in Metering Systems over a short period of time). The Panel felt that despite this concern, on balance, the Alternative Modification was better than the Proposed Modification.

The Panel noted the concerns raised by one consultation respondent on the fact that the detailed changes to subsidiary documents required to support P197 have not been developed yet. The Panel asked how ELEXON would ensure that the detail in the supporting documents is consistent with the P197 legal text. The Panel noted that the majority of the Modification Group agreed that it was appropriate to define the principles as part of the Modification and develop the detailed documents during the implementation of the Modification. The Panel also noted that some of the documents would be developed by a service provider and some of the documents would be internal ELEXON documents. Should P197 be approved, during the implementation, there would be industry review of the changes to the subsidiary document and a walkthrough of these changes. Therefore industry would have the opportunity to pick up any issues with the supporting documents if the detail did not match the principles, or new requirements not underpinned by the Code were added. If during the drafting, industry concluded that one of the principles in the Code was wrong, then another Modification would have to be raised to address this. Should P197 be approved, the Panel felt that it would be appropriate to publish details relating to the implementation of P197, including timescales on a regular basis.

One Panel Member noted that new Suppliers would have to Qualify to a different baseline to existing Suppliers. This Panel Member felt that this may mean that the requirements on new Suppliers are different to those on existing Suppliers. Some respondents to the consultation felt that the new process would be more onerous than the existing process (as the detailed supporting documents for P197 have not been developed at this stage). The aim of P197 is to introduce a Qualification process that is based on the risks posed by the Applicant and so the new process should not be more onerous than the existing process unless the risks posed by the Applicant warrants this.

5.3.2 Applicable BSC Objectives

The Panel Members felt that the responses to the Report Phase consultation did not change their views in respect of the Proposed Modification and Alternative Modification, which were to reject the Proposed Modification and accept the Alternative Modification.

5.3.3 Implementation Date

The Panel's views of the P197 Implementation Date did not change as a result of the P197 Report Phase consultation.

5.3.4 Legal Text

The Panel agreed the legal text, including the changes made as a result of the P197 Report Phase consultation, as detailed in section 5.2.3 above.

5.4 Panel's Final Recommendation to the Authority

On the basis of the above discussions, the Panel therefore agreed a **UNANIMOUS** recommendation to the Authority that:

- The Proposed Modification **SHOULD NOT** be made; and that
- The Alternative Modification **SHOULD** be made.

The Panel agreed the following recommended implementation approach for P197:

- An Implementation Date for the Proposed Modification and Alternative Modification of 1 November 2007 if an Authority decision is received on or before 28 September 2006, or 28 February 2008 if the Authority decision is received after 28 September 2006 but on or before 25 January 2007.

The Panel agreed the legal text for modifying the Code in respect of the Proposed Modification and Alternative Modification, as provided in Appendix 1.

6 TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

Acronym/Term	Definition
AA	Annualised Advance
BSC	Balancing and Settlement Code
BSCCo	Balance and Settlement Code Company
BSCP	BSC Procedure
CVA	Central Volume Allocation
DTSP	Data Transfer Service Provider
EAC	Estimated Annual Consumption
EPC	Entry Process Co-ordinator
ISG	Imbalance Settlement Group
IWA	Initial Written Assessment
LDSO	Licensed Distribution Systems Operator
MRA	Master Registration Agreement
MRASCo	MRA Service Company
PAB	Performance Assurance Board

PAF	Performance Assurance Framework
SACR	Self Assessment Certification Return
SMRA	Supplier Meter Registration Agent
SMRS	Supplier Meter Registration Service
SVA	Supplier Volume Allocation
SVAA	Supplier Volume Allocation Agent
SVG	Supplier Volume Allocation Group
UMSO	Unmetered Supplies Operator

7 DOCUMENT CONTROL

7.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	11/05/06	Geoffrey Sekyere-Afriyie	Katie Key	For peer review
0.2	15/05/06	Geoffrey Sekyere-Afriyie	Sarah Jones	For technical and quality review
0.3	16/05/06	Katie Key	Interested Parties	For Consultation
0.4	30/5/06	Geoffrey Sekyere-Afriyie	Katie Key	For peer review
0.5	31/5/06	Geoffrey Sekyere-Afriyie	Sarah Jones Colin Berry	For technical and quality review
0.6	1/6/06	Geoffrey Sekyere-Afriyie		For Panel Decision
0.7	8/6/06	Geoffrey Sekyere-Afriyie	Katie Key	For peer review
0.8	12/6/06	Katie Key	Sarah Jones	For quality review
1.0	13/6/06	Katie Key		For Authority Determination

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APPENDIX 1: LEGAL TEXT

Legal text for the Proposed Modification is attached as a separate document, Attachment 1A.

Legal text for the Alternative Modification is attached as a separate document, Attachment 1B.

APPENDIX 2: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the BSC Website at: [ELEXON - Modification Proposal 197](#)

Date	Event
12/12/05	Modification Proposal raised by Laing Energy
12/01/06	IWA presented to the Panel
13/01/06	First Assessment Procedure Modification Group meeting held
31/01/06	Second Assessment Procedure Modification Group meeting held
07/02/06	Third Assessment Procedure Modification Group meeting held
09/02/06	1 month extension granted by Panel
06/03/06	Fourth Assessment Procedure Modification Group meeting held
10/03/06	Request for Party/Party Agent impact assessments request issued
10/03/06	Request for Transmission Company analysis issued
10/03/06	Request for BSCCo impact assessment issued
10/03/06	First Assessment Procedure consultation issued
23/03/06	Party/Party Agent impact assessment responses returned
23/03/06	Transmission Company analysis returned
23/03/06	BSCCo impact assessment returned
23/03/06	First Assessment Procedure Consultation Responses Returned
27/03/06	Fifth Assessment Procedure Modification Group meeting held
05/04/06	Second Assessment Procedure consultation issued
19/04/06	Second Assessment Procedure consultation responses returned
21/04/06	Sixth Assessment Procedure Modification Group meeting held
11/05/06	Assessment Report presented to the Panel
16/05/06	Draft Modification Report issued for industry consultation
30/05/06	Draft Modification Report consultation responses returned
08/06/06	Draft Modification Report presented to the Panel
13/06/06	Final Modification Report issued to the Authority for determination

ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL¹³

Meeting Cost	£3,000
Legal/Expert Cost	£0
Impact Assessment Cost	£3,000
ELEXON Resource	90 Man days £ 19k

These are the revised costs based on a four month Assessment Procedure. The original costs included in the IWA were based on a three month Assessment Procedure. The one month extension to the Assessment Procedure and the additional resource requirements to progress the Modification has lead to an increase in ELEXON resource of 28 man days and increase in meeting costs of £1,000.

APPENDIX 3: ASSESSMENT REPORT

The P197 Assessment Report is attached as a separate document, Attachment 3A.

The Assessment Report includes:

- The conclusions of the Modification Group regarding the areas set out in the P197 Terms of Reference;
- Details of the Group's membership;
- The full results of the Assessment Procedure impact assessment; and
- Full copies of all responses to the Assessment Procedure consultations;

APPENDIX 4: REPORT PHASE CONSULTATION RESPONSES

Full copies of the Report Phase consultation responses are attached as a separate document, Attachment 4A.

¹³ Clarification of the meanings of the cost terms in this appendix can be found on the BSC Website at the following link:
http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf