

TERMS OF REFERENCE
(Version 1.0)

PRICING ISSUES MODIFICATION GROUP

1. ESTABLISHMENT OF GROUP

1.1 Establishment

- 1.1.1 The Group is established by the BSC Panel as a Modification Group pursuant to Section F2.4 of the Balancing and Settlement Code (BSC).
- 1.1.2 The Group will continue until such time as it is dissolved by the Panel.
- 1.1.3 The Group shall not be a Panel Committee for the purposes of Section B5 of the BSC.

1.2 Role and Objectives

- 1.2.1 The Group is established in order to carry out a Definition Procedure and/or Assessment Procedure in respect of a single Modification Proposal or a number of Modification Proposals pursuant to section F2.5 and/or F2.6 of the BSC. The details of the Modification Proposal(s) to be considered by the Group, together with any special instructions or guidance from the Panel to be taken into account during its consideration of such Modification Proposal(s) are set out in Annex 1. Those areas of the Group's powers or activities that shall require the prior approval of the Panel are also set out in Annex 1. The Group shall also seek such instructions, clarification or guidance from the Panel as detailed in Annex 1.
- 1.2.2 In conducting its business, the Group shall have due regard to the following objectives (as if references to the Panel were references to the Group):
- *The Panel shall endeavour at all times to operate the Modification Procedures:*
 - (a) *in an efficient, economical and expeditious manner, taking account of the complexity, importance and urgency of particular Modification Proposals; and*
 - (b) *with a view to ensuring that the Code facilitates achievement of the Applicable BSC Objective(s).*

2. COMPOSITION AND APPOINTMENT OF THE GROUP

2.1 Group Chairman

- 2.1.1 The Panel shall appoint one of the members of the Group to act as chairman of the Group, and the Panel may change the chairman of the Group from time to time as it sees fit.

2.2 Group Members

- 2.2.1 The Group shall comprise at least 5 members selected by the Panel for their relevant experience and/or expertise in the areas forming the subject-matter of the Modification Proposal(s) to be considered by such Modification Group (and the Panel shall ensure, as far as possible, that an appropriate cross-section of experience, interests and expertise is represented on such Modification Group).
- 2.2.2 In addition to the members appointed by the Panel pursuant to paragraph 2.1.1:
- (a) the Proposer of each Modification Proposal to be considered by the Group shall be entitled to appoint one member of the Group;
 - (b) the Transmission Company shall be entitled to appoint one member of the Group (unless the Transmission Company is the Proposer, in which case paragraph (a) applies); and
 - (c) unless the Panel otherwise determines, the Panel shall appoint at least one additional member of each Modification Group who shall be an employee of BSCCo, and BSCCo shall make appropriately qualified BSCCo staff available for this purpose.
- 2.2.3 The Panel may add further members to the Group at any time.
- 2.2.4 The Panel may (but shall not be obliged to) replace any member of the Group at any time if, in the Panel's opinion, such member is unwilling or unable for whatever reason to fulfil that function and/or is deliberately and persistently disrupting or frustrating the work of the Group.

2.3 Group Secretary

- 2.3.1 There shall be a secretary to the Group who shall be a person nominated and provided by BSCCo and approved by the Group chairman.

2.4 Representative of the Authority

- 2.4.1 A representative of the Authority may attend and speak any meeting of the Group.

3. DUTIES OF GROUP MEMBERS

3.1 General

- 3.1.1 Members of the Group shall act in accordance with these Terms of Reference as determined (and, if applicable, changed) by the Panel.

3.2 Impartiality

- 3.2.1 Members of the Group shall act impartially and shall not be representative of a particular person or class of persons (and, accordingly, no member shall agree to follow or be bound by the instructions of any person or body, other than the Panel pursuant to Section F of the BSC, in the exercise of his functions as a member of the Group).

3.3 Availability

3.3.1 Prior to being appointed as a member of the Group:

- (a) each proposed member of the Group shall be required to confirm to the Panel that he will be available as required throughout the relevant Definition Procedure or Assessment Procedure to attend Modification Group meetings and to carry out work to be undertaken outside those meetings as necessary;
- (b) where the proposed member is employed, he shall provide to the Modification Secretary a letter from his employer agreeing that he may act as a member of a Modification Group, and that the requirements of paragraph 3.1 shall prevail over his duties as an employee.

4. INDEMNITY OF AND PROTECTIONS FOR GROUP MEMBERS AND OTHERS

- 4.1 BSCCo shall indemnify and keep indemnified the Members and Secretary of the Group, in accordance with Section B2.9 of the BSC.

5. EXPENSES

- 5.1 Each Group Member shall be entitled to be reimbursed by BSCCo for the reasonable expenses properly incurred by such Group Member in attending meetings of or otherwise in the conduct of the business of the Group.

6. APPROVAL OF EXPENDITURE

- 6.1 In addition to any staff made available to act as members of the Group, BSCCo shall provide such staff, facilities and support to the Group (including the engagement of external consultants and advisers) as the Group may reasonably require to assist with the administration and operation of its business provided that any expenditure over £10K, up to a value of £50K, shall require the prior approval of the Panel Chairman (in consultation with BSCCo). Any expenditure over £50K shall require the prior approval of the Panel (in consultation with BSCCo).
- 6.2 Prior to the taking of any steps in an Assessment Procedure which would result in the incurring of costs greater than £10K for BSCCo, the Modification Group shall seek and comply with the views of the Panel Chairman as to whether to proceed with such steps and, in giving its views, the Panel Chairman may consult with the Authority in respect thereof. Prior to the taking of any steps in an Assessment Procedure which would result in the incurring of costs greater than £50K for BSCCo, the Modification Group shall seek and comply with the views of the Panel as to whether to proceed with such steps and, in giving its views, the Panel may consult with the Authority in respect thereof.
- 6.3 For the purposes of paragraph 6.2, the steps include:
- (a) the commissioning of detailed impact assessments;
 - (b) the commissioning of legal text to modify the BSC in order to give effect to a Proposed Modification and/or an Alternative Modification.

7. POWERS AND FUNCTIONS OF THE GROUP

7.1 Definition Procedure

7.1.1 The provisions of this paragraph 7.1 shall apply if the Panel decides to submit a Modification Proposal to the Group under the Definition Procedure.

7.1.2 The purpose of the Definition Procedure is to define the issues raised by a Modification Proposal in sufficient detail to enable the Panel to determine which of the options set out in paragraph F2.5.9 of the BSC is the most appropriate in all the circumstances.

7.1.3 The Group shall review the Modification Proposal for the purpose set out above and shall prepare a written report for the Panel (in accordance with the timetable determined by the Panel) which shall set out, in relation to the Modification Proposal, the following matters:

- (a) an assessment of the issues raised by the Modification Proposal with supporting information and data to explain the effect of such issues by reference to the Applicable BSC Objective(s) and a summary of such assessment;
- (b) an analysis of and the views and rationale of the Modification Group as to whether (and, if so, to what extent) the issues raised by the Modification Proposal warrant further assessment and evaluation;
- (c) a detailed summary of the representations made by Parties and interested third parties during the consultation undertaken by the Modification Group and the comments and views of the Modification Group in respect thereof;
- (d) a summary of any analysis prepared by the Transmission Company and the comments and views of the Modification Group in respect thereof;
- (e) a summary of any analysis prepared by relevant BSC Agents and the comments and views of the Modification Group in respect thereof;
- (f) a copy of the terms of reference and a summary of any report or analysis of external consultants or advisers; and
- (g) such other matters as the Panel may require

7.1.4 In preparing its report, the Modification Group shall:

- (a) analyse the representations made in response to the consultation instigated by the Modification Secretary pursuant to Section F2.2.6 of the BSC;
- (b) conduct such further consultation with Parties and interested third parties as may be required by these terms of reference or, subject to the Panel's prior approval, as it considers necessary;

- (c) where appropriate (and subject to any requirement for Panel approval as set out in these terms of reference), request BSCCo to commission an analysis from BSC Agents and/or external consultants and/or advisers with relevant specialist knowledge;
 - (d) where such views have been obtained, consider the views expressed by those referred to in paragraphs (a) to (c) and by those referred to in paragraph 7.1.5 (a) to (c) below.
- 7.1.5 In respect of each Definition Procedure, BSCCo shall (after appropriate consultation with the Modification Group):
- (a) commission an analysis from the Transmission Company;
 - (b) if requested by the Modification Group, commission an analysis from relevant BSC Agents;
 - (c) if requested by the Modification Group, commission an analysis from external consultants and/or advisers with relevant specialist knowledge.

7.2 Assessment Procedure

- 7.2.1 The provisions of this paragraph 7.2 shall apply if the Panel decides to submit a Modification Proposal to the Group under the Assessment Procedure.
- 7.2.2 The purpose of the Assessment Procedure is to evaluate whether the Proposed Modification identified in a Modification Proposal better facilitates achievement of the Applicable BSC Objective(s) and whether any alternative modification would, as compared with the Proposed Modification, better facilitate achievement of the Applicable BSC Objective(s) in relation to the issue or defect identified in the Modification Proposal.
- 7.2.3 The Modification Group shall:
- (a) evaluate the Modification Proposal for the purpose set out above;
 - (b) where appropriate, develop an alternative proposed modification (the "Alternative Modification") which, as compared with the Proposed Modification, would better facilitate achievement of the Applicable BSC Objective(s); and
 - (c) prepare a report for the Panel (in accordance with the timetable determined by the Panel) which shall set out, in relation to the Proposed Modification and any Alternative Modification, the matters referred to in Annex F-1 of the BSC, to the extent applicable to the proposal in question.
- 7.2.4 In preparing its report, the Modification Group shall:
- (a) analyse the comments made in response to the consultation instigated by the Modification Secretary pursuant to section 2.2.6 of the BSC;
 - (b) conduct such further consultation with Parties and interested third parties as may be required by these terms of reference or, subject to the Panel's prior approval, as it considers necessary;

- (c) where appropriate (and subject to any requirement for Panel approval as set out in its terms of reference), request BSCCo to commission an analysis from BSC Agents and/or external consultants and/or advisers with relevant specialist knowledge;
- (d) where such views have been obtained, consider the views expressed by those referred to in paragraphs (a) to (c) and by those referred to in paragraph 7.2.5 (a) to (c) below.

7.2.5 In respect of each Assessment Procedure, BSCCo shall (after appropriate consultation with the Modification Group):

- (a) commission an analysis and impact assessment from the Transmission Company;
- (b) if requested by the Modification Group, commission an impact assessment from relevant BSC Agents;
- (c) if requested by the Modification Group, commission an analysis from external consultants and/or advisers with relevant specialist knowledge;
- (d) if requested by the Modification Group, commission an analysis from relevant Core Industry Document Owners;
- (e) prepare a project brief for the implementation of the Proposed Modification and any Alternative Modification setting out the proposed steps, timetable and programme plan for such implementation consistent with the proposed Implementation Date in accordance with the BSC, BSCP 40 and the IS Policies.

7.2.6 At any stage during an Assessment Procedure:

- (a) the Panel may request the Modification Group to prepare an interim report setting out its provisional findings; and
- (b) the Panel may seek the views of the Authority as to whether the findings of such report are consistent with the Authority's provisional thinking in respect thereof; and
- (c) the Panel may issue such directions as it sees fit to the Modification Group in consequence of the Authority's views.

7.3 Delegation

7.3.1 The Group shall not further delegate to any person any of its powers, responsibilities and functions except to the extent so permitted by the Panel.

7.4 Provisions relating to data

7.4.1 The Group may use and disclose such data in line with the provisions contained in BSC, Section C, 3.3 for the purposes of discharging its functions and duties.

8. PROCEEDINGS OF THE GROUP

8.1 Open Meetings

8.1.1 Unless otherwise determined by the Group Chairman (in consultation with the Panel Chairman) all meetings of the group shall be open to attendance by a representative of any Party and any other person entitled to receive notice of Panel Meetings under Section B4.1.6 of the BSC; and any person so attending such a meeting may speak if invited to do so by the Group Chairman.

8.2 Frequency of Meetings

8.2.1 Meetings of the Group shall be held as required, at a time and place agreed by the Chairman. It is anticipated that Group meetings will be predominantly London based.

8.3 Convening Meetings

8.3.1 Any meeting of the Group shall be convened by the Group Secretary by notice to each Group Member setting out the date, time and place of the meeting and accompanied any supporting papers available to the Group Secretary at the time the notice is given (and the Group Secretary shall circulate to Group Members any late papers as and when they are received by him).

8.3.2 Where the Group Chairman considers it appropriate a meeting of the Group may be validly held by telephone conference call (or other similar means) where all the Group members present at such meeting can speak to and hear each other; and any decision taken at such meeting shall be valid.

8.3.3 Where the Group Secretary considers that any BSC Agent is or may be required to attend a meeting of the Group, the Group Secretary shall, with agreement of the Group chairman, send to that BSC Agent a copy of the notice convening the meeting, and such part of the agenda and such accompanying papers as in the Group Secretary's opinion concern that BSC Agent, at the same time at which the notice is given to Group Members.

8.3.4 The proceedings of a meeting of the Group shall not be invalidated by the accidental omission to give, or send, notice of the meeting or a copy thereof or any of the accompanying agenda or papers to, or any failure to receive the same by, any person entitled to receive such notice, copy, agenda or paper.

8.3.5 If the Group Secretary considers that it may not be appropriate for the agenda for any meeting of the Group or any accompanying paper to be made available to persons on request as provided in the BSC, Section H, 4.9:

- (a) such agenda or paper shall not be sent to persons of such class or made available, on request, to third parties at the time at which it is sent to Group Members;
- (b) the Group shall consider at the meeting whether it is for such agenda or paper so to be sent or made available;
- (a) unless the Group decides that it is not appropriate, such agenda or paper shall made available on request promptly following the meeting.

8.4 Submission of Papers

- 8.4.1 For the avoidance of doubt any BSC Party, designated body, BSCCo or Group Member may submit papers to the Group. Other bodies wishing to submit papers to the Group will need to submit their papers to a Group Member or BSCCo for sponsorship. All papers should be submitted (in electronic form wherever possible) to the Group Secretary in advance of the meeting at which the paper is to be considered.
- 8.4.2 On receipt of a paper the Group Secretary in conjunction with the chairman shall determine whether the subject of the paper is within the remit of the Group and at which meeting the paper will be tabled. Papers not addressed by the Group will, where practicable, be forwarded to the appropriate body and in all events be reported to the Panel.
- 8.4.3 Other bodies wishing to submit papers to the Group will need to submit their papers to a Group Member or BSCCo for sponsorship.

8.5 Chairmanship of Meetings

- 8.5.1 If the Group Chairman or their agreed alternate is not present after the time for which a Group Meeting has been convened, the Group Members present may appoint one of their number to chair the meeting.

8.6 Reports of Meetings

- 8.6.1 The business day following each meeting of the Group, or as soon as reasonably practicable following each meeting of the Group, the Group Secretary shall prepare and send to Group Members a report outlining the matters conducted at the meeting. This report will exclude any matter that the Group decided was not appropriate for such publication. The Group Secretary shall make such a report available on the BSC Website.

8.7 Publication of Items on the BSC Website

- 8.7.1 In order to promote transparency, the Group Secretary shall make available on the BSC Website the following items relating to each Group Meeting (except where the Group Members decide that a particular item was not appropriate for such publication):
- a) The details of forthcoming meeting (agendas, time, location etc.)
 - b) Papers relating to a forthcoming meeting of the Group;
 - c) The headline, day after, report outlining the matters conducted at the meeting.

8.8 Decisions of the Group

- 8.8.1 The Group should seek to reach a consensus view on matters that it considers. If the Group is unable to reach agreement on any matter, the report of the Modification Group shall instead include a summary of the views of the members of the Modification Group.

ANNEX 1 – SPECIFIC DETAILS OF MODIFICATION PROPOSAL(s) TO BE CONSIDERED BY THE GROUP

P34: Transfer of Imbalances Caused by Balancing Services to NGC

INSTRUCTIONS, CLARIFICATION OR GUIDANCE REQUIRED FROM THE PANEL

Pursuant to paragraph F2.4.12 the following recommendations have been endorsed by the Panel:

The Modification Group will:

- Confirm that there would be no change to the BSC Systems this winter;
- Examine achieving the result outside the Code;
- Include in the Group expertise from the pre-CUSC Group involved in this area since it was already looking at the issues involved;
- Provide an explanation of why NGC cannot achieve this contractually;
- Provide an explanation of the governance arrangements relating to these services (since this was originally intended to be handled under the CUSC arrangements.)

A report on the above issues would be presented to the Panel at its meeting of September 20. The Panel also suggested that the lead analyst on P34 should attend the CUSC Working Group.