

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

Stage 01: Initial Written Assessment

P267:

Consideration of wider industry developments and duration of proposed changes when agreeing progression timetables

P267 seeks to place a clear requirement on the BSC Panel and its Committees to consider wider industry developments and to take account of the likely longevity of a proposed change when agreeing a timetable for progression of a change.

This Modification has been raised with specific reference to the development of the Smart Energy Code which will require thought into the interoperability of arrangements and governance to ensure compatibility and smooth transition between the existing arrangements and a 'Smart world'.



ELEXON recommends
P267 proceeds directly to Report Phase

179/05

P267

Consideration of wider industry developments and longevity of change in agreeing timetables

04 February 2011

Version 1.0

Page 1 of 10

Contents

1	Why Change?	3
2	Proposed Solution	4
3	Things to Consider	5
4	Proposed Progression	8
5	Likely Impacts	10
6	Recommendations	10
7	Further Information	10

About this document:

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 10 February 2011. The Panel will consider the recommendations and agree how to progress P267.

Further information is available in the P267 Modification Proposal which is Attachment A to this document.



Any questions?

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179/05

P267

Consideration of wider industry developments and longevity of change in agreeing timetables

04 February 2011

Version 1.0

Page 2 of 10

1 Why Change?

Summary

P267 seeks to place a clear requirement on the BSC Panel to consider wider industry developments (e.g. the development of the Smart Metering Arrangements /Smart Energy Code), and to take account of the likely longevity of a proposed change in the BSC when agreeing a timetable for progression of a change.

Such a requirement should also apply to the terms of reference of the Panel Committees and Modification Groups.

What is the issue?

Over next few years the industry will be undergoing a considerable level of change with the development of Smart Metering and the Smart Energy Code (SEC). Part of this development is likely to see elements of the existing industry Codes and Arrangements incorporated into the SEC.

Although there is currently uncertainty over the content and architecture of the SEC, it is certain that changes will be required to both the Central systems/processes and Parties systems/processes in order to implement any new arrangements.

During this period of transition between the existing arrangements and a 'Smart world' changes to both the current baseline and new arrangements will have to be managed together. There is a risk that if due consideration is not given when changing the current baseline, changes will be either obsolete or short-lived (i.e. quickly replaced by new arrangements) due to developments in the new Smart arrangements. Implementing changes with a short life span could potentially be costly; especially if the changes impact systems or significantly alter processes.

The Proposer believes that whilst current provisions in the BSC allow the Panel discretion in how to progress change (see section 'Things to consider' below), the provisions can be clarified to state that the Panel may consider wider industry issues or the longevity of a change when agreeing an appropriate progression timetable. This would ensure that time and effort are not wasted in implementing short term changes.

2 Proposed Solution

Proposed Solution

To ensure that the transitional period between the existing arrangements and a 'Smart world' is managed in a stable manner the Proposer believes that the Code must be made clear that the Panel should be able to consider wider industry developments and the longevity of change when agreeing an appropriate progression timetable.

The Proposer has suggested that to help implement P267 the following sections of Section F might be updated:

- F 2.1.2 – To place an obligation on Proposers to, where possible, provide considerations against wider industry developments when submitting a change.
- F 2.2 – Clarify that the Panel may consider wider industry developments and the longevity of change when agreeing an appropriate progression timetable.

P267 also proposes to ensure that similar requirements are placed upon the Panel Committees and Modification Groups when progressing change.

Applicable Objectives

The Proposer believes that P267 will better facilitate the achievement of **Applicable BSC Objectives (d)** as it would avoid additional costs on BSCCo and Industry Parties arising from short term changes, or changes that may be required under the Smart Metering Arrangements.

3 Things to Consider

This section highlights areas that the Panel should consider when making their decision on how to progress this Modification. If P267 goes into the Assessment Procedure then the areas below will form the basis of the Work Group's Terms of Reference.

Is there a defect?

What does the Panel do now?

When reading this Modification it is not immediately apparent that there is a defect in the BSC to resolve. However, the defect is based upon the clarity of the current Code wording rather than the absence of any process.

Section F of the Code states:

- **2.2.3 (c) (ii)** *"The Panel shall determine.... The priority to be accorded to the Modification Proposal (as compared with other pending Modification Proposals) and the timetable to apply for completion of the relevant procedure;"*
- **2.2.8** *"In setting the timetable referred to in paragraph 2.2.3 (c) (ii), the Panel shall exercise its discretion....taking due account of its complexity, importance and urgency."*
- **2.2.9** *"... the Panel shall set the timetable referred to in paragraph 2.2.3 (c) (ii) such that:
(b) in respect of Assessment Procedure, it is no longer than 3 months*

Unless the particular circumstances of the Modification Proposal (taking due account of its complexity, importance and urgency) justify an extension of such a timetable (and provided that the Authority has not issued a contrary direction in accordance with paragraph 1.4.3 in respect thereof)."

- **2.2.10** *"Having regard to the complexity, importance and urgency of particular Modification Proposals, the Panel may determine the priority of Modification Proposals and may (subject to paragraph 1.4.3) adjust the relevant Modification timetable for each Modification Proposal accordingly."*

These Code provisions provide the Panel the ability to agree an appropriate progression timetable for each Modification. In practice the Panel make full use of these provisions and set individual timetables for each Modification.

When setting the appropriate timetables the Panel consider the information contained within the Initial Written Assessment (IWA). The IWAs endeavour to capture issues such as wider industry development and highlights potential conflicts/concerns to the Panel. Whilst the developments in Smart Metering and the SEC are specifically referenced in the Modification, wider industry developments should not be restricted to these. There is always a significant amount of activity going on in the industry; the IWAs endeavour to capture these issues, such as wider industry development, and highlights potential conflicts/concerns to the Panel. These may range from other Codes progressing similar changes to the potential impact of Ofgem reviews to wider scoping work of the EU. This is significant as it delivers the requirement in Section F-1 1 (g) that provides an assessment in the context "of statutory, regulatory and contractual framework within which the Code sits.

The above Code provisions and working practice provide the solution to this Modification i.e. to flag the wider industry concerns and potential longevity o change to the Panel so they may make an informed decision when setting an appropriate timetable. From this point of view there is no defect in the BSC.

However, it could be argued that the wording in section 2.2.8 (*"in setting the timetable referred to in paragraph 2.2.3 (c) (ii), the Panel shall exercise its discretion....taking due account of its complexity, importance and urgency"*.) could be expanded to specify that wider industry issues and change longevity may also be considered.

Therefore, whilst the defect is not apparent it can be argued that there is a defect and that the Code wording could be clarified.

What about Work Groups and the Panel Committees?

As discussed above, a defect can be found regarding the broader wording of the Code and clarifying what the Panel consider when setting progression timetables. However, there is no defect in the BSC regarding what Modification Groups or Panel Committees can consider as part of their assessments.

Section F 2.4 allows the Panel to set the Terms of Reference (ToR) and scope for Work Groups. This allows the Panel to ensure that the Groups capture the necessary information (where it is directly relevant to the Modification in question) needed in order to allow the Panel to make an informed recommendation to the Authority. A Modification is therefore not required to amend these provisions.

Similarly, Section B 5.3.2 states that the Panel provide the Panel Committees Terms of Reference "...and may modify such terms of reference as the Panel shall determine..." Again this allows the Panel to set the ToR and scope of work of the Panel Committees and a Modification would not be required to these provisions to deliver the desired result of P267.

Does P267 just relate to Smart Metering and the SEC?

Although P267 makes reference to the developments in Smart Metering and the SEC as a current example of why the Panel should consider wider Industry issues when progressing change, P267 does not just relate to Smart metering. The Modification refers to all future industry developments that the Panel should consider. Indeed the developments in Smart metering are driving this proposal, but its solution should apply to all future industry issues.

If this Modification just focussed on the developments in Smart metering it would be difficult to justify progression of this change. This is because a change with such a tight focus would not be 'future proof' and would potentially lead to a string of Modifications looking to extend the panel's remit every time a new industry issue was raised; this would not be efficient.

Furthermore, the Smart Metering Implementation Programme (SMIP) and Ofgem have, and will further clarify, the work they will undertake to determine the scope of the SEC, smart solution and any impacts there might be on existing Codes and agreements. It would not be responsible for the BSC, or any other Code, Panel to second guess any future Smart developments; only to act on any known policy and direction from the Programme.

179/05

P267

Consideration of wider industry developments and longevity of change in agreeing timetables

04 February 2011

Version 1.0

Page 6 of 10

Other related changes across industry

Similar proposals to P267 are being raised under the UNC, MRA and DCUSA. Although the phraseology of these changes are slightly different the main drive is to ensure that short term changes are not implemented during the transition to Smart arrangements and any other future industry developments.

No proposal has been raised under the CUSC as the Proposer of P267 believes that there are no significant systems changes that would be required in the near future.

How best for such issues to be flagged to the Panel

The P267 solution makes reference to amending the Modification Proposal form to allow Proposers to flag wider industry concerns or the duration of changes to the Panel.

Currently, it is the job of the Code Administrator and the Panel of experts to bring such knowledge to the process and to help inform the ToR and timetable for change. What process, over and above the existing processes and obligations, should be employed to deliver a robust solution? It would seem more pragmatic for the Panel to discuss such areas of the Proposal when the Proposer presents to the Panel, as they are obligated to do under Section F 2.2.2.



Recommendation

P267 proceed directly to Report Phase

Recommendation

There is an identifiable defect, although this defect is based upon a small clarification of existing Code provisions.

If P267 were to be implemented there would be no impact on current Panel or BSCCo process. The changes, and the intent behind the changes, in P267 can be delivered through the current BSC arrangements. The Panel can continue to set appropriate timetables for Modifications, and Work Groups can consider wider industry impacts when making a recommendation of how best to proceed. The Panel can also amend the Panel Committees ToR to take into account wider industry issues at their discretion.

Since there would be **no impact** on processes, activities or remit on the Panel, Panel Committees, BSCCo and Work Groups regardless of whether or not P267 was implemented we reach the conclusion that **P267 does not better facilitate any of the applicable BSC objectives** and as such the Panel should proceed P267 directly to the Report Phase recommending rejection.

We do have sympathy for the issue the proposer is trying to address however we would recommend a wider industry issue Group to discuss transition to Smart Arrangements with SMIP and Ofgem.

Terms of Reference

If the Panel decide to enter P267 into the Assessment Procedures we recommend a one month assessment using the Governance Standing Modification Group and interested industry experts.

The Group should consider the following:

P267 Terms of Reference	
The P267 Modification Group will consider the following items:	
1	What is the most appropriate legal drafting to allow the Panel to consider wider industry issues and longevity of change?
2	How best to allow Proposers to raise such concerns to the Panel?
3	Whether there is any Alternative Modification which would better facilitate the achievement of the Applicable BSC Objectives in relation to the identified issue or defect.
4	The most appropriate implementation approach for the Modification.

179/05

P267

Consideration of wider industry developments and longevity of change in agreeing timetables

04 February 2011

Version 1.0

Page 8 of 10

Timetable

The following timetable is based upon an Assessment Procedure that **does not require further industry consultation** before the Assessment Report is presented to the Panel.

As noted above it seems a pragmatic and efficient progression timetable to allow for a single Work Group meeting to clarify the solution before the Proposal enters the Report Phase.

Assessment Activity	Date
Modification Group 1	17 February 2011
Draft Assessment Report	18 February – 24 February 2011
Group Review Assessment Report	25 February – 02 March 2011
Submit Assessment Report to Panel	04 March 2011
Present Assessment Report to Panel	10 March 2011

Estimated Progression Costs

The following table highlights the estimated ELEXON cost of progressing this Modification.

Estimated central assessment costs	
ELEXON resource	8 man days, equating to £1,920
Meeting costs	£0 (teleconference)
Total	£1,920

The ELEXON resource cost is an estimation of how much time and effort it will take to progress a Modification through the Assessment and Report phases. This includes time supporting industry groups, drafting documentation and producing legal text.

Below is estimate of cost incurred by the industry in assessing this Modification:

Estimate of total industry assessment costs					
Modification Group support	Est #mtgs	Est # att	Est effort	Est rate	Total
	1	5	1.5	605	£4537.5

Meeting costs reflect an estimate of how many Modification group meetings will be held and the industry effort of supporting these meetings. The calculation is based upon an average number of members (5) each putting in 1.5 man days effort per meeting. This effort is multiplied by a standard rate of £605 per day. The result is:

$$2 \text{ working group meetings} \times 5 \text{ attendees} \times 1.5 \text{ WD effort} \times £605 = \mathbf{£9,075}$$

179/05

P267

Consideration of wider industry developments and longevity of change in agreeing timetables

04 February 2011

Version 1.0

Page 9 of 10

5 Likely Impacts

Impact on BSC Systems and process

None identified

Impact on BSC Parties and Party Agents

None identified

Impact on Transmission Company

None identified

Impact on ELEXON

Supporting the BSC Panel and ensuring correct process.

Impact on Code

Code section	Potential impact
Section F	Reflecting new wording of Panel requirements

Impact on Code Subsidiary Documents

None identified

Impact on Core Industry Documents and other documents

None identified

6 Recommendations

On the basis of the Initial Written Assessment, ELEXON invites the Panel to:

- DETERMINE that Modification Proposal P267 progresses directly to the Report Phase

7 Further Information

More information is included in the P267 Modification Proposal form which is Attachment A of this document.

179/05

P267

Consideration of wider industry developments and longevity of change in agreeing timetables

04 February 2011

Version 1.0

Page 10 of 10

MP Form

Modification Proposal – BSCP40/03	MP No: P267 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal: Consideration of wider industry developments and duration of proposed changes when agreeing progression timetables	
Submission Date: 28 January 2011	
Description of Proposed Modification <p>Place a clear requirement on the BSC Panel to consider wider industry developments, e.g. the development of the Smart Metering Arrangements /Smart Energy Code, when agreeing a timetable for progression of a change. In line with current procedure, the BSC panel should be able to set an appropriate progression process and timetable providing for up to 3 months assessment without need for Authority approval. Any progression timetable requiring more than 3 months assessment would require Authority approval.</p> <p>This new requirement should also apply to the terms of reference of the Panel Committees and Modification Groups.</p> <p>We believe this could be achieved in BSC Section F 2.2 by including a requirement in the Panel proceedings that, mindful of wider industry developments e.g. development of the Smart Metering Arrangements, it should consider the potential duration of such a change to industry/party systems and processes (i.e. some proposals may have a limited lifespan due to wider industry developments). An appropriate Modification timetable should be applied to allow for appropriate assessment against wider industry developments. A condition should be added under BSC Section F2.6 which would allow wider industry developments to be considered as part of the Assessment Procedure. A requirement under BSC Section F2.1.2 should be placed on the Proposer so that where possible, they should provide considerations against wider industry developments.</p> <p>For Change Proposals, BSC Section B5.3 could be applied to facilitate building this new consideration into the terms of reference of the Panel Committees and Modification Groups.</p>	
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by originator)</i> <p>With the rollout of Smart Metering and the development of the Smart Energy Code within 2011 it will be necessary to develop complex interoperability arrangements and formulate a governance process that will be compatible with a legacy and a Smart world. During 2011 and 2012, the industry will develop a Smart Energy Code (SEC) that may incorporate elements of the existing Codes and Agreements. The industry will have to manage the existing baseline and develop the new SEC. For some time, there will be uncertainty about the scope and content of the SEC and the existing Codes. Whatever architecture is chosen for the Smart Metering Implementation Programme, there will need to be changes to parties' and central systems and processes, and the industry baseline will have to change to cater for these new arrangements.</p> <p>To ensure that this transitional period is managed in a stable manner, and to allow proper consideration of any future industry developments, it would be beneficial for the Code Panels to take account of likely duration of a proposed change to industry and/or party systems and processes and seek to apply an appropriate timetable accordingly.</p>	

Modification Proposal – BSCP40/03	MP No: P267 <i>(mandatory by BSCCo)</i>
<p>Impact on Code <i>(optional by originator)</i></p>	
<p>Impact on Core Industry Documents or System Operator-Transmission Owner Code <i>(optional by originator)</i></p>	
<p>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by originator)</i></p>	
<p>Impact on other Configurable Items <i>(optional by originator)</i></p>	
<p>Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by originator)</i></p> <p>Throughout 2011 and 2012 the industry will change to incorporate Smart Metering Arrangements and other developments that may affect elements of the existing industry Codes and Agreements. During the period of transition from the existing baseline to a new Smart Energy Code there will be uncertainty about the scope and content of both the new and existing industry Codes. This may lead to situations where Parties may have to make short term changes under the BSC, only to have to change them again to incorporate provisions for the SEC a short while later.</p> <p>This Modification meets Applicable BSC Objective (d) by avoiding additional costs on BSC and Industry Parties arising from short term changes, or changes that may be required under the Smart Metering Arrangements.</p>	

<p align="center">Modification Proposal – BSCP40/03</p>	<p align="right">MP No: P267 <i>(mandatory by BSCCo)</i></p>
<p>Is there a likely material environmental impact? <i>(optional by originator)</i></p>	
<p>Urgency Recommended: Yes/ No <i>(delete as appropriate) (optional by originator)</i></p>	
<p>Justification for Urgency Recommendation <i>(mandatory by originator if recommending progression as an Urgent Modification Proposal)</i></p>	
<p>Self-Governance Recommended: Yes/ No <i>(delete as appropriate) (optional by originator)</i></p>	
<p>Justification for Self-Governance Recommendation <i>(mandatory by originator if recommending progression as Self-Governance Modification Proposal)</i></p>	

Modification Proposal – BSCP40/03	MP No: P267 <i>(mandatory by BSCCo)</i>
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Should this Modification Proposal be considered exempt from any ongoing Significant Code Reviews? *(optional by originator in order to assist the Panel decide whether a Modification Proposal should undergo a SCR Suitability Assessment)*

Details of Proposer:

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Modification Proposal – BSCP40/03

MP No: P267
(mandatory by BSCCo)

Attachments: Yes / No *(delete as appropriate) (mandatory by originator)*

If Yes, Title and No. of Pages of Each Attachment: