



Stage 04: Draft Mod Report

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

▶ 04 Report Phase

P275: Extending BSC Performance Assurance

This Modification seeks to clarify that the scope of Performance Assurance under the BSC is not limited to Trading Parties and that any risk of error or inaccuracy in Settlement data may be considered, not just issues that directly impact the determination and settlement of Trading Charges.

Note: the scope of P275 is much less than implied by the title and the detail set out in the proposal form. P275 is a Code-only change which would add clarity to the BSC. It would not affect the actual scope of BSC Performance Assurance.



Initially, the Panel recommends:
Approval of P275



Low Impact:
ELEXON

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About this document:

This is the P275 Draft Modification Report, which ELEXON is issuing for industry consultation on the BSC Panel's behalf. It contains the Panel's provisional views on P275.

The Panel is minded to progress P275 as a Self-Governance Modification Proposal. As part of this Report Phase Consultation, the Panel seeks further views on whether P275 meets the Self-Governance Criteria. It also invites you to comment on its view that P275 should be approved. The Panel will consider all consultation responses at its next meeting on 12 April 2012. At this meeting, the Panel will either make a decision to approve or reject the change (if P275 is still a Self-Governance Modification Proposal) or make its final recommendation to Ofgem (if P275 is no longer a Self-Governance Modification Proposal).



Any questions?

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1 Why Change?

Along with other Balancing and Settlement Code (BSC) Parties, Licensed Distribution System Operators (LDSOs) rely on Settlement data and processes for various business purposes. In the case of LDSOs, this includes billing Suppliers for their use of the Distribution System (i.e. DUoS charges); setting Line Loss Factors for use in Settlements and operation of the distribution loss incentive scheme in the Distribution Price Control Review (DCPR).

Even though the issues with Settlement data could have material financial implications for LDSOs the Proposer contends that the BSC is unclear about whether non Trading Parties have the same recourse to resolve such issues via the Performance Assurance Framework (PAF) as Trading Parties. The Proposer believes confusion arises due to the wording in Section Z, paragraph 1.6.1 which states 'The responsibilities of the Performance Assurance Board under the Code are owed exclusively to Trading Parties collectively, and to no other person.'

2 Solution

The P275 solution is a Code-only change that aims to clarify the existing responsibilities, functions and powers of the PAB, and consequently the scope of the PAF. It is not intended that the implementation of this change will impact Parties or any other market participants. It merely clarifies and enforces the status quo.

The existing provision 1.6.1 in Section Z specifies that 'the responsibilities of the Performance Assurance Board are owed exclusively to Trading Parties collectively, and to no other person'. The Workgroup considers this to be a statement relating to the ultimate responsibility and liability of the PAB, not a definition of the scope of the PAB's activities. P275 proposes to add a new and separate paragraph, Z1.7, as follows:

1.7 Relationship between the Performance Assurance Board and Performance Assurance Parties

- 1.7.1 Subject always to paragraph 1.6.1, the Performance Assurance Board shall have the powers and functions specified in paragraph 1.4 which it may perform (as applicable) in respect of Performance Assurance Parties¹ from time to time.

The rationale for adding this new paragraph 1.7 is that the existing paragraph 1.6.1 is preserved unchanged, so the PAB's responsibilities are unaltered, but the new paragraph clarifies that 1.6.1 does not limit the PAB's scope to the consideration only of issues relating directly to Trading Parties. Paragraph 1.4 sets out the PAB's functions in relation to determining Risk Management and administering Performance Assurance Techniques which apply for all PAPs. The proposed redlined changes to the BSC to deliver the P275 solution can be found in Attachment A.

This change is not intended to have any practical impact on the operation of the PAB/PAF.



Performance Assurance Framework (PAF)

The PAF is in place to provide assurance that:

- Energy is allocated between Suppliers efficiently, correctly and accurately;
- Suppliers and Supplier Agents transfer Metering System data efficiently and accurately; and
- Calculations and allocations of energy and the associated Trading Charges are performed in line with the requirements detailed in the BSC.



Performance Assurance Board (PAB)

The PAB uses the Performance Assurance process to identify and evaluate Settlement Risks before deploying Performance Assurance Techniques to Performance Assurance Parties (PAPs) to address identified issues

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¹ Defined in the BSC as a Supplier, Meter Operator Agent, Data Collector, Data Aggregator, Meter Administrator, Licensed Distribution System Operator and/or a Registrant.

3 Impacts & Costs

Costs

ELEXON Cost		ELEXON Service Provider cost	Total Cost
Man day	Cost		
01	£240	£000	£240

Impacts

Impact on Code	
Code section	Potential impact
Section Z Performance Assurance	See draft legal text in Attachment B.

4 Implementation

This is a Code only change which is purely a clarification, and does not require any system or process changes to be implemented. As such the Workgroup recommends an Implementation Date of:

- 16 Working Days following the Panel's final decision if P275 is progressed as a Self-governance change; or
- 10 Working Days following an Authority decision.

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Development of the solution

When P275 was raised the Proposer initially sought to extend the responsibilities of the PAB to all BSC Parties, and broaden the scope of Performance Assurance to include issues with Settlement data that did not directly impact Settlement. This was because the Proposer believed that the PAB did not offer non Trading Parties the same level of consideration that they offered Trading Parties.

The reason for this view was primarily the wording in Z1.6.1 which states 'The responsibilities of the Performance Assurance Board under the Code are owed exclusively to Trading Parties collectively, and to no other person.' Additionally the Proposer thought that the PAB should also consider the risks that Settlement data issues presented to BSC Parties that make use of the data. The Proposer thought that Settlement Risk as defined in the Code precluded this from happening.

However, the Workgroup and Proposer were unable to identify any practical impact that the proposed change would have on the PAB, because its Performance Assurance Techniques already cover BSC Parties and it currently seeks views from a wider constituency of stakeholders than Trading Parties when consulting upon Settlement Risks and its Risk Operation Plan. The Workgroup concluded that Performance Assurance under the BSC may consider performance matters that impact any BSC Parties. However, the debate highlighted that clarity might be required in the BSC so that it clearly aligns with current PAB practice. The current wording in the BSC may create confusion around what the scope and focus of the PAB's activities should be.

The Proposer was therefore minded to develop the P275 solution to provide clarification of the statement in Z1.6.1; such that it makes clear that the powers and functions of the PAB extend to all PAPs.

Does it add clarity?

The Workgroup discussed whether the proposed new paragraph provides the clarity in the BSC sought by the Proposer. Some of the Workgroup suggested changing the wording to explicitly state that the PAB gives consideration to issues relating to all PAPs and not just Trading Parties. However, the Workgroup noted that the benefit of the proposed wording is that it refers specifically to the interaction of existing provisions, delivering a clear distinction without risking the introduction of ambiguity or subjective descriptions. The Proposer confirmed they were satisfied that the proposed paragraph delivered the clarification sought.

The Workgroup considered whether the new paragraph proposed by P275 should be:

- added to the existing section Z1.4, 'Powers and Functions of the Performance Assurance Board';
- added to the existing section Z1.6, 'Responsibilities owed to Trading Parties alone'; or
- placed in a new, separate section Z1.7.

Some members argued that, though it might deliver the clarification that the PAB acts on behalf of all PAPs, adding the new paragraph to Z1.6 could also make existing provision Z1.6.1 less clear.

The Workgroup considered adding the paragraph into Z1.4, but there was concern that this approach might not make the interaction with Z1.6.1 sufficiently apparent, undermining the benefit of the clarification. Following significant discussion the Workgroup agreed that placing the additional paragraph in a new, separate section was an appropriate approach that would avoid the concerns raised around its inclusion in either of the existing sections. The Workgroup believed that this approach would make it clear that the intention of the new section (i.e. Z1.7) is to clarify the interaction between the PAB's responsibilities being owed solely to Trading Parties (who fund the PAB) and the PAB's powers and function (which extend to a wider constituency, i.e. all PAPs).

The Proposer noted that, given the reduced scope of P275 compared with the original proposal, they did not consider competition considerations (i.e. that would be linked to 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) to be relevant.

A Workgroup member suggested that it might be possible to argue that there could be an element of benefit linked to objective (c), on the basis that the clarification would confirm that the PAB's role includes application of the PAF to Party Agents. Applying the PAF to Party Agents promotes efficiency in Supplier's activities, and this may be considered to promote effective competition among Suppliers. However, the member was dubious of the practical validity of this argument, and neither the member nor the rest of the Workgroup included this reasoning in their initial views against the Applicable BSC Objectives.

Workgroup's final views

The **majority** of the Workgroup believed that P275 **would better** facilitate the Applicable BSC Objective (d) as:

- Increased clarity in the BSC promotes efficiency in the BSC arrangements.

Of the supporting majority, some Workgroup members believed the clarification would be of real benefit to participants, whereas others felt the benefit would be marginal.

The **minority** of the Workgroup believed that P275 would **not better** facilitate the Applicable BSC Objective (d) as:

- The additional text does not add any clarity to the information already contained in the BSC. P275 is therefore neutral against the objectives.

The Workgroup unanimously agreed P275 is neutral with respect to Objectives (a), (b), (c) and (e).

The Workgroup acknowledged that the Assessment Consultation responses raised no new arguments. They agreed with respondents that the legal text delivers the intention of P275 and that it imposes no impact or costs on BSC Parties.

6 Panel Discussions

Views on BSC Applicable Objectives

The Panel unanimously agreed that P275 should be approved. The Panel agreed with the majority Workgroup view on Applicable BSC Objective (d) that increased clarity promotes efficiency in the BSC arrangements. The Panel also agreed with the Workgroup that the change was neutral with respect to Applicable Objectives (a), (b), (c) and (e).

Views on Self-Governance

P275 merely provides clarity and does not change the current BSC arrangements. The Panel therefore agreed that the Proposed Modification meets the Self-Governance Criteria and should be progressed via Self-Governance.

Views on Implementation Date and legal text

The Panel unanimously agreed with the Implementation Date proposed by the Workgroup, and with the Workgroup's redlined changes to the Code.

7 Recommendations

The Panel provisionally recommends:

- Proposed Modification P275 **should** be made;
- A provisional Implementation Date of 16 WD after approval if it is Self-governance, or 10 Working Days following an Authority decision; and
- The draft legal text for Proposed Modification P275.

8 Further Information

More information is available in:

Attachment **A**: Assessment Consultation Responses

Attachment **B**: Legal Text Proposed

Attachment **C**: Report Phase Consultation Questions

A complete version of the Report Phase consultation, the P275 Assessment Report, and all other related document are available on the [P275](#) page of the ELEXON website.

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