

Recommendation to raise a Modification 'Removal of annual RMP review from PAF'

BSC Section Z describes the Performance Assurance Framework. Part of this is Risk Management Plans, which are reviewed annually, duplicating information already provided to Parties. This Modification seeks to remove this duplication requirement from the Code.



ELEXON recommends this Modification is progressed directly to the Report Phase as a Self-Governance Modification with an initial recommendation to approve

This Modification is not expected to have any material impacts.

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About This Document

This document is a recommendation to raise a Modification and an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 12 March 2015. The Panel will consider the recommendations and agree whether to raise and how to progress this Modification.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, and proposed implementation approach.
- Attachment A contains the Modification Proposal Form.
- Attachment B contains the proposed redlined changes to the BSC to deliver the Modification.
- Attachment C contains the proposed redlined changes to the relevant Code Subsidiary Documents to deliver the Modification solution.

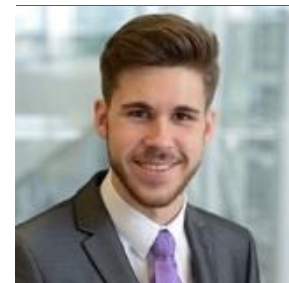


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1 Why Change?

What is the Performance Assurance Framework?

The Performance Assurance Framework (PAF) is a suite of processes and procedures used to manage Settlement Risks. The risk based PAF was introduced by [P207 'Introduction of a new governance regime to allow a risk based Performance Assurance Framework \(PAF\) to be utilised and reinforce the effectiveness of the current PAF'](#), which was implemented in September 2007.

One of the processes introduced by P207 was the Risk Management Plan (RMP), which details identified risks that are relevant to each Performance Assurance Party (PAP). The Balancing and Settlement Code ([BSC](#)) [Section Z 'Performance Assurance'](#) 5.7 'Risk Management Plan' covers the requirements and the PABs responsibilities around RMPs. These requirements can be summarised as:

- to create an initial RMP for each Material Business Unit (MBU) setting out the Settlement Risks that are material in relation to each PAP;
- to capture in the RMP each Performance Assurance Technique (PAT) from the Risk Operating Plan (ROP) to be applied to each PAP;
- to make amendments to an MBU's RMP when there is a change in circumstance (for example a trigger for Re-Qualification or a Technical Assurance of Performance Assurance Parties (TAPAP) check); and
- to review and update each RMP annually.

What is the issue?

Since it was created in 2007, the PAF processes and procedures have been monitored to identify possible improvements to the way the framework operates. In the case of RMPs, we believe that the information in the annual review is a duplicate of information already provided through other mechanisms. For example, PAPs are informed about the deployment or changes in the deployment of PATs via the processes set out in the relevant PAT Balancing and Settlement Code Procedures (BSCPs). The views have been supported by industry members who have confirmed that they do not value the information contained within the annual review of the RMP.

We presented a paper detailing our proposed changes to RMPs to the Performance Assurance Board (PAB) at its meeting on 26 February 2015 ([PAB169/06](#)). At this meeting the PAB agreed to recommend to the BSC Panel that a Modification should be raised in order to remove the requirements for RMPs from the BSC.

Proposed solution

To increase the efficiency of the PAF processes we propose to amend the term 'Risk Management Plan' in Section Z and [Section X Annex X-1 'General Glossary'](#) to 'Risk Management Determination'. This will create more flexibility in terms of the way we provide information relating to changes in the application of PATs to PAPs (by not stipulating a specific format e.g. 'Plan').

We also propose that Section Z5.7.1(b) be amended to remove the requirement to annually review the Risk Management Determination. It is this element of the Code that introduces duplication. Any changes to the PATs applied to a PAP are submitted to the PAB at the time the change is identified (i.e. when a PAT is switched 'on' or 'off' for a particular Party) for approval or revision. The PAP is subsequently notified of any approved updates. An annual review will not identify anything additional to what a PAP is already aware of.

In practice this Modification will not alter the process of notifying PAPs of which PATs are applied to them; direct communication and specific documentation will be provided at appropriate times in line with the relevant BSCP. The process for querying applied PATs will also remain unchanged.

Applicable BSC Objectives

We believe this Modification will better facilitate:

- **Applicable BSC Objective (d)** as the proposed solution will aid efficiency by allowing greater flexibility in providing information to PAPs by removing the stipulation that this is done by preparing and maintaining a 'Plan'. The element of duplication in the process is eliminated by removing the requirement review the current 'Plan' annually as well as ad hoc and the process is greatly streamlined as a result.

In looking at this change we consulted with PAPs, who confirmed that the RMPs do duplicate information and noted that the process and RMPs are of little use and value to them.

Legal text

The proposed redlined changes to BSC Section Z to deliver the Modification solution can be found in Attachment B. The proposed redlined changes to the relevant Code Subsidiary Documents (CSDs) can be found in attachment C.

Implementation approach

The proposed Implementation Date for this Modification is **5 November 2015** as part of the November 2015 BSC Release. There are no system or process changes required to implement this Modification.



What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(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

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

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3 Proposed Progression

Progression

Pursuant to BSC Section Z8.2.1(a), the PAB has recommended to that Panel that a Modification should be raised. The Panel are invited to raise this Modification under Section F2.1.1(d).

If the Panel agrees to raise this Modification, we recommend that it is progressed straight to the Report Phase, and be issued for a 15 Working Day (WD) consultation, with the Draft Modification report being presented to the Panel on 14 May 2015. There are no urgent drivers for this Modification, so we propose to include it in the November 2015 Release.

We recommend that this Modification is progressed as a Self-Governance Modification, as it will not alter the current processes of notifying PAPs of which PATs are applied to them as direct communication and specific documentation will be provided at appropriate times in line with the relevant BSCP.

Timetable

Proposed Progression Timetable if Self-Governance	
Event	Date
Present Initial Written Assessment to Panel	12 Mar 15
Report Phase Consultation	13 Mar 15 – 07 Apr 15
Present Draft Modification Report to Panel	14 May 15
Implementation	05 Nov 15 (Nov 15 Release)

If this Modification is not progressed as Self-Governance, we will issue the Final Modification Report to the Authority on 15 May 2015.



What is the Self-Governance Criteria?

A Modification that, if implemented:

(a) is unlikely to have a material effect on:
(i) existing or future electricity consumers; and
(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
(iii) the operation of the national electricity transmission system; and
(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
(v) the Code's governance procedures or modification procedures; and

(b) is unlikely to discriminate between different classes of Parties.

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4 Likely Impacts

Impact on BSC Parties and Party Agents

Party/Party Agent	Potential Impact
All Performance Assurance Parties	No implementation impact, but as a consequence Parties will stop receiving duplicate information.

Impact on Transmission Company

No impact

Impact on BSCCo

Area of ELEXON	Potential Impact
Performance Assurance	Removal of requirement to provide duplicate information.

Impact on BSC Systems and processes

No impact

Impact on Code

Code Section	Potential Impact
Section X Annex X-1	Changes will be required to implement this Modification. See Attachment B for details.
Section Z	

Impact on Code Subsidiary Documents

CSD	Potential Impact
BSCP27	Changes will be required to implement this Modification. See Attachment C for details.
BSCP535	
BSCP536	
BSCP537	
BSCP538	

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5 Recommendations

We invite the Panel to:

- **RAISE** the Modification Proposal in Attachment A.

If the Panel agrees to raise the Modification Proposal, we invite the Panel to:

- **AGREE** that this Modification progresses directly to the Report Phase;
- **AGREE** that this Modification:
 - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREE** an initial recommendation that this Modification should be **approved**;
- **AGREE** an initial Implementation Date of:
 - **5 November 2015** as part of the November 2015 BSC Release.
- **AGREE** the draft legal text;
- **AGREE** an initial view that this Modification should be treated as a Self-Governance Modification; and
- **NOTE** that ELEXON will issue this Modification's draft Modification Report (including the draft BSC legal text) for a 15 Working Day consultation and will present the results to the Panel at its meeting on 14 May 2015.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronym	
Acronym	Definition
BSC	Balancing and Settlement Code (<i>Industry Code</i>)
BSCCo	Balancing and Settlement Code Company (<i>ELEXON</i>)
BSCP	Balancing and Settlement Code Procedure (<i>Document</i>)
CSD	Code Subsidiary Document (<i>Document</i>)
IWA	Initial Written Assessment
MBU	Material Business Unit
PAB	Performance Assurance Board (<i>Panel Committee</i>)
PAF	Performance Assurance Framework
PAP	Performance Assurance Party
PAT	Performance Assurance Technique
RMD	Risk Management Determination
RMP	Risk Management Plan
ROP	Risk Operating Plan
TAPAP	Technical Assurance of Performance Assurance Parties
WD	Working Day

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
3	P207 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p207-introduction-of-a-new-governance-regime-to-allow-a-risk-based-performance-assurance-framework-paf-to-be-utilised-and-reinforce-the-effectiveness-of-the-current-paf/
3, 4	BSC Sections on the ELEXON website	https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/
3	PAB169 page on the ELEXON website	https://www.elexon.co.uk/meeting/pab-169/

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