P324 'Review of BSCCo's governance: introducing improved accountability to BSC Parties'

This Modification Proposal seeks to amend the current BSCCo governance arrangements with the aim of addressing the weaknesses identified in the Knight Report 2013, and bringing it in line with best practice.

This second Assessment Procedure Consultation has been issued to obtain views on a revision made to the proposed solution since the original consultation was issued. This amendment would remove the Authority's involvement in approving the Panel Chairman's remuneration. Please see page 10 and pages 27-28 for further details.

This second Assessment Procedure Consultation for P324 closes:

5pm on **Friday 22 July 2016**

The Workgroup may not be able to consider late responses.

The P324 Workgroup initially recommends **approval** of P324

This Modification is expected to impact:

- BSC Parties
- ELEXON

ELEXON

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

© ELEXON Limited 2016

Contents

About This Document

The purpose of this second P324 Assessment Procedure Consultation is to invite Balancing and Settlement Code (BSC) Parties and other interested parties to provide their views on the merits of P324. In particular, the P324 Workgroup seeks your views on a revision made to the proposed solution since the first consultation was issued. The P324 Workgroup will then discuss the consultation responses, before making a recommendation to the BSC Panel at its meeting on 11 August 2016 on whether or not to approve P324.

There are six parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises the Workgroup's key views on the areas set by the Panel in its Terms of Reference, and contains details of the Workgroup's membership and full Terms of Reference.
- Attachment A contains the draft redlined changes to the BSC for P324.
- Attachment B contains the draft redlined changes to the Memorandum and New Articles of Association of ELEXON Limited for P324.
- Attachment C contains the draft BSC Procedure (BSCP) 38 changes for P324.
- Attachment D contains the full responses received to the Workgroup's first Assessment Consultation.
- Attachment E contains the specific questions on which the Workgroup seeks your views. Please use this form to provide your response to these questions, and to record any further views or comments you wish the Workgroup to consider.

Contact

David Kemp

020 7380 4303

david.kemp@elexon.co.uk

© ELEXON Limited 2016

1 Summary

Why Change?

The Knight Report 2013 identified a number of weaknesses in the current governance arrangements for the Balancing and Settlement Code Company (BSCCo), in particular, the relationship between BSCCo, the BSCCo Board and the BSC Panel. Changes are therefore required to the current provisions to align them with the UK Corporate Governance Code and bring them into line with best practice.

Solution

P324 will amend the governance arrangements to:

- make the BSCCo Board accountable to Voting Parties by allowing them to vote to remove Directors;
- allow Voting Parties to vote on non-binding resolutions on other matters;
- allow for up to two members of the BSCCo executive team to be appointed as Directors;
- allow the Board to remunerate any of its non-executive Directors;
- allow the Board to set BSCCo's Business Strategy; and
- allow the Board Chairman and the Panel Chairman to be separate people.

Following the previous Assessment Procedure Consultation being issued, the Workgroup has proposed to remove the need for the Authority to approve the remuneration given to the Panel Chairman, and seeks your views on this amendment to the solution.

Impacts & Costs

P324 will require central implementation costs of approximately £2,000, with ongoing costs of approximately £4,000 per annum. It will require minimal implementation effort from participants in submitting new Authorised Person requests and declaring their affiliations each year. Voting Parties will also be able to vote on the removal of a Director and on other non-binding matters.

Implementation

P324 is proposed for implementation on 3 November 2016 if the Authority's decision is received on or before 6 October 2016, or otherwise 20 Working Days following the Authority's decision.

Recommendation

At this stage, the Workgroup unanimously believes that P324 would better facilitate Applicable BSC Objective (d) and so should be approved.

© ELEXON Limited 2016

How is BSCCo governed?

ELEXON Limited fulfils the role of BSCCo as defined in BSC Annex X-1. BSC Section C 'BSCCo and its Subsidiaries' sets out the powers, functions, responsibilities and constitution of BSCCo, whose principle role is to give proper, effective and efficient implementation of the BSC.

The BSCCo Board

BSC Section C4 establishes a Board of Directors (referred to in the BSC and in this document as the Board) to direct BSCCo, which includes the responsibility for:

- appointing the Chief Executive of BSCCo after consultation with the Panel;
- ensuring that BSCCo has the necessary financial and human resources in place to perform its functions (including approving BSCCo's Annual Budget following consultation with BSC Parties and other interested parties);
- reviewing the performance of BSCCo's management; and
- scrutinising BSCCo's finances and ensuring that BSCCo operations are subject to effective cost-control.

The manner in which the Board fulfils its role is not prescribed in the BSC. However, requirements (e.g. regarding quorum at meetings) are included in BSCCo's Articles of Association.

Since the implementation of P281 'Change of BSCCo Board of Directors & Chairman', the BSC requires the Board to be formed of the following members (referred to in the BSC and in this document as Directors):

- the Board Chairman;
- at least two non-executive Directors who are suitably independent from the electricity industry (referred to in this document as 'non-industry' non-executive Directors); and
- further non-executive Directors having relevant electricity industry experience whose number must be greater than the number of 'non-industry' non-executive Directors (referred to in this document as 'industry' non-executive Directors).

The size and composition of the BSC Board is determined by the Nomination Committee, which consists of the Board Chairman, an 'industry' non-executive Director and an 'non-industry' non-executive Director. Its terms of reference are approved by the BSC Panel.

The BSC Panel

BSC Section B3 prescribes the powers and functions of the BSC Panel. These can be broadly summarised as:

- setting certain parameters and directing certain actions to ensure the BSC provides appropriate signals and intended outcomes that demonstrably achieve the Applicable BSC Objectives and align with the greater common good;

© ELEXON Limited 2016

- amending the BSC to ensure it is robust, fair and continues to facilitate the Applicable BSC Objectives and aligns with the greater common good;
- providing assurance to interested parties that BSC Parties comply with the terms of the BSC and that identified issues are appropriately resolved; and
- approving the Business Strategy prepared by BSCCo each year (and any revisions to that plan).

You can find further information on the BSC Panel page of our website.

What is the link between the Board and the BSC Panel?

Currently, the Board and the Panel are inextricably linked through a shared Chairman and through their joint responsibility in approving the annual Business Strategy. However, the Board and the Panel have two distinct roles: the Board is responsible for running BSCCo; whereas the Panel is custodian of the BSC (effectively the contract under which BSCCo delivers its services).

What is the Knight Report 2013?

Early in 2013, the Board and the Panel jointly commissioned an independent review of BSC governance. They appointed Bill Knight, former deputy Chairman of Council of Lloyd's, to undertake the review. Consequently, the Knight Report was published in July 2013. This report looked at ELEXON's current governance with regards to the confines of the BSC, particularly in the light of discussions over recent years in relation to changes to BSCCo's vires.

The Knight Report identified a number of weaknesses, the key ones relating to the governance of BSCCo being:

- a lack of clarity in the relationship between the Board and the Panel; and
- given the constraints imposed by the BSC on National Grid as BSCCo's sole shareholder, the difficulty in identifying to whom the Board is accountable.

Following the publication of the report, Ofgem issued an open letter urging the Panel and the Board to work with industry to develop options to address the findings of the report in a timely manner.

What is the issue?

The Proposer of P324 believes that revisions to the current arrangements are required to clarify the relationship between BSCCo, the Board and the Panel. They contend that these amendments will bring the governance arrangements in line with the UK Corporate Governance Code (where appropriate) and increase the accountability of the Board and BSCCo's executive team to funding Parties. The Proposer has highlighted three key areas that need looking into.

© ELEXON Limited 2016

Accountability

The Proposer argues that the Board should be held accountable to funding Parties and that Parties should have the power to remove any Director it does not have confidence in. In addition, they contend that there is a lack of significant executive accountability to BSC Parties due to the BSC's restriction on the appointment of members of the executive management team to the Board.

Appointment of Directors

The Proposer believes that amendments to Directors' appointments should be made so that the appointment process is in line with normal Board operating practices and consistent with the UK Corporate Governance Code. They also contend that, provided there is strong interaction between the Board and the Panel, there is no requirement for the Board Chairman and the Panel Chairman to be the same person. They note that it makes sense to remove the link in the BSC between the Board Chairman and the Panel Chairman so that the Board is free to appoint its own Chairman. The Proposer also believes that remuneration for all non-executive Directors should be considered as part of this Modification.

BSCCo Business Strategy

The Proposer highlights that the current process, where the Board considers the draft Business Strategy in order to develop the budget to deliver it, while the Panel is the body that approves the Business Strategy before the Board then approves the budget, is inefficient. They note that the Board should continue to consult and use input from the Panel when formulating the strategy, and should continue to obtain comments from BSC Parties. However, even though the involvement of two bodies provides additional checks and balances, it can result in an inefficient, time consuming process with cross-referral between the two bodies. Therefore, the Proposer considers that the ongoing usefulness of the shared approval process should be reviewed.

© ELEXON Limited 2016

3 Solution

Proposed solution

P324 'Review of BSCCo's governance: introducing improved accountability to BSC Parties' was raised by National Grid. It proposes to implement revisions to BSCCo's governance arrangements in order to address some of the weaknesses identified in the Knight Report, and to bring it in line with best practice.

Binding and non-binding resolutions

P324 will introduce the ability for Parties to remove any Director through a binding resolution (meaning the Board would have to abide by the outcome of the vote). Parties would also have the right to raise and vote on resolutions on other issues which would be non-binding (but which may lead to further binding resolutions to remove Directors). Such proposals (both binding and non-binding) could be put forward by a Voting Party or group of Voting Parties with a combined share of 5% or more of the total votes allocated across all the relevant Voting Parties. The process for allocating votes to the different Voting Parties is detailed in Appendix 1.

Establishment of Voting Parties

All Trading Parties and Distribution Businesses will be required to declare their affiliations annually, ahead of the Annual BSC Meeting and, when applicable, the Panel Election process. They would also need to re-confirm their affiliations prior to any vote held at any other time. A group of affiliated Trading Parties and Distribution Businesses would combine to form a single Voting Party, with any Trading Party or Distribution Business that is not affiliated to any other forming a Voting Party on their own. The current view of Voting Parties and the authorised voting signatory should be published on the ELEXON website.

A new Authorised Person category will be created within BSCP38 'Authorisations' for the purpose of confirming these affiliations. This ability will also be included under the existing Category A authorisation.

Process for voting on resolutions

This process will be administered by the BSCCo Company Secretariat and will apply to both binding and non-binding resolutions.

A new Authorised Person category will be created within BSCP38 for the purpose of voting on resolutions. This ability will also be included under the existing Category A authorisation. Each Voting Party will have a single Authorised Person that will be responsible for notifying and voting upon resolutions on behalf of all the Trading Parties and/or Distribution Businesses within that Voting Party.

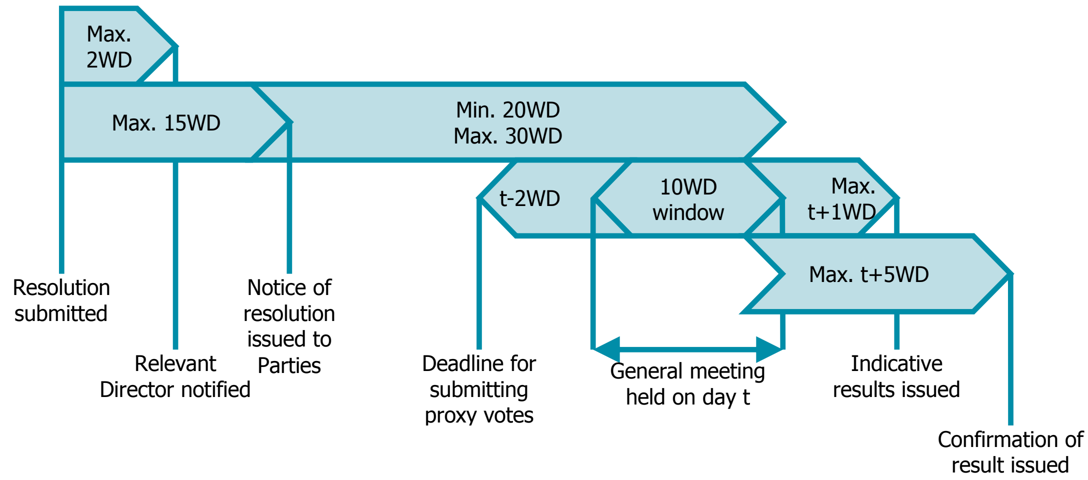
- An Authorised Person from one or more Voting Parties with a combined share of 5% or more of the total number of votes will contact BSCCo and notify their resolution. It will be mandatory for the Party or Parties submitting the resolution to submit any rationale or supporting documentation. This will be included alongside the voting form sent out to Parties to give respondents adequate time to digest the information.

© ELEXON Limited 2016

- Within two Working Days of receipt of a resolution to remove a Director, BSCCo will notify the affected Director of the resolution. If the Director wishes to submit any rationale or supporting documentation, this will be included alongside the voting form sent out to Parties to give them adequate time to digest the information.
- Within 15 Working Days of receipt of the resolution, BSCCo will notify all Voting Parties and the Authority. A voting form with a clear yes/no determination will also be included as part of the notice, along with any supporting material.
- BSCCo will schedule a general meeting of Voting Parties to be held no earlier than 20 Working Days and no later than 30 Working Days from the date the notice is issued, and will include this date as part of the notice.
- If a Voting Party intends to vote by proxy ahead of the meeting, an Authorised Person will need to notify BSCCo. Completed forms will need to be received by BSCCo via post or email no later than two Working Days before the general meeting.
- The general meeting will be open to all Voting Parties, Directors and the Board Secretariat only. A representative from the Transmission Company will be required to attend. The meeting will be chaired by the Board Chairman or his deputy.
- The quorum for the general meeting will be 10 Voting Parties representing at least 30%+1 of the total number of votes. This quorum will be determined based on proxies appointed prior to the meeting and Voting Parties present at the meeting.
- An Authorised Person of each Voting Party that raised the resolution may attend the general meeting and shall have the right to present the motion. Directors shall also have the right to attend and respond to the resolution. If any of these are absent from the meeting, the matter shall still proceed.
- Attendees may put questions to the Director(s) the resolution has been raised against (if applicable), other Directors and/or the Party or Parties submitting the resolution.
- The final vote will be taken at the general meeting after all representations have been made.
- The total number of votes cast by each Voting Party will be equal to its capped allocation determined using the process in Appendix 1. The proportion of votes cast in favour of the proposal (counting votes cast at the meeting and proxy votes submitted in advance of the meeting) will be compared to the relevant threshold (which will be set at 50%+1 of the total votes cast). If the threshold is reached or exceeded then the vote in favour of the proposal is passed, otherwise the proposal is rejected.
- Within one Working Day of the general meeting BSCCo will issue the indicative results of the meeting to the industry. Within five Working Days of the meeting BSCCo will publish the final confirmation of the result.

© ELEXON Limited 2016

The timescales for this are illustrated in the following diagram:



Members of the Board

The requirement for the Board Chairman and the Panel Chairman to be the same person would be removed. Consequently, the Board will appoint its own Chairman. However, nothing would prevent the Board Chairman and the Panel Chairman from being the same person. If the two roles were filled by separate people then the Panel Chairman would automatically sit on the Board as a Director. The Panel Chairman appointment process would remain unchanged from now. However the appointment of the Board Chairman would be on the recommendation of the Nomination Committee, following the same process as for the appointment of non-executive Directors.

Alongside this, up to two members of BSCCo's executive team may be appointed as executive Directors. Any such appointments will include the Chief Executive Officer (CEO).

The make-up of non-executive Directors on the Board would remain unchanged from currently, with the number of 'industry' non-executive Directors still needing to exceed the number of 'non-industry' non-executive Directors, of which there must be at least two.

Under P324, the Board Chairman and non-executive Directors would be appointed for a three year term by the Board upon the recommendation of the Nomination Committee. This would be in line with normal Board operating practices and consistent with the UK Corporate Governance Code. As part of this, the Panel's involvement in Director appointments, including approval of the Nomination Committee's Terms of Reference, appointment of a Panel Advisor to the Nomination Committee and the obligation to consult with the Panel, would be removed.

Any Director appointed or re-appointed to the Board would be subject to an election as the first Annual BSC Meeting following their appointment or re-appointment.

Does P324 amend ELEXON's vires?

BSC Section C1.2.2 states that "subject to the further provisions of this Section C, BSCCo shall have the powers, functions and responsibilities set out in or assigned to it pursuant to the Code, and shall not undertake any business or activity other than as provided for in the Code."

P324 does **not** propose to amend this paragraph. Therefore, if ELEXON wishes to undertake any further work outside of the BSC, either a Modification will need to be raised and approved or an Other Regulatory Decision (ORD) will need to be issued by the Secretary of State to allow this, as is the case now.

BSCCo Business Strategy

In line with the decoupling of the Board and the Panel, P324 proposes that the Board would become solely responsible for setting the BSCCo Business Strategy. The requirement for the Panel to approve the Business Strategy would be removed. However, the Board will be required to seek comments from the Panel on its proposed Business Strategy. BSC Parties will continue to be able to provide their views as with the current arrangements where ELEXON seeks industry comments on the draft Business Strategy.

© ELEXON Limited 2016

Amendment to the solution: Authority approval of the Panel Chairman's remuneration

Following the separation of the Board Chairman and the Panel Chairman roles, with the Board Chairman's remuneration determined by the Remuneration Committee, the requirement for the Panel Chairman's remuneration to be approved by the Authority (under BSC Section B2.11.3) will be removed. The remainder of the process for determining and approving the Panel Chairman's remuneration will be unchanged from the current process, but the final determination on the level of remuneration will be made by the Panel and not by the Authority. The Workgroup's discussions on this amendment can be found on pages 27-28.

Potential alternative solution

The Workgroup has considered raising an Alternative Modification that would be identical to the Proposed Modification except that remuneration would not be extended to all Directors, but would continue to be limited to 'non-industry' non-executive Directors. However, the majority of Workgroup members believe the Proposed Modification would better facilitate the Applicable BSC Objectives compared to this potential alternative solution, and so has not formally raised this variant as an Alternative Modification. Please see Section 7 for the Workgroup's views against the Applicable BSC Objectives.

Legal text

The proposed redlined changes to the BSC to deliver P324 can be found in Attachment A. The proposed changes to the Memorandum and New Articles of Association of ELEXON Limited can be found in Attachment B. The proposed redlined changes to BSCP38 to deliver P324 can be found in Attachment C.

Assessment Consultation Question
Do you believe that the draft legal text delivers the intention of P324? *Please provide your rationale.*
The Workgroup invites you to give your views using the response form in Attachment E

Are there any other alternative solutions?

In addition to the alternative solution around remuneration noted above, the Workgroup considered potential alternative options to other aspects of the solution. However, it has determined that none of these options would better facilitate the Applicable BSC Objectives compared to the Proposed Modification.

We have summarised each area below, and the full Workgroup discussions on each can be found in Section 6:

- The Workgroup considered whether, if the Panel Chairman is voted off the Board, they should also be automatically removed from the role of Panel Chairman. It concluded not to include this under P324, but noted a separate Modification could be raised to examine this aspect.

© ELEXON Limited 2016

- The Workgroup considered whether the proposed quorum requirements (10 Voting Parties holding at least 30% of the total number of votes) were the right thresholds to set, and whether it is right to have both thresholds. It concluded that both the principle of two thresholds and the proposed values are right at this time, but believed a review of the threshold values should be undertaken from time to time, with any amendments progressed via a subsequent Modification.
- The Workgroup considered whether the option for up to two executive Directors to be on the Board was right, and concluded that this was.
- The Workgroup looked at whether the existing requirement to have at least two 'non-industry' non-executive Directors on the Board should be amended, but concluded that there was no case for change.

© ELEXON Limited 2016

Estimated central implementation costs of P324

The central implementation costs to implement P324 will be approximately eight man days (£1,920) in ELEXON effort to make the changes to BSC documentation and implement a method of determining Voting Parties and the number of votes each are allocated. There are no system impacts arising from P324 and there will be no impact on BSC Agents.

There will be on-going effort of no more than 18 man days (£4,320) per annum, and likely less, required to administer the processes that P324 will introduce, in particular the regular updating and publication of Voting Parties' voting shares.

Indicative industry costs of P324

P324 is expected to require minimal implementation effort from those participants that would be Voting Parties in submitting new Authorised Person requests and declaring their affiliations each year. Otherwise, we do not anticipate any impact on BSC Parties and Party Agents.

Respondents to the first Assessment Procedure noted only minor impacts on them to implement P324, in particular registering new Authorised Persons and attending general meetings. No notable costs were expected to be incurred in doing this. You can find the full responses in Attachment D.

P324 impacts

Impact on BSC Parties and Party Agents	
Party/Party Agent	Impact
Trading Parties	The proposed changes will introduce the ability for Voting Parties (Trading Parties and Distributors) to remove Directors and raise other matters for Board consideration.
Distributors	

Impact on Transmission Company
There is no direct impact. However the Transmission Company would be a Voting Party and would be required to attend meetings where a vote is being held. It may also have an interest in the governance of BSCCo as its shareholder.

Impact on BSCCo	
Area of ELEXON	Impact
BSC Governance	The governance of ELEXON (as BSCCo) would be amended by P324. As part of this, ELEXON will need to administer the new processes for determining voting shares and calling and administering meetings when resolutions are raised.

© ELEXON Limited 2016

Impact on BSC Systems and process
No impact.

Impact on Code	
Code Section	Impact
Section B	Changes will be required to implement the solution. *The proposed changes can be found in Attachment A.*
Section C	
Section F	
Section X Annex X-1	

Impact on Code Subsidiary Documents	
Code Section	Impact
BSCP38	Changes will be required to implement the solution. *The proposed changes can be found in Attachment C.*

Other Impacts	
Item impacted	Impact
Memorandum and New Articles of Association of ELEXON Limited	Changes will be required to implement the solution. *The proposed changes can be found in Attachment B.*

© ELEXON Limited 2016

5 Implementation

Recommended Implementation Date

The Workgroup provisionally recommends an Implementation Date for P324 of:

- **3 November 2016** (November 2016 BSC Systems Release) if the Authority's decision is received on or before 6 October 2016; or
- **20 Working Days** following the Authority's decision if the Authority's decision is received after 6 October 2016.

Please note that the lead time for this Modification has been extended from 10 Working Days to 20 Working Days to account for the additional effort identified by ELEXON in implementing the solution (see Section 4).

Incumbent Directors on the P324 Implementation Date will not be subject to election at an Annual BSC Meeting until after they have been re-appointed for a new term (should they be re-appointed at the end of their current term). Apart from this, all features of the P324 solution, including the right for Voting Parties to raise both binding and non-binding resolutions, the ability to remunerate 'industry' non-executive Directors and the approval of the BSCCo Business Plan, will take effect immediately upon P324's implementation.

P324 will be a document-only change, and will not have any impact on any BSC systems. Furthermore, it will require only minimal administrative implementation effort from Voting Parties (see Section 4). The Workgroup therefore believes that P324 can be implemented relatively quickly following receipt of the Authority's final decision, should the Authority decide to approve P324. Members felt it would be prudent to include P324 as part of the November 2016 Release, but if the Authority's decision was received too late for this then P324 should be implemented 20 Working Days following decision rather than be postponed until the February 2017 Release.

The Workgroup noted the recent concerns with the November 2016 BSC Systems Release that have been considered by the Panel (Panel 252/08). However, we highlight that these issues are all in relation to Modifications and Change Proposals (CPs) that impact on BSC systems, due the lead times required to implement those changes. The addition of document-only changes such as P324 to this Release will not exacerbate this situation, and so P324 can be added to the scope of the November 2016 Release without causing any issues.

Assessment Consultation Question
Do you agree with the Workgroup's recommended Implementation Date? *Please provide your rationale.*
The Workgroup invites you to give your views using the response form in Attachment E

© ELEXON Limited 2016

6 Workgroup's Discussions

This section provides details on the P324 Workgroup discussions that led to the proposed solutions in Section 3. In its discussions the Workgroup considered the Board's straw man governance proposal that had been drawn up following bilateral meetings with Panel Members, Funding Parties and a joint Panel and Board workshop.

What resolutions may Voting Parties submit?

Binding resolutions

The Workgroup agreed that the ability for BSC Parties to remove any member of the Board should be introduced so that Directors are accountable to BSC Parties. Members agreed that the Board would be bound to follow any decision by BSC Parties to remove a Director.

Under BSC Section B6.2.9, there is currently a mechanism for the removal of an 'Eligible Director' who has been appointed or re-appointed since the last Annual BSC Meeting. However, this mechanism only entities the Panel to remove an Eligible Director, and does not allow BSC Parties to do so. In addition, the removal of an Eligible Director can only be proposed on the grounds that the appointment or re-appointment process did not comply with the terms of reference of the Nomination Committee, or that the process followed by the Nomination Committee in appointing or re-appointing the Director has not been approved by the Panel under BSC Section C4.1.7. The removal of an Eligible Director is therefore based on whether the process had been followed correctly rather than on an individual's performance. The Workgroup believed a mechanism was needed whereby BSC Parties could vote to remove a Director, and developed the process described in Section 3.

Non-binding resolutions

To further improve accountability between the Board and BSC Parties, the Workgroup agreed that there should also be a way for Parties to raise other issues through a non-binding resolution. This alternative route would enable BSC Parties to discuss matters with the Board by putting their motion to an industry vote, using the same mechanism as for a binding resolution. Members agreed that the process would be identical to the process to be used for binding resolutions, but the Board would not be bound to follow the decision on these resolutions. However, if the Board did not listen and communicate following a non-binding resolution, BSC Parties could go on to raise a binding resolution to remove Directors.

The Workgroup agreed that non-binding resolutions should reflect that, without prejudice to their legal obligations, the Board and its members are accountable to BSC Parties as a whole. However, members noted that this route still retains the independence of the Board, which was noted as an important element under previous governance discussions.

The Workgroup discussed what potential motions could be raised as a non-binding resolution, and whether there should be a limit on what could be raised. Members noted the number of shareholder resolutions listed in the Companies Act 2006, but acknowledged that some of these obligations are for quoted companies only. One member highlighted that it would be possible for some of these to be altered, or in a few instances removed, by a company's articles. It was noted that this method could be appropriate for providing a view on the Business Strategy, although it would not replace the existing

© ELEXON Limited 2016

process where the draft Business Strategy is issued for comment. Further details on the Workgroup's discussions on the Business Strategy can be found later in this section.

Overall, the Workgroup agreed that there should be no limit on what can be raised, although it was felt issues should be related to the BSC. It was also agreed that only the removal of a Director would be deemed a binding resolution, and that anything else would be non-binding.

How would resolutions be passed?

Threshold for raising a resolution

The Workgroup discussed the threshold for allowing Parties to be able to raise a resolution (binding or non-binding). The Workgroup noted that the Companies Act 2006 states a minimum threshold of 5% of shareholders needed to call a general meeting of a company. They therefore agreed to align with this, and that only Parties or groups of Parties with a combined share of 5% or more of the total votes would be able to contact BSCCo and notify a resolution. They agreed that this 5% threshold should apply irrespective of the type of Party or Parties raising the resolution.

Voting models

The Workgroup discussed several potential voting mechanisms for voting on a resolution. Under each of them, a new Authorised Signatory category would be created for voting, and an obligation would be placed on Parties to inform BSCCo if there is a change of ownership so that their signatories can be updated.

Model A: Voting by Trading Party Group

The Workgroup noted that Trading Parties may be affiliated with one another and so would be treated as a single Trading Party group by the BSC. Only one Trading Party in a Trading Party group would be allocated a vote, in similar fashion to the existing Panel elections process. Distribution businesses would be catered for by allocating them one vote each as per the rules for Trading Parties. The Transmission Company would also be allocated a vote. Under this model, voting power would be unaffected by organisation size, market share or the number of associated BSC Parties. No cap would be applied to limit domination by one Party or a handful of Parties as every Voting Party would receive a single vote to cast.

Model B: Voting by Trading Party Group according to Funding Share

Again, Trading Parties may be affiliated with one another and so would be treated as a single Trading Party Group by the BSC. Only one Trading Party in each group would be allocated voting rights. The votes allocated to each Trading Party group would be apportioned according to their Annual Funding Share. Distribution businesses and the Transmission Company would be eligible to vote according to a notional share. Under this model, voting power would be affected by the market share of BSC Parties that fund BSCCo. The Workgroup agreed that the total number of votes cast by a Voting Party should be capped to a maximum amount to prevent domination by one Party or a handful

© ELEXON Limited 2016

of Parties. This shall be no more than 6% of the total of uncapped votes that have been allocated.

Model C: Voting by Funding Share

Here, all Trading Parties would be able to vote. The votes would be allocated to each Trading Party according to their Annual Funding Share. Large organisations with multiple Trading Party IDs would be required to submit separate votes for each individual Trading Party. Under this model, voting power would be affected by the market share for BSC Parties that fund BSCCo. This model does not take into account non-Funding Parties but it does make provision for National Grid to participate in the vote. The total number of votes cast by a Voting Party should be capped to a maximum amount to prevent domination by one Party or a handful of Parties. This shall be no more than 6% of the total of uncapped votes that have been allocated.

The Workgroup noted that there would be mechanisms common to all three models. Members agreed that the models introduce a new concept of a 'Voting Party'. A Voting Party would refer to any single company or group of companies that could cast a vote in relation to a resolution. It would be used as the identifier for attributing voting rights and apportioning votes to be cast. Any Voting Party could propose a resolution on defined matters (e.g. removal of a Director), or call a vote on any other issue as a way of demonstrating strength of feeling to the Board.

The Workgroup agreed that whatever the preferred model was, it should not allow one particular class of Parties to dominate a vote and be able to pass a resolution without support of other classes of Voting Parties. It also noted that the independence of BSCCo was of vital importance to the Board and the Panel in their previous discussions on BSCCo governance. Its preferred view was to introduce a vote capping mechanism to limit any undue influence and avoid BSCCo being effectively captured by a small number of the larger Parties. It was confirmed that each model gave consideration to a capping mechanism in an effort to ensure that no one class of Party or class of Parties can dominate the vote and pass a resolution without the support of other Voting Parties.

Overall, the Workgroup noted that Model B recognised that larger funders should have a larger number of votes, which corresponds with the principle that larger shareholders have a larger share of the vote. However, the application of a cap means that the Parties providing 80% of the total funding hold just over 50% of the vote between them. This model also recognises distributors' as interested parties in the BSC, and also gives the Transmission Company a voting share equal to that of the largest capped allocation. It therefore agreed to progress this model using the detailed process laid out in Section 3. The method for allocating votes to each Voting Party is detailed in Appendix 1.

Quorum at the general meeting

The Workgroup considered what the quorum should be for general meetings. It used the Model Articles of Association appended to the Companies Act 2006 as a starting point in its discussions. This is the default company constitution for newly incorporated companies under the Act. However, the Act grants flexibility on quorum, so it would be up to the individual company and its shareholders to decide what works best. The UK Corporate

© ELEXON Limited 2016

Governance Code does not discuss quorum and we are not aware of any other best practice guidance.

The initial proposal was for a quorum of two Voting Parties. However, some Workgroup members expressed concern about the scope for resolutions to be passed where only a small number of Parties were prepared to vote. They considered whether only those Parties that turn up to the meeting itself are able to vote via the practical 'hands in the air' method or whether a poll vote should be sent out to Parties after the meeting has taken place to enable them a period in which to respond (which could be done electronically). Members were concerned that having a vote based only on people who turned up to the meeting would be risky as no Parties may turn up.

The Workgroup also considered whether Parties failing to respond to the vote would mean that a default vote of 'no' would be cast, implying tacit support of the current Board Director. Some members commented that the number of 'yes' and 'no' votes cast should be counted and agreed, and that the active use of proxy votes will ensure that a certain number of votes are cast.

The requirement for a quorum would provide a mechanism that could address the risk of decisions being made by a very small minority (or even a single) shareholder, but which is also consistent with company law and best practice. The Workgroup therefore looked at the general meeting quorum requirements for other companies with similarities to ELEXON, and the results are listed in the table below. It should be noted that these organisations have far fewer stakeholders than ELEXON does.

Quorum Requirements		
Company	Role	Quorum
Gemserv	Central industry body and code administrator	Two members holding at least 50% of the voting rights
Electralink	Central industry body and code administrator	Seven members (the company has 14 members in total)
XOServe	Central industry body (gas)	Two members (the company has six members in total)
BACS	Payment processing company owned by UK clearing banks	Two members holding at least 75% of the voting rights
MOSL	Central industry body (water)	Has two classes of members and requires two thirds of both to be present for a quorate general meeting

A proposal was put forward for a quorum of 10 Voting Parties representing at least 30% of the total votes. Requiring at least 10 Voting Parties to vote would prevent the biggest six Parties from comprising a quorum on their own, while the 30% threshold would ensure there was a reasonable chance of achieving a quorum even if several of the bigger Parties did not participate. The quorum would be determined based both on votes submitted prior to the meeting and by votes available to be cast on the day. This would provide the necessary checks and balances sought by the Workgroup.

One member was concerned that, under the '30% of total votes' threshold, a resolution could be passed with only 15% of the total number of allocated votes in support of the

© ELEXON Limited 2016

proposal. However, the Workgroup highlighted that this is a component of democracy, and that if you don't vote then you are taken to be in agreement with the final outcome determined by your peers that do vote.

The Workgroup considered whether the quorum threshold should be 50% of total votes, rather than 30% of total votes. However, the Workgroup noted that this threshold would mean that if the six largest Parties did not participate, quorum could not be reached. At least one of the six biggest Voting Parties would need to participate for a quorum to be possible, but this would still require almost all of the remaining 100 or more Voting Parties to participate in order to reach the required quorum. Conversely, quorum could be reached with approximately 20 or so Voting Parties in the event that at least two of the largest six Parties participated.

The Workgroup concluded that a quorum of 30% of total votes would enable quorum to be met more easily, and enable a reasonable number of smaller Voting Parties to participate in a quorate vote in the unlikely event that the largest Funding Parties chose not to participate. The Workgroup felt that this would better incentivise participation.

No strong views were put forward for any alternative values, and so the Workgroup elected to use 30% for the consultation.

The Workgroup considered whether the '10 Voting Parties' threshold was necessary, or whether the '30% of total votes' threshold would make this irrelevant. Several members were indifferent to including this threshold, but other members believed it should be included to ensure a level of diversity in who votes. An alternative value of five was proposed, but this would not support such diversity as it would be easier for a single class of Voting Party (e.g. the 'Big Six' Parties) to carry a vote. A value of eight was also mooted, but this would still require smaller Parties to vote. In any event, with a total of 120 or more Parties, a quorum of 10 Voting Parties should be achievable. Members felt there was no right answer, and elected to use 10 for the consultation.

All eight respondents to the first Assessment Procedure Consultation agreed with both the principle behind the two thresholds and the values they were being set to. Respondents' rationale for this was broadly in line with the views of the Workgroup, and you can find the full responses in Attachment D.

The Workgroup noted one consultation respondent's suggestion that an obligation should be placed on BSCCo to review the quorum thresholds to ensure they remained appropriate in the future. The Workgroup agreed with this suggestion, and elected to include a provision whereby BSCCo would need to undertake a review of the two thresholds from time to time or upon the request of the Panel or the Authority. Members did consider placing a maximum duration between reviews of three or five years, but felt it would be better to leave this open. The outcome of any review would need to be raised and progressed via a Modification, and none of this would prevent any BSC Party from raising its own Modification at any time to propose new thresholds.

The Proposer and the Workgroup therefore agreed that to achieve a quorum at a general meeting, 10 Voting Parties representing at least 30% of the total number of votes needed to be in attendance.

© ELEXON Limited 2016

Should the Board Chairman and the Panel Chairman be the same person?

The Workgroup discussed removing the existing requirement for the Board Chairman and the Panel Chairman to be the same person.

The Workgroup agreed that having the two Chairman roles as separate roles would allow greater flexibility in the process. The roles each require different skill sets as the Board Chairman has a fiduciary duty as a company director and needs to know how to run a company, whereas the Panel Chairman is focused only on the chairmanship of the BSC Panel and the delivery of its responsibilities in accordance with its terms of reference. The Workgroup noted that, while this Modification would not permit any expansion in the services provided by BSCCo, it was appropriate to take into account the potential for BSCCo to be able to carry out more than just the BSC in the future., Therefore the roles of the Board Chairman and Panel Chairman would need to be appointed based on the characteristics each required. Members reiterated that the existing restriction stating that BSCCo can only undertake work detailed within the BSC is outside the scope of P324. Consequently, the delivery of any further services by BSCCo outside of the BSC will remain subject to the Modification process, which includes consultation with the industry, a recommendation by the Panel and a final determination from the Authority.

Members commented that having the same person fulfil both roles decreases the number of people on the Board and provides a better link between the Board and the Panel. One member also queried whether BSCCo would be able to appoint someone to carry out only one of the roles, noting difficulties that had been encountered previously when appointing chairmen for the Connection Use of System Code (CUSC) and Grid Code Panels.

However, the Workgroup agreed overall that, given the separation between the two bodies being proposed under P324 (the discussion on this in respect of the BSCCo Business Plan is discussed later on in this section), it would be appropriate for the two roles to be fulfilled by separate people if the Board and the Panel believed different people were required in each role at a given time. That said, nothing would prevent the two roles from being filled by the same person if the two bodies so wished.

How would the Board Chairman and the Panel Chairman be appointed?

Currently, whoever is appointed as the Panel Chairman is automatically appointed as the Board Chairman. Consequently, the appointment of a new Panel Chairman coincides with the appointment of a new Chairman of BSCCo.

The Workgroup considered how the appointment processes would work if the roles were separated. They agreed that the Board Chairman would be appointed by the BSCCo Board on the recommendation of the Nomination Committee. Such an appointment would be for three years and they would be able to be re-appointed if they wanted to continue in the role and the Board agreed to this. This appointment process would follow the same process as for the appointment of non-executive Directors (see below) and would not be subject to approval by the Authority.

The Workgroup also agreed that the Panel Chairman would continue to be appointed by the Panel in the same way as currently. However, the Panel Chairman would be eligible, rather than required, to be the Chairman of BSCCo, and therefore the Board Chairman. A new provision would need to be included to make it clear that the Panel Chairman could be appointed as the Board Chairman if the Board so determined, or vice versa if the Panel

How is the Panel Chairman appointed?

The Panel may determine the procedure for appointing its Chairman, as long as specific requirements are met. In particular:

- the BSCCo Board must be consulted on the Panel's choice;
- the Authority must approve the appointment and will determine the amount that they will be paid; and
- the appointed Chairman must be independent.

The Chairman's term of office is three years. Should the incumbent Chairman wish to continue in their role, the Panel will determine whether to simply re-appoint them or whether to undertake a full recruitment process. If it elected to re-appoint, the Panel would run a recruitment process supported by the Panel's BSC Panel Chairman Nomination Committee (BPCNC), consult with the Board and have the Panel's nomination approved by the Authority.

© ELEXON Limited 2016

so determined. However, if the two roles were filled by separate people then the BSC Panel Chairman would be automatically appointed as a Director.

What should the Board structure be?

Should there be any changes to the existing non-executive Director membership?

The Workgroup discussed whether any amendments to the existing non-executive Director membership needed to be made under P324. At this stage, the Workgroup does not believe any changes need to be made. However, in response to the concern that the Board may be becoming too large with the additional appointments noted below, members sought the view of the industry on whether the existing requirement for at least two 'non-industry' non-executive Directors should be reduced or even removed. In any event, the requirement for there to be more 'industry' non-executive Directors than 'non-industry' non-executive Directors would remain unchanged.

There was no support among respondents to the first Assessment Procedure Consultation to amend the existing make-up of the Board. Respondents felt that no case for change had been made, and that the existing provisions worked well. They also believed the requirement to have at least two 'non-industry' non-executive Directors on the Board allowed for a good level of perspective from outside the industry to be brought to the Board. The full responses can be found in Attachment D.

Noting this, the Proposer and the Workgroup elected not to make any changes to the existing non-executive Director membership.

Should the Panel Chairman sit on the Board?

As noted earlier in this section, part of the P324 solution would decouple the roles of the Board Chairman and the Panel Chairman. As a result, the two roles could potentially be filled by the same person or by two separate people following P324's implementation. The Workgroup agreed that should the two roles be filled by separate people then the Panel Chairman should be given a seat on the Board as a Director, to ensure there remains a link between the Panel and the Board.

Could the Panel Chairman be voted off the Board?

Members considered what would happen if Parties voted to remove the Panel Chairman from the Board via a binding resolution. They considered three options:

1. The Panel Chairman could not be voted off the Board;
2. The Panel Chairman could be voted off the Board but would remain as Panel Chairman. The Panel would appoint one of its other Members, most likely the Deputy Chairman, to the Board instead; or
3. The Panel Chairman could be voted off the Board, and if this were to happen would also be removed as the Panel Chairman. A new Panel Chairman would then need to be appointed, who would then be automatically appointed as a Director.

© ELEXON Limited 2016

The Workgroup rejected the first option, believing that any Director should be subject to a binding resolution. However, it was initially split between the remaining two options, with a slim majority in favour of the second option.

It was highlighted that the third option would expand the P324 solution towards Panel governance, and open up questions such as whether other Panel Members could then be voted off. Members were concerned that this would be straying beyond the intent of P324. Members also felt that if the Panel Chairman was voted off the Board, it may make their position on the Panel untenable, and they would likely resign on their own accord in due course, though this could not be guaranteed. It was also considered that if the Panel elected to allow the Panel Chairman to remain in their post then they would technically need to be automatically re-appointed to the Board. The Workgroup felt that in this scenario it would be better to allow the Panel to appoint another of its number, most likely the Deputy Chairman, to the Board for as long as the incumbent Panel Chairman remained in their role. Members felt this would be an appropriate route to put in place, especially given how unlikely this scenario is to occur.

Several members were in support of the third option, noting that it is currently impossible to remove the Panel Chairman (or any Panel Members) unless they breach the criteria laid out in BSC Section B2.7.4. They believed that if the Panel Chairman had been voted off the Board then they should, by default, be removed from the Panel too. Members did consider whether being voted off the Board would constitute 'misconduct', which would allow them to be removed from the Panel, but believed that it would not.

The majority of respondents to the first Assessment Procedure Consultation agreed that the second option should be progressed, believing that amendments to this would be beyond the scope of P324. Respondents felt that if the Panel Chairman was voted off the Board then it should be for the Panel to determine the next steps. However, two respondents disagreed, with one of these believing that the third option should be progressed. They felt that if the Panel Chairman was voted off the Board their position would become untenable, and that the third option should be allowed for such a scenario. You can find the full responses in Attachment D.

Overall, the Proposer and the Workgroup agreed to progress the second option whereby the Panel Chairman would not automatically be removed from that role if they were voted of the Board. However, members did believe that this area warrants further consideration under a separate Modification.

Should there be executive Directors on the Board?

As part of their proposal, the Proposer had expressed concerns that there is a lack of significant executive accountability to BSC Parties due to their not being represented on the Board. The Workgroup considered whether executive members should be appointed to the Board.

A Workgroup member queried what the executive team members would add to the Board. Other members felt that this would increase the accountability of executive members to BSC Parties in that they can be voted off the Board in the same way as other Directors. Some members felt this to be particularly powerful since the executive team handles the day-to-day running of the business.

The Proposer considered that members of the executive team *may* become executive Directors of BSCCo. The Workgroup agreed that such optionality would provide flexibility for the Board to be able to appoint members of the executive team only if it feels that this

© ELEXON Limited 2016

is appropriate, rather than members of the executive team being automatically appointed as Directors. In addition, it agreed that those members of the executive team who become executive Directors of the Board could be voted off in the same way as other Directors.

The Workgroup considered which members of the executive team could become executive Directors. Members proposed that this should specifically be the CEO and the Chief Financial Officer (CFO). Alternatively, it could be open to any member of the executive team. It was highlighted that the BSC currently prevents the CEO from being a BSCCo Director, and that the current Board Chairman is fulfilling the executive role.

A member felt that if the CEO is currently unable to sit on the Board, then they agreed that it would not be appropriate for any other executive team member to sit on the Board. The Workgroup noted that, if the rules were changed, it should be that any member of the executive team may become an executive Director but that it was likely the CEO and the CFO would be appointed. It was also highlighted that mandating an executive member to be a Director may lead to employment issues if they are subsequently removed from the Board. One member felt that if an executive member was voted off the Board it would be unlikely they would remain in their role. Allowing the appointments to the Board to be optional would give greater flexibility to the Board and BSCCo in dealing with the situation (including replacing that particular executive member should they be voted off). The Workgroup agreed that these appointments should be optional, at the discretion of the Board.

Members didn't like the idea of limiting the executive Director positions to specific roles, and felt it should be open to any members of the executive that the Board felt would add value. The Knight Report recommended that the CEO should sit on the Board, but made no reference to any other executive roles. Some members of the Workgroup felt that the CFO of BSCCo has a much more limited role than CFOs of other organisations, and that it is the CEO role that is the key role that should be held to account. Other members noted that, under ELEXON's current structure, it is the CFO that is responsible for all BSCCo's commercial activities. The Workgroup agreed that allowing up to two executive members to sit on the Board would allow for flexibility in who to appoint without making the size of the Board unduly large. It was also felt that if the Board elected to appoint executive Directors then one of these appointments would need to be the CEO.

A majority of respondents to the first Assessment Procedure Consultation were in support of allowing the Board the discretion to appoint up to two executive Directors, so long as one was the CEO. They believed that it would increase the accountability of the executive team and would better facilitate liaison between them and the Board. One respondent agreed in principle, but felt that only one executive Director was needed. One respondent disagreed, believing it inappropriate for paid members of BSCCo staff to be on the Board as voting members. You can find the full responses in Attachment D.

Noting these, the Proposer and the Workgroup agreed to allow the Board the discretion to appoint up to two executive Directors, so long as one of these was the CEO of BSCCo.

What is the proposed structure?

Overall the Workgroup agreed that the new Board structure under P324 should comprise the following members:

- the Board Chairman;

© ELEXON Limited 2016

- the Panel Chairman (who may or may not be the same person as the Board Chairman, and who, if a separate person, may be treated as an 'industry' non-executive Director at the Board's discretion if they have relevant industry experience);
- at the Board's discretion, up to two executive Directors (and if any are appointed then one of these must be the CEO of ELEXON); and
- as many further non-executive Directors as the Board wishes, as long as the majority of these are 'industry' non-executive Directors and there are at least two 'non-industry' non-executive Directors.

This would mean that, in addition to all the current Directors, there could be up to two executive Directors, as well as the Panel Chairman if this is a different person to the Board Chairman. The size of the Board could therefore be larger than currently.

How should Directors be appointed?

The Workgroup looked at the appointment process for Directors. They agreed that non-executive Directors would be appointed by the Board itself through the Nomination Committee, and that the obligation to consult with the Panel would be removed. This would mean that the composition of and the terms of reference for the Nomination Committee would no longer require approval of the Panel. The obligation for a Panel Advisor and the requirement for the Board to consult with the Panel via this Advisor prior to any appointments would also be removed. The Workgroup noted that the Board may still find it appropriate to consider the views of the Panel before making any appointment. Although this would not be mandated in the BSC, the Board could allow for this under the terms of reference for its Nomination Committee. The Workgroup also agreed that a Board Director's term of office should be for a three-year term rather than the current two-year term, and that all Directors would be eligible for re-appointment. These changes would bring the appointment process in line with the UK Corporate Governance Code.

The intention of this Modification is for the Board to be held more accountable to BSC Parties. It was therefore suggested that all Directors should be subject to ratification by interested Parties. Several members highlighted that it is normal governance practice (and a requirement of any standard public company's articles) for Board appointments (including the Chairman) of a listed company to be subject to an election at the next Annual General Meeting (AGM) after their appointment, and periodically thereafter. In larger public companies, the UK Corporate Governance Code expects all Directors to stand for re-election annually, whereas for smaller companies Directors are subject to re-election by rotation e.g. a cycling sub-set of Directors would be subject to re-election every three years.

The Workgroup therefore agreed that all Directors should be subject to an election at the first Annual BSC Meeting following their appointment, and then be subject to election at the first Annual BSC Meeting following their re-appointment (should this apply). It believed this would also give the industry more certainty over the specific voting dates. In addition, it enables Voting Parties to attend the Annual BSC Meeting and vote on elections and re-elections in accordance with the agreed voting procedure. For the avoidance of doubt, the election would be run on a member-by-member basis using the same mechanism detailed in Section 3 for voting on resolutions. The Workgroup believed that this process will continually remind Board Directors of their commitment to Parties and would provide a

© ELEXON Limited 2016

structure for possible removal of Board Directors outside of the more 'nuclear' binding resolution process.

One member noted that scheduling the election to happen at the Annual BSC Meeting meant a Director could go for as long as a year before being elected, but equally could be voted upon after only a few days in the job. In the latter scenario, this would not give a new Director much time to prove themselves before the industry gets to vote on their appointment. However, another member believed that the Board could manage its appointments so as not to appoint a new Director just before an Annual BSC Meeting. Instead, the appointment could be delayed a couple of weeks until just after the Annual BSC Meeting, thus giving the Director a year to prove themselves.

Which Directors should be remunerated?

The Workgroup looked at the remuneration for Directors. Currently, all Directors are entitled to recover reasonable costs and expenses, including travel and accommodation costs, incurred in Board business. However, only 'industry' non-executive Directors are remunerated for their time and effort as Directors. Their remuneration and benefits are determined by the Board following consultation with the Panel.

This topic was considered by the respective Workgroups under Approved Modifications P281 and P303 'Amendments to the Provisions for BSCCo Directors'. Neither of these Workgroups had believed that changes should be made to the current arrangements on Board remuneration. However, the P324 Workgroup noted the Knight Report's recommendation that:

> "all members of the new Board should be properly remunerated, even if their arrangements with their employers require them to account for their remuneration".

In addition, the Authority's P303 decision letter stated that:

> "the Board and Panel's broader ELEXON Governance Review had not yet concluded, which may have wider implications for the Board".

The Authority went on to suggest that:

> "any further consideration of this issue is undertaken in light of the outcomes of the ELEXON Governance Review, and that any future modification that may be proposed in this area could more closely examine the costs and benefits of industry Director remuneration, and the principles and process for remuneration levels being determined".

One P324 Workgroup member expressed a concern as to where the line of remuneration would stop if remuneration was extended to all non-executive Directors. They noted that a subsequent argument could then be raised for all Panel Members and Panel Committee Members to be remunerated for their time. Another Workgroup member argued that the Board is involved in management decisions, and that individuals appointed to the Board would have particular skill sets and, unlike Panel Members, Directors carry specific fiduciary responsibilities and liabilities. They should therefore be paid for such attributes.

The Workgroup noted a further concern from a small Party raised in the Authority's P303 decision letter that the loss of resources to the role by a Director's organisation (in terms of time commitment as well as money) would be a barrier. The Workgroup felt that remuneration could not address the concern related to the loss of expertise from an

© ELEXON Limited 2016

industry participant to the Board for periods where its employee was fulfilling their duties as a Board member.

The Workgroup did not initially identify any new arguments that convinced them that wider remuneration should be included as part of the P324 solution. Members argued that it would be wrong to assume that a lack of applicants is down to the absence of remuneration. The Workgroup suggested that we contact the head-hunters running the Board appointment process to see if we could obtain feedback on why people applied for the role but then did not follow through with their application. Members believed it would be useful to identify whether remuneration was the issue or if there were any other consistent factors amongst applicants.

We subsequently contacted the head-hunters used when appointing the most recent 'industry' non-executive Director, and asked whether the lack of remuneration had an impact on the recruitment. The head-hunters concluded that the lack of remuneration did have an impact on the size of the pool of credible candidates. The findings from this can be found in Appendix 2.

Noting all of this, the Workgroup identified three possible options for remuneration:

- No remuneration for 'industry' non-executive Directors (current arrangements);
- Benchmarked remuneration (consistent with other members at the market rate); or
- Cost-reflective remuneration (e.g. some form of re-imbursement for the company providing the Director).

The Workgroup was concerned that extending remuneration to 'industry' non-executive Directors may result in the entire of P324 being rejected should the Authority disagree on its inclusion. It therefore felt it would be prudent to have an Alternative Modification on the table to allow a solution with and without the extended remuneration arrangements to be offered for decision. However, one member noted that the changing arrangements proposed by P324 may make remunerating all non-executive Directors acceptable. At this stage, the Proposer was happy to include the wider remuneration arrangements within the Proposed Modification, believing it would widen the potential range of candidates for the 'industry' non-executive Director roles.

Members discussed how the amount of remuneration for 'industry' non-executive Directors would be determined. Currently, when determining the level of remuneration for a 'non-industry' non-executive Director the Remuneration Committee would look at the wider market practice and would benchmark the level of pay to other companies and to other non-executive roles. There is a base fee for 'non-industry' non-executive Directors of around £28,000 per annum. Further supplements typically totalling around £2,000-£3,000 per annum would be added for extra duties, and the senior 'non-industry' non-executive Director would receive extra to compensate for their additional duties. This is all reported each year in ELEXON's financial reporting.

One member flagged that there are a large number of government non-executive director roles that are not remunerated. They would expect such public body roles to be taken into account when benchmarking levels of remuneration, given that ELEXON is a not-for-profit organisation that works for the benefit of the wider industry.

The Workgroup also noted changes that had been made to the board of Xoserve (the Code Administrator for the Uniform Network Code (UNC)) in October 2013. In its decision letter, the Authority approved the key characteristics of the new board, but considered

© ELEXON Limited 2016

that the industry was best placed to establish the arrangements that work for them. In particular, the Authority had agreed that appropriate levels of remuneration should be given to board members, but had stated it would not have any role in the setting of such remuneration.

Most members were happy to include the *option* for remunerating *any* non-executive Directors on the Board, and to leave it up to the Board and the Remuneration Committee to determine who should receive remuneration (and each Director to determine if they wanted to receive such remuneration) and how much they should receive. This would also be consistent with the Corporate Governance Code. However, one member felt that the level of remuneration for 'industry' non-executive Directors should be less than the current £28,000 plus supplements currently given to 'non-industry' non-executive Directors. Another member highlighted that the driver for extending remuneration was coming from the Board, and so believed that the Board would almost certainly take up the option to remunerate all its non-executive Directors if it was made available under P324.

A majority of respondents to the first Assessment Procedure Consultation were in support of remunerating all non-executive Directors. They agreed with the Workgroup that this would increase the candidate pool for the 'industry' non-executive Director roles, noting in particular the findings in Appendix 2. Respondents were happy to leave it to the Board's discretion, so long as necessary controls are in place. One respondent stated that remuneration must be at the recommendation of the Remuneration Committee and appropriately benchmarked, which we note is the case currently and would continue to be so under P324. Two respondents disagreed with allowing wider remuneration, believing this to be inappropriate when industry participants who volunteer for the Panel and Panel Committees are not remunerated for their time. One respondent noted they preferred candidates who apply for the role and not the money. You can find the full responses in Attachment D.

The Proposer elected to include remuneration for all non-executive Directors under the Proposed Modification, and a majority of Workgroup members supported this solution. However, a minority of members disagreed, and believed an Alternative Modification should be raised with this element of the solution removed.

Should the Authority approve the Panel Chairman's remuneration?

Following the first Assessment Procedure Consultation, the Ofgem Representative on the Workgroup highlighted the provisions for remunerating the Panel Chairman in BSC Section B2.11.3. They noted that this provision had been put in place under the original BSC arrangements in 2001 when the Panel Chairman was directly appointed by the Authority. As part of P281, the provisions were amended so that the Panel appoints the Panel Chairman subject to Authority approval. However, the provisions relating to remuneration were left unchanged.

The Ofgem Representative noted that P324 would separate the roles of Board Chairman and Panel Chairman, and would pass responsibility for setting the Board Chairman's remuneration to the Remuneration Committee. The Authority would have no input into this process. They therefore believed that the role of the Authority in approving the Panel Chairman's remuneration should also be removed. The remainder of the existing process for determining the Panel Chairman's remuneration would remain unchanged, but the final decision would sit with the Panel and not with the Authority. This would also be consistent with the provisions for setting the remuneration for chairmen of other Code Panels, where the Authority has no input.

© ELEXON Limited 2016

The Workgroup considered whether this amendment would be within scope of P324. P324 is focused on the Board arrangements, whereas this amendment would relate to the Panel arrangements. The Ofgem Representative felt that it would be within scope due to the separation of the Board Chairman role from the Panel Chairman role, believing this amendment to be a natural consequence of that split. They confirmed to the Workgroup that if it elected to include this amendment under P324 it would not cause an issue with the Authority's decision on the Modification.

The Workgroup was concerned that including this amendment would constitute a material change to the P324 solution after the Assessment Procedure Consultation had been issued. Members highlighted similar issues with P315 'Publication of Gross Supplier Market Share Data', where the P315 Workgroup had made material changes to the solutions following consultation, but had not re-consulted prior to submitting its Assessment Report to the Panel. The Panel had subsequently returned P315 to the P315 Workgroup, instructing it to consult on its revised solutions. These members were concerned that a similar situation may arise with P324 if this amendment was included in the Assessment Report without further consultation first being undertaken.

One member considered whether the wording in BSC Section B2.11.3 could constitute a 'maybe'. If this was the case then a subsequent Modification could be raised following the approval of P324 to make this further amendment. However, we noted to the Workgroup that the intent of the wording is that the Authority needs to be consulted upon the Panel Chairman's remuneration at some point in the process. The Workgroup also ruled out raising a parallel Modification and progressing it directly to the Report Phase in parallel with P324, as that parallel Modification would be contingent on P324's approval; members did not believe such a Modification would be approved on its own merits alone.

The Proposer and the Workgroup unanimously agreed that the amendment to the provisions for remunerating the Panel Chairman should be included under P324. The Workgroup subsequently elected to re-consult the industry on this amendment before submitting its Assessment Report to the Panel.

Assessment Consultation Question
Do you agree that the Authority should not be involved in determining the remuneration of the Panel Chairman? *Please provide your rationale.*
The Workgroup invites you to give your views using the response form in Attachment E

How should the BSCCo Business Plan be set?

Under the current process for setting and approving the BSCCo Business Plan, the Business Strategy is approved by the Panel and the associated Annual Budget is approved by the Board. The Workgroup discussed the Board's concerns that they are not responsible for approving the strategy of the organisation they oversee. It also noted that the UK Corporate Governance Code states that the board should set its company's strategic aims.

The Proposer highlighted that although the involvement of both the Board and the Panel in setting the BSCCo Business Plan provides additional checks and balances, it can result in an inefficient, time consuming process with cross-referral between the two bodies. They therefore considered that the current provisions should be reviewed.

© ELEXON Limited 2016

Under P324, both the strategy and budget elements of the BSCCo Business Plan would sit with the Board, with the Panel no longer having any direct responsibility for the BSCCo Business Strategy. However, the Board will be required to issue the BSCCo Business Strategy for industry comment as happens now, the timetable for which will be the same as currently. The Board would also be required to seek the views of the Panel when setting the strategy. The Panel would have input to the BSCCo Strategy through its own strategy, which would cover the Settlement priorities that the Panel would want ELEXON to focus on.

What checks and balances would there be?

While the BSCCo Business Plan describes the principal activities of BSCCo for the forthcoming year, there are a number of checks and balances already in place for BSCCo's activities.

BSC Section C1.2.2 states that "subject to the further provisions of this Section C, BSCCo shall have the powers, functions and responsibilities set out in or assigned to it pursuant to the Code, and shall not undertake any business or activity other than as provided for in the Code." Therefore the activities of BSCCo are limited by the scope of the activities prescribed by the BSC, and any change to this is subject to the Modification Process. P324 does not propose any changes to this limitation, meaning that BSCCo could not undertake any further activities without an appropriate Modification first being approved.

The Workgroup considered that **the Panel** itself acts as a control mechanism. The Panel has various powers assigned to it under the BSC. These provisions include:

- the right of approval of BSCCo's financing in certain situations subject to certain limits (such as expenditure in relation to providing support to a Modification Workgroup if such expenditure exceeds a certain threshold);
- supervision of the Modification procedures;
- the ability to set the terms of reference for the BSC Auditor; and
- the right to approve any change to a BSC System which does not otherwise require approval under a Modification to the BSC or one of its CSDs.

The Workgroup agreed that **BSC Parties** act as a control as any Party may raise a Modification to amend the terms of the BSC. Parties therefore also have the right to be consulted on important matters such as the Business Strategy and Modifications. Under P324, the Board will still be required to issue the BSCCo Strategy for industry comment, the timetable for which will be equivalent to the current process.

Members also considered that **National Grid** acts as a control mechanism. They noted provisions in the BSC allowing National Grid to step in and perform certain BSCCo functions[1] in BSCCo's place on the direction of the Authority.

The Workgroup noted that **the Authority** also acts as a control mechanism in facilitating achievement of the Applicable BSC Objectives by receiving a copy of the Business Strategy and Annual Budget and giving approval to any Modifications to the BSC, including those that seek to amend its governance provisions or the governance provisions of BSCCo.

[1] These functions are: the accession of BSC Parties; the operation of the Modifications procedures; and the publication of data on the BSC Website and provision of data to the Authority.

© ELEXON Limited 2016

For completeness, BSCCo is also subject to relevant UK law, including the provisions of the Companies Act 2006 and the need for a statutory company audit.

The Workgroup agreed that these existing checks and balances should remain in place.

Should the Business Strategy be voted upon?

Some members of the Workgroup believed that it would be appropriate to use the defined voting mechanism to vote on the Business Strategy through a non-binding resolution.

The Ofgem Representative expressed concerned that, if the Panel's involvement is removed, there would be no middle ground between the 'nuclear' option of a binding resolution to remove Board members and the non-binding resolution when giving Parties a chance to provide their view. Other Workgroup members believed that removing the Panel's approval of the strategy is not the same as removing Parties' input, noting that Panel Members are not appointed as representatives of BSC Parties (either individual parties or classes of Parties). The Proposer highlighted that industry input would come the opportunity to comment on the Business Strategy, which would be unchanged from the current arrangements.

Workgroup members felt that the mechanism introduced under P324 would incentivise good quality engagement.. They highlighted that, under P324, Parties will have the ability to express their views through their right to remove members of the Board. The Board would therefore face direct consequences if it chose to ignore views of the Panel and of Parties.

Overall, the Workgroup felt that there was no need for the BSCCo Business Strategy to be ratified via a vote.

© ELEXON Limited 2016

Workgroup's initial recommendations

The Proposer and the Workgroup initially unanimously recommends that P324 **would** better facilitate Applicable BSC Objective (d) and so should be **approved**.

Applicable BSC Objective (d)

The Proposer and the Workgroup unanimously believe that P324 would better facilitate Applicable BSC Objective (d).

Members believe that P324 would improve the accountability of the Board to the industry, which would improve efficiency in the arrangements. P324 would allow BSC Parties a more active role in determining the management of BSCCo, by providing a means to remove Directors in whom they do not have confidence. The voting mechanism associated with this gives the right balances, with no single Party or class of Parties able to dominate. Although the voting mechanism surrounding this adds a layer of bureaucracy, this would be greatly outweighed by the benefits.

P324 also improves the efficiency of setting the BSCCo Business Plan and the Business Strategy by placing the responsibility for this wholly with the Board, although the Panel and industry would still be consulted. Members believe this is a sensible step forward. This separation of the Board and the Panel's involvements also clarifies each body's roles in the process, improving efficiency.

Members are happy with the composition of the Board, and that it should be able to determine who it needs to sit as a Director. Members believe the ability for the Board to determine its own membership is the most efficient method, and note that if the industry disagrees with an appointment it will have the power to vote that Director off the Board. The ability for members of the ELEXON executive team to become Directors increases their ownership in the business, while also increasing their accountability to the industry.

Members disagree on the effectiveness of allowing any non-executive Director to receive remuneration. The Proposer and three other Workgroup members believe this will increase efficiency by widening the candidate pool for the 'industry' non-executive Director roles, citing the evidence in Appendix 2 in support of this view. One member disagrees, believing this would reduce efficiency by increasing costs, but believes the other benefits noted above outweighs this detrimental impact and so supports the Modification overall. One member is neutral on this point, but supports the Modification overall for the other reasons noted above.

Views on the potential Alternative Modification

Although they did not formally raise the potential Alternative Modification described in Section 3, members have offered their views on whether it would better facilitate the Applicable BSC Objectives.

Members note that the only difference between the Proposed Modification and the potential Alternative Modification is the remuneration element, and so believe that overall the potential Alternative Modification would also better facilitate Applicable BSC Objective (d) compared to the current baseline for the other reasons noted above.

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 administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

© ELEXON Limited 2016

One member believed that the potential Alternative Modification would be better than the Proposed Modification. They believed it would be more efficient not to remunerate 'industry' non-executive Directors, as currently, as this would result in cost-savings compared to the Proposed Modification. They also noted that they would rather have Directors that desire to give something back to the industry, and aren't in it for the money. They believe the current approach has worked well and that to date there have been good Directors on the Board.

Four members, including the Proposer, believed the Proposed Modification was the better option. They felt that allowing the 'industry' non-executive Directors to be remunerated would widen the talent pool that would apply for such roles, which would increase efficiency in finding and appointing the best candidates to ensure the most efficient and effective leadership of BSCCo.

One member abstained on this element, noting concerns with either approach. In particular, they highlighted a concern that allowing 'industry' non-executive directors to be remunerated could create a 'snowball' effect whereby other bodies such as the Panel and Panel Committees may also want remuneration. They were concerned that this could result in valuable expertise being lost from these bodies should people not wish to volunteer for a non-remunerated role.

Several Workgroup members believe that it would be prudent to submit both solutions to the Authority for decision. However, the BSC only allows a Workgroup to raise an Alternative Modification if a majority of its members believe it would better facilitate the Applicable BSC Objectives compared to the Proposed Modification. At this stage, this criterion has not been met, and so the potential Alternative Modification has not been raised.

Assessment Consultation respondents' views

All eight respondents to the first Assessment Procedure Consultation agreed that P324 overall better facilitated Applicable BSC Objective (d) for the same reasons as the Workgroup.

A majority of the respondents agree with the Workgroup's majority view that the Proposed Modification would be the better of the two solutions, while a minority were in support of the potential Alternative Modification. The views either way are broadly in line with the workgroup's views.

You can find the full responses received in Attachment D.

Assessment Consultation Question
Do you agree that the revised P324 solution better facilitates the Applicable BSC Objectives compared to the current baseline? *Please provide your rationale with reference to the Applicable BSC Objectives.*
The Workgroup invites you to give your views using the response form in Attachment E

© ELEXON Limited 2016

Appendix 1: Allocation of Votes to Parties

This section provides a high-level overview of the calculation used to determine each Voting Party's share of the vote.

The calculation will be performed upon receipt of each month's Annual Funding Share values or upon notification of changes in the affiliation of a Trading Party or Distribution Business. The calculation will be based on each Party's most recent Annual Funding Share at the point the calculation is performed.

There will be a base number of votes set at 10,000. The share of this base number of votes to be received by each Voting Party will be determined as follows:

- The Transmission Company will receive 6% of the base number of votes. It will subsequently receive 600 votes.
- Distribution Businesses will receive a share of 8% of the base number of votes. These will be split equally across each Distribution Business group (a group of affiliated Distribution Businesses). Each Distribution Business group will subsequently receive this proportion of the base number of votes. Any fractions of votes will be rounded down to the nearest whole number of votes (to a minimum of one vote per Distribution Business).

  For example if there were 11 Distribution Business groups, each would receive 8/11 or 0.727% of the base number of votes, which would equal 72.7 votes. This would be rounded down to 72 votes given to each Distribution Business group.

- Trading Parties will receive a share of 86% of the base number of votes. These will be split proportionally across each Trading Party group (a group of affiliated Trading Parties) based on the sum of the Annual Funding Share across all Trading Parties in each group. Each Trading Party group will subsequently receive this proportion of the base number of votes. Any fractions of votes will be rounded down to the nearest whole number of votes. If a Trading Party group has an overall zero or negative Annual Funding Share it would be allocated a single vote.

  *For example if a Trading Party group had a combined Funding Share of 10%, it would receive 86*0.1 or 8.6% of the base number of votes, which would equal 860 votes. This is already a whole number so no rounding down is required.*

If a Voting Party consists of both Trading Parties and Distribution Businesses, it will receive the shares of the vote from both parts of the calculation (and a default single vote would only be allocated if the sum of these votes was zero or negative).

For example, if a Voting Party was formed of the Trading Party group above receiving 860 votes and a Distribution Business group receiving 72 votes, the Voting Party would receive 860+72 or 932 votes in total.

Please note that the provisional number of votes (the total number of votes provisionally allocated across all Voting Parties at this stage) may be slightly above or below the base number of votes as a result of the effects of rounding.

A cap of 6% of the provisional number of votes will then be calculated (if this cap is not a whole number then it will be rounded down to the nearest whole number). Any Voting Party whose number of votes exceeds this cap will have the votes above this cap removed. These votes will not be redistributed.

© ELEXON Limited 2016

For example, if the provisional number of votes was 9,980, then the 6% cap would be 598.8 votes, which would be rounded down to 598 votes. The Voting Party above receiving 932 votes would therefore have its number of votes reduced to 598 votes.

Please note that the actual number of votes (the total number of votes actually allocated across all Voting Parties once the cap has been applied) may be significantly below the original base number of votes due to the application of the cap.

It is this final number of votes after capping that will be used to determine whether a quorum is reached when voting at the meeting (with this number being rounded down if it is not a whole number).

*For example, if the actual number of votes was 6,805 and the quorum was set at 30%+1 of the final number of votes then the minimum number of votes required would be (6,805*0.3)+1 or 2,041.5 votes. This would be rounded down to 2,041 votes required to be quorate.*

© ELEXON Limited 2016

Appendix 2: Findings from Investigation into Remuneration

This evidence has been based on feedback from Heidrick & Struggles, the head-hunter used by ELEXON for the recent recruitment of an (un-remunerated) 'industry' non-executive director.

Because there was no remuneration, the head-hunter advised that there would not be any justification or benefit for advertising in national daily newspapers, as this route to attract candidates was not proportionate to a package without remuneration. An advertisement was placed in Utility Week, and there were 548 hits. Crucially, there were no resultant applications, i.e. there were many manifestations of interest but no applications (and the fee wasted). This is understood to be unusual. The role was also circulated through other networks, with little success. It seems obvious that the lack of remuneration must have been a factor.

It follows that, in the absence of effective advertising, ELEXON needed to pay a head-hunter to do all the searching for and targeting of individuals.

The head-hunter reported generally that remuneration played a part in the candidates' decision to apply for the role. This was especially relevant given that we were targeting candidates from smaller Parties with senior executive and/or board experience. The commentary from the agent was that smaller Parties only really have one or two individuals that potentially had the ability or experience to operate at board level. These candidates tended to be CFOs or CEOs, who were already hard-pressed for time. Smaller Parties also tend to lack the resources for covering those individuals if they were to become engaged elsewhere with non-executive Director commitments.

Further qualitative feedback from the head-hunter was that:

- One of the candidates interested in the role had to withdraw as their current employer would have reduced their remuneration by the number of hours the candidate would spend doing non-executive Director work. As the non-executive Director work is not remunerated, the candidate would be left out of pocket.
- Some candidates indicated that their employer would need to be paid for their time spent doing non-executive Director work.
- Others indicated that they may have been interested, but because it is a "kind of pro bono work" they would rather dedicate this time to a charity of their choice.
- Not to remunerate work carries a perception that the work is not important unless it is for a charity.

The head-hunter identified an overall target pool of around 75 executives, of which 46 were deemed as potentially qualified. They then prioritised 37 of these to approach. Of those candidates:

- 25 (69%) were not interested;
- 4 (11%) were unresponsive and deemed not interested; and
- 8 (20%) were interested and interviewed (by the head-hunter) for the role; and

One candidate from the eight interviewed subsequently withdrew when their employer suggested that the candidate take a pay cut to cover the amount of time that the role required.

© ELEXON Limited 2016

Of the 25 who responded but were not interested, five specifically withdrew (plus a further one later on) due to lack or remuneration for the role, and 16 withdrew because of their limited availability and other commitments. This included "sitting as non-executive with other (pro-bono) boards", and we concluded remuneration was a factor here as well.

Thus the overall analysis is that of those prioritised and approached, seven were interested and 30 were not. This imbalance, in that the great majority of candidates were not interested, is very much the reverse of ELEXON's experience in searching for 'non-industry' non-executive Directors, who are remunerated.

There was feedback from some smaller companies that they felt disadvantaged by the remuneration factor. ELEXON considers that such potential for discrimination between different sectors of the industry should be avoided.

The biggest motivator for the role expressed by the candidates interviewed was that of their own personal development. There was very little evidence of a desire to "give back" to the industry, as discussed in Modification Workgroups, and it was not considered an adequate basis for a lack of remuneration.

Conclusions

The head-hunter and the recruitment process team are clear that lack of remuneration played a significant role in candidates' willingness to apply for the role and that the number of suitable candidates identified was consequently low. The team and the Board take a strong view that the time investment and the importance of the work required warrants remuneration. By paying 'industry' non-executive Directors we would be positioning the role as important and substantive enough to attract credible individuals who may see this as a worthwhile endeavour. There is no justification, including in the Corporate Governance Code, for paying 'non-industry' non-executive Directors but not 'industry' non-executive Directors. Lack of remuneration has proved a particular obstacle for attracting quality candidates from smaller companies.

© ELEXON Limited 2016

Appendix 3: Workgroup Details

Workgroup's Terms of Reference

Specific areas set by the BSC Panel in the P324 Terms of Reference
What voting mechanism should be put in place? • How will the voting mechanism work in practice? • Consideration of allocating votes e.g. one Party one vote or funding share etc.? • Should there be any caps or limitations on the number of votes per Party, per Party group or type of Party? • Can the voting mechanism be used at any time during the year or on an annual basis only?
What are the impacts on the existing Board make up? • What are the processes and practicalities of removing Directors?
Consider the impacts of removing the Panel's involvement in a potential Director's appointment. • What is the Panel's current involvement in the appointment process and how would this be amended?
Consider the advantages and disadvantages of separating the roles of Board Chair and Panel Chair. • What are the current interactions between the Panel Chair and Board Chair appointments and how would these be amended?
Discuss the issue of remuneration for Directors • Should industry Directors also receive remuneration?
Consider the advantages and disadvantages of removing the requirement for the BSC Panel to approve the BSCCo Business Strategy. • Are there any additional mechanisms required to ensure that the views of BSC Parties are reflected in the formulation of the BSCCo Business Strategy?
Are there any Alternative Modifications?
What are the benefits of P324?
Consider the appropriate implementation approach for the proposed changes
What changes are needed to BSC documents to support P324?
Does P324 better facilitate the Applicable BSC Objectives than the current baseline?

Assessment Procedure timetable

P324 Assessment Timetable	
Event	Date
Panel submits P324 to Assessment Procedure	13 Aug 15
Workgroup Meeting 1 (joint with P325)	13 Oct 15
Workgroup Meeting 2	05 Nov 15
Workgroup Meeting 3	17 Mar 16
Workgroup Meeting 4	03 May 16

© ELEXON Limited 2016

P324 Assessment Timetable	
Event	Date
First Assessment Procedure Consultation	24 May 16 – 15 Jun 16
Workgroup Meeting 5	22 Jun 16
Second Assessment Procedure Consultation	01 Jul 16 – 22 Jul 16
Workgroup Meeting 6	W/B 25 Jul 16
Panel considers Workgroup's Assessment Report	11 Aug 16

Workgroup membership and attendance

P324 Workgroup Attendance						
Name	Organisation	13 Oct 15	05 Nov 15	17 Mar 16	03 May 16	22 Jun 16
Members						
Adam Lattimore	ELEXON *(Chair)*	✓	✓	✗	✗	✗
Adam Richardson	ELEXON *(Design Authority/Chair)*	✓	✓	✓	✓	✓
Claire Kerr	ELEXON *(Lead Analyst)*	✓	✓	✓	✗	✗
David Kemp	ELEXON *(Lead Analyst)*	✗	✗	✗	✓	✓
Alex Thomason	National Grid *(Proposer)*	✓	✓	✓	☎	☎
Andy Colley	SSE	✓	✓	✓	✓	✓
Colin Prestwich	SmartestEnergy	✓	✓	✓	✓	✗
Joseph Underwood	Drax Power Limited	✓	✗	✗	✓	✓
Lisa Waters	Waters Wye Associates	✓	✓	✓	✓	✗
Emma Piercy	First Utility	✓	✗	✗	✗	✗
James Anderson	ScottishPower	✓	✓	✓	✓	✓
Michael Houston	ScottishPower	✗	✗	✗	✗	✗
Azeem Khan	Npower	✓	✓	✗	✓	✓
Alex Travell	E.ON	✗	✗	✗	✗	✗
Lin Gao	E.ON	✓	✓	☎	✗	✗
Gregory Mackenzie	British Gas	✓	✓	✗	✓	✓
Attendees						
Chris Price	ELEXON *(Design Authority)*	✗	✗	✓	✓	✓
Geoff Norman	ELEXON (*Lead Lawyer*)	✓	✓	✓	✓	✓
Nick Brown	ELEXON *(Company Secretary)*	✓	✓	✓	✓	✓
Dean Riddell	ELEXON	✗	✗	✓	✓	✗
Rory Edwards	Ofgem	✓	✓	✓	☎	☎
Garth Graham	SSE *(P325 Proposer)*	✓	✓	✗	✗	✗

© ELEXON Limited 2016

Acronyms

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

Acronym	
Acronym	Definition
AGM	Annual General Meeting
BSC	Balancing and Settlement Code *(industry Code)*
BSCCo	Balancing and Settlement Code Company *(Code Administrator; ELEXON)*
BSCP	Balancing and Settlement Code Procedure *(Code Subsidiary Document)*
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CP	Change Proposal
CSD	Code Subsidiary Document
CUSC	Connection and Use of System Code *(industry Code)*
ORD	Other Regulatory Decision

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
4	BSC Sections page on the ELEXON website	https://www.elexon.co.uk/bsc-related-documents/balancing-settlement-code/bsc-sections/
4	P281 page on the ELEXON website	http://www.elexon.co.uk/mod-proposal/p281-change-of-bscco-board-of-directors-chairman/
5	BSC Panel page on the ELEXON website	https://www.elexon.co.uk/group/the-panel/
5	Bill Knight's ELEXON Governance Review Published page on the ELEXON website	https://www.elexon.co.uk/news/bill-knights-elexon-governance-review-published/
5	Review of Elexon Governance page on the Ofgem website	https://www.ofgem.gov.uk/publications-and-updates/review-elexon-governance
5	UK Corporate Governance Code page on the Financial Reporting Council website	https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx
7	P324 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p324/

© ELEXON Limited 2016

External Links		
Page(s)	Description	URL
7	BSCPs page on the ELEXON website	https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/
14	Panel 252 page on the ELEXON website	https://www.elexon.co.uk/meeting/bsc-panel-252/
15	Who We Are page on the ELEXON website	https://www.elexon.co.uk/about/who-we-are/
15	Companies Act 2006 page on the legislation.gov.uk website	http://www.legislation.gov.uk/ukpga/2006/46/contents
25	P303 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p303/
25	Balancing and Settlement Code (BSC) P303: Amendments to the provisions for BSCCo Directors page on the Ofgem website	https://www.ofgem.gov.uk/publications-and-updates/balancing-and-settlement-code-bsc-p303-amendments-provisions-bscco-directors
26	Reports, Policies and Publications page on the ELEXON website	https://www.elexon.co.uk/about/reports-policies-pubs/
26	Xoserve - decision in relation to new funding, governance and ownership arrangements for the gas transporters' central agent page on the Ofgem website	https://www.ofgem.gov.uk/publications-and-updates/xoserve-decision-relation-new-funding-governance-and-ownership-arrangements-gas-transporters%E2%80%99-central-agent
28	P315 page on the ELEXON website	https://www.elexon.co.uk/mod-proposal/p315/

© ELEXON Limited 2016