

Settlement Reform Advisory Group (SRAG)

Unless otherwise stated or the context otherwise requires, words and expressions and general rules as to interpretation that are used in these Terms of Reference shall have the same meanings and application attributed to them under the Balancing and Settlement Code (the Code). In particular, references to Sections in these Terms of Reference are to Sections of the Code. A reference to the Settlement Reform Advisory Group (SRAG and/or Committee) shall, unless the context otherwise requires, include an SRAG Member (Member) and any duly appointed alternate.

1. Establishment, Role and Purpose

1.1 Establishment

1.1.1 The Panel has, in accordance with Section B5.1.1, established a Panel Committee to be called the Settlement Reform Advisory Group and such Committee shall continue until such time as it is dissolved by the Panel.

1.2 Role

1.2.1 The SRAG has been established as an advisory group to the BSC Panel. Its role is to prepare reports, and thought-pieces concerning settlement issues and provide expert insight on behalf of the BSC Panel in relation to industry developments that may impact the balancing arrangements. In accordance with Section B5.1.3, the BSC Panel has delegated authority to the SRAG to undertake work in support of its purpose in line with these terms of reference.

1.3 Purpose

1.3.1 With the mandated rollout of smart meters from April 2016, the introduction of new technology, such as storage and more prevalent embedded generation, it is time for a refreshed and re-focused look at Settlement processes. The SRAG is set up as a BSC Panel Committee to look at a number of Settlement issues including:

- the HH Settlement of smaller customers (customers currently in Profile Classes 1 to 4) on an elective basis. There are a number of potential issues with using half-hourly data to settle these smaller customers and a perception both inside and outside the industry that this cannot be done effectively/efficiently;
- developing 'guidance note(s) on elective HH Settlement and identifying any considerations for Suppliers and their customers taking up this option;
- the treatment of 'unsettled 'export' from distributed generation and the impact on Suppliers and settlement; and
- Supporting innovation and technology change such as introduction of demand side response, storage, local energy schemes and virtual balancing.



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- 1.4 Due to the nature of the work, there will also be close interaction with Ofgem, DECC, Smart Energy Code (SEC) Panel, the Distribution Connection and Use of System Agreement (DCUSA) Panel, Master Registration Agreement Executive Committee (MEC) or other parties as appropriate. The group will also promote cross-code co-ordination and will work to remove any identified barriers (consistent with the new Code Administrators Code of Practice (CaCoP) principle 13).

2. Powers and Functions of the Committee

- 2.1 The Committee shall act in accordance with the Code, any relevant CSDs and these Terms of Reference and may do anything necessary for (or reasonably incidental to) the discharge of its functions and responsibilities in respect of those matters so delegated to it by the Panel, being those matters detailed in the SRAG's defined work areas identified in paragraph 11 below.
- 2.2 When carrying out its powers, functions and responsibilities, the provisions of Section B1.2 and B2.8 shall apply to the Committee in the conduct of its business (to the extent applicable to the function of the Committee) as if such sections were being read as if the Panel was the Committee.

3. Deliverables

- 3.1 The deliverables will include high level reports setting out solutions which depending could be progressed as BSC Modifications or Change Proposals. They may result in thought pieces that feed into the DECC Smart Implementation Programme (SMIP) or Ofgem Smarter Markets and Smart Grid Forum Work Stream 6 work as appropriate.

4. Membership

4.1 Chairman

- 4.1.1 The Chairman will be appointed by the BSC Panel upon the recommendation of BSCCo and who shall be an employee of BSCCo.
- 4.1.2 The SRAG Chairman may select an SRAG Vice Chairman. In the SRAG Chairman's absence, the SRAG Vice Chairman will fulfil the role of SRAG Chairman and exercise such powers, functions and responsibilities as the SRAG Chairman.
- 4.1.3 The SRAG Chairman, the SRAG Vice Chairman shall not be members of the Committee and shall not cast votes as Members, but shall be bound by the requirements of these Terms of Reference as they apply to Members in respect of independence, impartiality and confidentiality.

4.2 Membership

- 4.2.1 Membership will be invitation only and the membership will be approved by the BSC Panel.
- 4.2.2 Membership will be required to have expertise in relation to Supplier Volume Allocation (SVA) Settlement and /or Performance Assurance, encompassing Suppliers, Supplier Agents and Distribution businesses. The



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membership will be drawn from existing members of the Supplier Volume Allocation Group (SVG), Performance Assurance Board (PAB), Suppliers, Licenced Distribution System Operators (LDSOs), SEC and the Data Communications Company (DCC).

4.2.3 A Member of the Committee shall remain in office until the Committee is dissolved; or until their resignation has been submitted in writing to the Committee Secretary; or until they are removed by the Panel in accordance with paragraph 4.2.4 below (whichever is earlier).

4.2.4 Without prejudice to paragraph 4.2.3 above, the Panel may remove and replace such Members from time to time if:

- i. in the Panel's opinion they are unwilling, unable, unfit or otherwise are incapable for any reason to carry out their duties as a Member in accordance with these Terms of Reference; or
- ii. any of the matters stated in Sections B2.7.4(b) or B2.7.4(d) occurs and/or applies with such sections being read as if a Panel Member was a Committee Member.

4.2.5 Without prejudice to the generality of paragraphs 4.2.3 and 4.2.4 above, the Panel may review and alter the membership of the Committee at any time but in any case will review the membership annually.

4.3 Independence and Confidentiality

4.3.1 Each Member shall act independently and impartially, and shall not be representative of (and shall act without undue regard to) the particular interests of any particular body, person or class of persons or any Related Person.

4.3.2 The Panel shall require from any Member such applicable statements equivalent to those set out in Sections B2.8.2 and B2.8.4 with such sections being read as if a Panel Member was a Member.

4.3.3 For the avoidance of doubt, upon a change in employment of a Member the Member shall notify the Committee Secretary and within 60 days shall provide a letter (equivalent to the letter required from Panel Members in Section B2.8.2(b)) from his/her new employer and shall be removed from office if he/she does not.

4.3.4 Members acknowledge that in carrying out their duties and functions as a Member that they may in the course of their business be in receipt of confidential information and as such each Member will be required to sign a confidentiality agreement. For the avoidance of doubt, each Member shall not disclose any confidential information received in their capacity as Member to any person except where:

- i. expressly required under the Code, CSDs and/or these Terms of Reference;
- ii. the disclosure of data is to the Authority, the Panel and/or any other Panel Committee as
- iii. be directed by the Panel;



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- iv. the data is in the public domain; or
- v. required to do so in order to comply with any dispute resolution process, Legal Requirement and/or any Approved Modification.

4.4 Other Attendees

- 4.4.1 The Panel may appoint a Panel Member to act as a Panel Sponsor for the SRAG. The Panel Sponsor is not a member of the Committee and cannot vote on any matters put to the Committee. However, the Panel Sponsor remains bound by the requirements of the Panel and these Terms of Reference as they apply to Members in respect of independence, impartiality and confidentiality.
- 4.4.2 A consumer representative and Ofgem will also be invited to attend. These attendees are not members of the Committee and cannot vote on any matters put to the Committee. However, they remain bound by the requirements of these Terms of Reference as they apply to Members in respect of confidentiality.
- 4.4.3 Members of the SRAG shall be entitled to be reimbursed by BSCCo for the reasonable costs and expenses (including travel and accommodation costs) properly incurred by such member in attending meetings of or otherwise in the conduct of the business of the SRAG.

4.5 Alternates

- 4.5.1 Members shall make themselves available at all reasonable times to attend meetings and to carry out their duties and functions as a Member. Members shall not appoint Alternates.

4.6 Indemnification

- 4.6.1 BSCCo shall indemnify all Members in accordance with Section B2.9

4.7 Secretary

- 4.7.1 There shall be a secretary to the Committee (Secretary) who shall be a person (or persons) appointed (and where necessary removed/replaced) by BSCCo from time to time.
- 4.7.2 The Secretary shall not be a member of the Committee and shall not cast a vote as a Member but shall be bound by the requirements of these Terms of Reference as they apply to Members in respect of independence, impartiality and confidentiality.

4.8 Expenses

- 4.8.1 The costs and expenses, and all other amounts incurred on behalf of the Committee in association with its functions and responsibilities, shall be paid by BSCCo and for the avoidance of doubt any payments paid by BSCCo shall be BSC Costs.



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- 4.8.2 Section B2.11.2 shall apply to each Member, save for circumstances where their attendance is required for other Panel Committee business for which they are already receiving reimbursement for the same reasonable expenses.

5. Conflict of Interest

- 5.1 It shall be each Member's responsibility to disclose to the SRAG Chairman from time to time any interests of such Member which constitute, in such Member's reasonable opinion, an actual or perceived conflict of interest with their functions as a Member and in such circumstances such Member may absent themselves from voting.
- 5.2 If the SRAG Chairman decides (after consultation with other Members (if necessary), including but not limited to circumstances where a Member does not volunteer to absent themselves from voting on such matters) that a Member has an actual or perceived conflict of interest, then the SRAG Chairman may determine that the Member in question should be required to absent themselves from particular Committee business and/or whether a recommendation should be made to the Panel that such Member be removed as a Member. Any decision of the SRAG Chairman (and/or the Panel) in this regard shall be final and binding.

6. Delegation

- 6.1 The Committee shall not delegate to any person any of its powers, functions and responsibilities unless the Panel expressly permits such delegation in advance. The Committee may establish expert advisory groups to provide it with advice and recommendations regarding anything to be done by the Committee pursuant to these Terms of Reference, providing that these expert advisory groups have themselves no decision-making powers, functions or responsibilities.

7. Decision Making

- 7.1 The SRAG will make recommendations to the BSC Panel.
- 7.2 Wherever possible, recommendations will be based on a consensus view of the SRAG members present. However, where a different minority view exists, this shall also be reported to the BSC Panel.

8. Quorum

- 8.1 A quorum shall comprise of at least five Members.
- 8.2 For the avoidance of doubt a meeting shall be quorate if the necessary Members are present in person at the meeting or are contactable by telephone conference call (or such other similar means), provided that if it is the latter then the Members must be able to speak to and hear each other.
- 8.3 Any Committee meeting at which a quorum is not in attendance after a period of one hour of its commencement shall be adjourned and re-scheduled, with the Secretary giving notice of such adjourned hearing and re-scheduling in such manner as requested by the SRAG Chairman.

9. Timetable of Work and Convening Meetings

- 9.1 The Chairman will be responsible for arranging meetings and distributing an agenda and paperwork. This will be at least 5 Working Days prior to the proposed meeting (or such other period so determined by the Chairman before the meeting).



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9.2 The SRAG will be convened for 6 meetings over a period of 12 months and will cover four work areas set out in the draft timetable below. This will be subject to review after 6 months.

Month	Jul. '15	Aug	Sep	Oct	Nov	Dec. '15	Jan. '16	Feb	Mar	Apr	May	Jun. '16
Meeting Number/progress	1	Analysis	2	Draft report	3	Finalise report, analysis	4	Analysis	5	Progress	6	Finalise report
Work area	1,2	1,2	1,2	1,2	1,2	3, 4	3, 4	3, 4	3, 4	3, 4	3, 4	Publish report

9.3 Additional meetings may be convened by the Chairman if so required by providing 5 Working Days' notice to members as per the requirements of paragraph 9.1 above. The Chairman shall report to the BSC Panel any additional meetings associated with the SRAG discharging these Terms of Reference.

9.4 Subject to no Member objecting, where the SRAG Chairman considers it appropriate that the entire meeting of the Committee may be validly held by telephone conference call (or such other similar means) or by correspondence then he/she may decide to do so.

10. Reporting

10.1 The Chairman will report monthly to the Panel on progress of the group.

10.2 The Secretary shall ensure that, as soon as is reasonably practicable after each Committee meeting, appropriate minutes, a form to be determined by the Committee Chair, are distributed to Members within ten Working Days after each meeting of the Committee. Such persons entitled to receive the minutes may provide any such comments on the minutes so that they can be approved by all persons either by correspondence or at the next convened meeting as so determined by the Committee Chair.

10.3 The Secretary shall also prepare a headline report detailing the decisions and recommendations agreed at the meeting. Such headline report is to be made available on the BSC Website as soon as practicable after the meeting. In addition the Secretary may, with the approval of the Chair, include on the BSC Website copies of any non-confidential presentation materials used at the meeting.

11. Work Areas for the SRAG

11.1 The SRAG shall consider the following work areas:

Work Area 1: Small Scale Half Hourly Settlement barriers, data estimation and other issues

11.2 The SRAG will review the feedback from the Profiling and Settlement Review group consultation on HH Settlement for Profile Classes 1 to 4 and the Ofgem Settlement Reform work on mandatory HH Settlement to identify potential barriers already identified by previous work. The group will also look at the issues identified through BSC Modifications P272/P300/P322 and DCUSA change DCP179. The SRAG will identify any 'quick wins' that can be implemented in the short term.



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- 11.3 The SRAG will identify how the data would be received into the Settlement process and how missing data is to be estimated or defaulted. The SRAG shall identify and other issues that may arise from centralised registration of Metering Systems. The SRAG will identify if any new Market Roles or Changes to existing roles (e.g. HHDAs and DCs) are required and conduct walkthroughs of Code Subsidiary Documents to identify any changes that are required.
- 11.4 The SRAG will consider if any changes to existing HH Market Roles, or if any new Market Roles, are required. The group will also look at any restrictions or limitations in Additional Balancing Mechanism Units (ABMUs) requirements. Additionally, consideration of new data 'ring fencing' or aggregation methodologies that may be required to support HH Settlement for these customers on an elective basis.
- 11.5 The SRAG will look at any issues or interactions with the Smarter Markets Change of Supplier Target Operating Model (TOM) and the centralisation of the registration system (CRS) under the DCC.
- 11.6 The SRAG will also seek to identify barriers that are outside the BSC such as issues with the current DUoS charging methodologies, Supplier tariff offerings, legislative or policy barriers (e.g. RMR tariff limitations). The SRAG will identify any issues with half-hourly data flows that need to be addressed such as issues with granularity of half-hourly data or barriers to the netting of import and export for community energy schemes (if deemed appropriate). The group will promote cross-code co-operation/working in an effort to remove identified barriers (consistent with the new CACoP principle).
- 11.7 The scope will exclude looking at the business case for elective HH Settlement, Demand Side Response (DSR), Storage issues or distributed generation except to the extent that there are barriers to HH Settlement.

Work Area 2: Small Scale HH settlement: Communication and guidance requirements

- 11.8 The SRAG will look to communicate the current situation with regards to HH settlement for these customers to address issues with perceived barriers. The SRAG will highlight work that is being undertaken to remove and real barriers to HH Settlement that are identified.
- 11.9 The SRAG will also look at guidance or communication that needs to be provided to BSC Parties, customers or other parties (TPIs, ESCOs) interested in elective HH Settlement for these customers.

Work Area 3: Impact on Settlement of unmetered export from distributed generation

- 11.10 The SRAG shall estimate the current and forward looking volumes of unmetered export affecting Settlement calculations. The SRAG will look at actions to mitigate the impacts of export spill and any issues that should be referred to Ofgem, DECC or other parties as appropriate.

Work Area 4: Supporting innovation and technology change

- 11.11 The SRAG shall consider how settlement could develop to support new technology and innovation, including demand side response, local energy schemes, storage and virtual balancing. For example, there are visibility issues with 'virtual aggregation' such as the mixed aggregation of domestic and non-domestic customer data



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and the netting of import and export volumes. The SRAG could consider how losses would be applied in these scenarios and any issues for Settlement and visibility that would occur if such an approach were to be adopted (and changes that may be required for distribution charging). The group will consider if new types of BMU or other ring fencing of data is required to facilitate virtual aggregation.

12. Committee Communications

13. Operational Communications

- 13.1 Where the SRAG is seeking feedback from BSC Parties, Party Agents or other bodies via consultations or similar, it will make use of existing processes and communication channels. (e.g. BSC consultations, circular notifications etc.).
- 13.2 Such communications may be delegated to ELEXON by the SRAG unless otherwise prohibited by the BSC. Nevertheless, these communications remain the responsibility of the SRAG.

14. Strategic Communications and Other Communications

- 14.1 From time to time, matters may arise that relate to wider industry issues. Such matters may impact the SRAG's work either directly or indirectly but will also have impacts that arise out with the BSC.
- 14.2 Where the SRAG has views on such matters which do not fall within the scope of its specific deliverables, these views should be relayed to the BSC Panel such that the BSC Panel may, at its discretion, issue a communication to the relevant industry participant, body or government department (either via letter or any other form as appropriate).
- 14.3 It is possible that the views of the SRAG do not align with the views of the Panel itself. To ensure that the views of the SRAG are not lost, where matters are relayed to the BSC Panel, these will be recorded in the relevant meeting materials or minutes as appropriate. Further, the Panel should reference the views of its various groups and committees in its communications with industry participants, bodies or government departments.
- 14.4 Where the Panel issues communications based on matters brought to its attention by the SRAG (or receives responses to such communications), the Panel will, unless it agrees otherwise on the basis of confidentiality, provide a copy of such communications or responses to the SRAG.

15. Time-Bound Communications

- 15.1 Where the SRAG identifies a strategic or other matter which it wishes to bring to the Panel's attention and where that matter is such that the value of any communication would be eroded if a communication is not issued prior to the end of the week following the next scheduled Panel meeting, the SRAG Chairman will relay the matter to the Panel Chairman (or, in their absence, the Deputy Panel Chairman) directly.
- 15.2 The Panel Chairman (or, in their absence, the Deputy Panel Chairman) will then determine whether to:



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- i. Seek the views of Panel Members and their ex-committee approval to issue an appropriate communication so as to meet the timescales required for the communication, before issuing such communication to the relevant industry participants, bodies or government departments; or
- ii. Issue an appropriate communication to the relevant industry participants, bodies or government departments so as to meet the timescales required for the communication and circulate a copy of this communication to Panel Members¹ for information.

¹ Including those regular attendees entitled to attend the BSC Panel as prescribed by the BSC (i.e. the representative of Distribution System Operators appointed in accordance with B2.13 of the BSC, the representative of the Authority (as provided for under Section B2.12.1 of the BSC) and the Chief Executive of ELEXON (as provided for under Section B2.14.1 of the BSC)).