

P456 ‘Enable Elexon to procure ancillary Technology Services for use by BSC Agents’

This Modification seeks to remove barriers in BSC Section E that would prevent Elexon updating BSC Agent contracts to enable them to use Technology Services, such as cloud services, procured by Elexon. This should reduce costs for BSC Parties and provide Elexon greater flexibility for the management of cloud platforms.

The Self-Governance Appeal Window for P456 closes:

5pm on 2 November 2023

If no appeals are notified by this time, the Panel’s decision is final.



The BSC Panel recommends **approval** of P456



The BSC Panel **does not** believe P456 impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to positively impact:

- All BSC Parties

Contents

1	Summary	3
2	Why Change?	5
3	Solution	7
4	Impacts & Costs	10
5	Implementation	14
6	Elexon's views against the Terms of Reference	15
7	Panel's Initial Discussions	17
8	Report Phase Consultation Responses	19
9	Recommendations	Error! Bookmark not defined.

About This Document

You can find the definitions of the terms and acronyms used in this document in the [BSC Glossary](#)¹.

This is the P456 Final Modification Report. P456 is a Self-Governance Modification, so it does not go to the Authority for decision. The BSC Panel has approved P456 for implementation 5 Working Days following the end of the Self-Governance Appeal window. If no objection is notified by this time, the Panel's decision is final. There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach.
- Attachment A contains the P456 Proposal Form.
- Attachment B contains the approved redlined changes to the BSC for P456.
- Attachment C contains the full responses received to the Panel's Report Phase Consultation.



Contact

Jacob Snowden

020 7380 4260

BSC.change@elexon.co.uk

Jacob.Snowden@elexon.co.uk



Not sure where to start?

We suggest reading the following sections:

- Have 5 minutes? Read section 1
- Have 15 minutes? Read 1, 7 and 8
- Have 30 minutes? Read all sections
- Have longer? Read all sections and the attachments.

P456

Final Modification Report

13 October 2023

Version 1.0

Page 2 of 21

© Elexon Limited 2023

¹ <https://www.elexon.co.uk/glossary/?show=all>

Why Change?

The implementation of [Elexon Kinnect](#)² will change the underlying technology and systems used to deliver BSC Agent services. Elexon are therefore reviewing the contracts with these BSC Agents in order to reflect these technology changes, and to ensure they continue to meet the needs of BSC Parties.

The issue that P456 seeks to resolve is to allow Elexon flexibility to enter into contracts directly with Technology Service Providers for ancillary Technology Services, such as cloud services. This will, consequently, relieve the relevant BSC Agent (but not the Technology Service Provider) of responsibility for the ancillary Technology Services (where Elexon has entered into contract(s) directly with Technology Service providers).

Solution

Update [BSC Section E 'BSC Agents'](#)³ to clearly state that BSC Agents may be required to deliver their services using Technology Services, such as cloud computing, procured for them by BSCCo. This solution would also recognise that, for services that Elexon procures directly from a Technology Service provider (e.g. cloud services) rather than via a BSC Agent, the BSC Agent would no longer be contractually responsible for these specific services to the extent they were beyond its reasonable control.

This solution is specifically targeted at ancillary Technology Services that are similar to the sorts of Technology Services that Elexon already procures and which are not core BSC Agent services that are required to deliver Settlement.

Impacts & Costs

Costs to implement P456 are expected to be low (<£1k) as it is a document only change. We also do not anticipate any costs or impacts for BSC Parties, rather it should bring cost savings for BSC Parties. No industry costs were identified by the respondent to the Report Phase Consultation.

Costs Estimates			
Organisation	Implementation (£)	On-going (£)	Impacts
Elexon	<1k	0	BSC Section E 'BSC Agents'
NGESO	0	0	NGESO are not expected to incur any implementation or on-going costs.
Industry	0	0	No additional costs to industry were highlighted in the Report Phase Consultation
Total	<1k	0	

P456
Final Modification Report

13 October 2023

Version 1.0

Page 3 of 21

© Elexon Limited 2023

² <https://www.elexon.co.uk/about/about-elexon/foundation-programme-2018/>

³ <https://bscdocs.elexon.co.uk/bsc/bsc-section-e-bsc-agents>

Implementation

The Panel have approved P456 for implementation on:

- **20 Working Days** after the Panel decision, as part of a special BSC Release.

Panel's Recommendation

The BSC Panel agreed unanimously that P456 will better facilitate Applicable BSC Objective (d) compared to the current baseline. They agreed unanimously that P456 should be progressed as a Self-Governance Modification. They also agreed unanimously that it does not impact any BSC provisions constituting EBGL Article 18 terms and conditions, nor does it extend them. The Panel therefore **approved P456**.

What is the issue?

As set out in its [2023/24 business plan](#)⁴, Elexon will, within the next 15 months complete the roll out of its new platform, Elexon Kinnect. As a cloud-based platform, Kinnect is flexible, scalable and adaptable so that it can support the changing needs of our customers, and replace the ageing systems that are increasingly unsuitable.

The implementation of Elexon Kinnect will change the underlying technology and systems used to deliver BSC Agent services. Elexon is therefore reviewing the contracts with these BSC Agents in order to reflect these technology changes, and to ensure they continue to meet the needs of BSC Parties. Elexon is also reviewing whether any of the changes they may want to make to BSC Agent contracts require a Modification to BSC Section E ('BSC Agents'), as this sets out the framework within which Elexon enters into BSC Agent contracts.

BSC Agent services (as specified through the BSC and the [BSC Service Descriptions](#)⁵) are largely technology agnostic (e.g. provided the Settlement Administration Agent (SAA) is calculating Trading Charges in accordance with the rules set out in the Code, the Code doesn't specify the technology to be used in these processes). However, there are some BSC Agent obligations, which are ancillary to their core Settlement obligations, where the underlying technology is relevant. An example of this is the requirement for BSC Agents to retain Settlement data. Currently, this is being met by BSC Agents retaining Settlement data in on premises servers. This is relevant to Elexon Kinnect in that, in order to meet the requirement to retain Settlement data on a cloud-based platform, the BSC Agent would need to have a sub-contract⁶ in place with a cloud service provider.

However, requiring a BSC Agent to procure these cloud-based services on its behalf may be significantly more expensive than Elexon procuring these services itself. We therefore believe there will be cost savings if Elexon is able to contract directly with Technology Service Providers for ancillary Technology Services.

The issue that P456 seeks to address is to allow Elexon flexibility to enter into these types of arrangements and, consequently, relieve the relevant BSC Agent of appropriate responsibility for the ancillary Technology Services where Elexon has entered into contract(s) directly with Technology Service Providers. The Technology Service Provider will therefore be responsible for the provision of the Technology Service.

Elexon do not believe that this approach will impact risk in that:

- The risk of BSC Agent services being delayed or disrupted due to a failure in the Technology Services will be the same regardless of whether Elexon or a BSC Agent is contracting with a Technology Service Provider for these services;
- It seems likely that BSC Agents would expect their contract with Elexon to mirror any liability exclusions or limitations that they were subject to in their cloud contract. Since Technology Service Providers (e.g. cloud providers) invariably contract on standard terms (so Elexon would contract with them on exactly the

P456
Final Modification Report

13 October 2023

Version 1.0

Page 5 of 21

© Elexon Limited 2023

⁴ <https://www.elexon.com/documents/about/finances-report-policies/business-plan/elexon-business-plan-2023-24/>
⁵ <https://bscdocs.elexon.co.uk/service-descriptions>

⁶ From a contractual perspective, the BSC Agent would remain responsible under the BSC, and as between itself and Elexon, for the acts and omissions of its sub-contractors. It will therefore meet its BSC Agent obligations through having a sub-contract in place, even though not actually delivering this service itself.

same terms as the BSC Agent), BSC Parties would gain little if any additional value from Elexon contracting for cloud services through the BSC Agent; and

- Providers of BSC Agent services (both current providers and potential future providers) will not accept liability for failures in Technology Services (such as cloud providers) over which they have limited control. Even if it was possible to negotiate contracts with current and future BSC Agents that include these terms, it would be likely to come with a significant risk premium that would not be cost-effective.

Desired outcomes

BSC Section E should be amended to:

1. Recognise that, because of the move to host and maintain applications and services on cloud platforms, certain services falling within the scope of BSC Service Descriptions (such as retaining data) may depend on cloud providers (rather than taking place in a data centre controlled and operated by the BSC Agent, as would have been the case twenty-five years ago when BSC Section E was first drafted); and
2. Allow Elexon to amend BSC Agent contracts to recognise that, for services that Elexon procures directly from a Technology Service Provider (e.g. cloud services) rather than via a BSC Agent, the BSC Agent would no longer be contractually responsible for these specific services to the extent they were beyond its reasonable control. The responsibility, and therefore liability, for these services would be with the Technology Services provider.

This solution is specifically targeted at ancillary Technology Services that are similar to the sorts of Technology Services that Elexon already procures and which are not BSC Agent services (e.g. service management, systems development, systems support and maintenance). The solution should be clear that core BSC Agent services that are required to deliver Settlement must continue to be delivered by BSC Agents under the existing Section E arrangements.

These changes are intended to facilitate a model in which Technology Services are procured by Elexon, although continue to be operated day-to-day by BSC Agents. Elexon and BSC Agents will work together to ensure that Technology Services are procured and used in a manner that is robust and consistent with best practice, and that any potential risks to Settlement arising from the use of Technology Services are understood and mitigated.

Approved solution

The approved changes to the BSC to meet the desired outcomes for P456 are provided in Attachment B.

The drafted approach amends Section E to accommodate BSC Agents using a Technology Service provider which the BSCCo has appointed for ancillary technology services only. The solution adds new definitions under new paragraphs, Section E 1.2.7(a), (b), (c) and (d) as follows:

- a) **BSC Agent Services** means the services specified in a BSC Service Description or otherwise pursuant to the Code;
- b) **Related Technology Services** means any Technology Services that are, or may be, a BSC Agent Service but which are ancillary to the performance of Settlement processes, assurance services or audit services by a BSC Agent including, inter alia, data retention and help-desk services;
- c) **Technology Services** means technology services and products used by BSCCo in the performance of its functions under the BSC including data and application hosting, service management, systems development, systems support and maintenance, infrastructure management and other related activities;
- d) **Technology Services Provider** means a person, not being a BSC Agent, who provides Technology Services.

It will also be made clear that Technology Service Providers would not be BSC Agents themselves, hence a change to Section E 1.2.1 to reflect this.

Section E 1.2.8 recognises the potential impact that this will have on BSC Agent contracts by allowing Elexon to relieve the BSC Agent of responsibility for performing services that are being delivered by a Technology Service Provider, and therefore also liability for matters that are beyond the BSC Agent's reasonable control. Instead the Technology Service Provider would pick up responsibility for the provision of this service.

The legal text is drafted so as to relate specifically to ancillary Technology Services, and would therefore not apply to the Settlement functions performed by the BSC Agents.

Benefits

It is anticipated there will be significant on-going cost savings for Elexon, and therefore BSC Parties, if Elexon is able to contract directly with Technology Service Providers for ancillary technology services rather than through sub-contracts that are likely to include material mark-ups.

In the Interim Assessment Report and as expressed above, mark-up cost avoidance is cited as a main benefit. However, when presenting the Interim Assessment Report to the Panel on 14 September 2023, Elexon presented some further benefits. We elaborate on these below. We include approximations on what costs could be avoided for the provision of cloud services, by utilising the P456 solution, for a contract of a similar size to the provision of BSC central services over a 3 year period, where possible. This assumes:

- Multi-vendor model for development utilised; and

- Each service provider has its own cloud subscription (rather than single subscription/tenant for all BSC central system services and applications).



What is a multi-vendor model?

A multi-vendor model in this context refers to different service providers developing and operating different services and systems for the same client.

A multi-vendor model may bring many benefits such as avoiding vendor lock in, reduced costs, reduced risks, increased negotiating power and access to specialist and best of breed solutions.

Benefit	Description	Value (£) over 3 years
Mark-up cost avoidance	Direct contracting allows Elexon to avoid potential charges associated with any mark-up which some suppliers may seek to charge for contracting directly with a cloud provider on our behalf.	2-4 million
Reduced complexity to operate and maintain	Reduced interfaces between tenants to implement and maintain (e.g. reduced testing activities). Furthermore, there would be efficiencies of managing the environments and services under a single tenant directly, rather than having to setup, configure and maintain (duplicated effort) across different tenants.	500k to 1000k
Increased economies of scales	Hosting under Elexon's own tenant would increase its consolidated volume based spend, enabling upfront purchasing of services at a discounted rates.	500k to 1000k
Avoidance of migration activity costs	On a change of vendor, services and applications would need to be migrated from the old vendors tenant to the new vendor's tenant. Hosting services under a single Elexon tenant would minimise these migration costs. Instead access management would provide the new vendor access and remove access for the old vendor.	Greater management and avoidance of cost for migration activities
Increased information for negotiating and operating	Due to direct access to usage data and cost recommendations, Elexon would be able to enact (or instruct our supplier managing the subscriptions to act) around areas of cost optimisation. We would also better understand our infrastructure, systems and usage, empowering us with valuable insights and information when negotiating changes or procuring services. E.g. direct access to usage data will enable more effective forecasting of future charges	Greater negotiating power
Direct access to Technology Service Provider	We would be able to manage the direct relationship with the Technology Service Provider. This would allow us to amend the contract (scope/duration etc.) as needed and obtain other support or new services.	Greater innovation and cost control
Better control of tenant	Direct ownership of all data/set up/configuration/architecture increases confidence that controls are universal across technologies. This improves security, licensing, technology maintenance, and performance controls as well as standardising cost controls.	Improved quality of service

P456

Final Modification Report

13 October 2023

Version 1.0

Page 8 of 21

© Elexon Limited 2023

Benefit	Description	Value (£) over 3 years
Better control of security	The ability to implement holistic security monitoring and management services over our cloud services	Reduced likelihood of cybercrime and damage

In summary from this example, an organisation of a similar size to Elexon could avoid costs of £3 million to £6 million over a three year period. P456 will provide Elexon additional flexibility of managing BSC Agents to aid in realising these benefits and optimising Elexon's Technology environments.

Alternative solution

Elexon do not believe there to be any alternative solutions that would better meet the desired outcomes and the Applicable BSC Objectives. No alternative methods have been suggested by the BSC Panel or by any responses to the Report Phase Consultation.

Legal text

The approved redlined changes to the BSC can be found in Attachment B. Changes will be made to BSC Section E 'BSC Agents'.

4 Impacts & Costs

Elxon believe that the costs to implement and ongoing operational costs are low and would cost <£1k overall. Elxon have broken down costs below.

Implementation costs estimates			
Organisation	Item	Implementation costs (£)	Comment
Elxon	Systems	-	P456 will not impact any Elxon systems.
	Documents	<1k	P456 will be a document only change.
NGESO	Systems	-	NGESO are not expected to incur any implementation or on-going costs.
Industry	Systems & processes	-	No costs to industry were anticipated or highlighted during the RPC.
Total		<1k	

On-going costs estimates		
Organisation	On-going costs (£)	Comment
Elxon	0	There were no anticipated ongoing costs after P456 is implemented, rather it could save Elxon and consequently Parties money. No ongoing costs were highlighted during the RPC.
NGESO	0	
Industry	0	
Total	0	

P456 impacts

Impact on BSC Parties and Party Agents		
Party/Party Agent	Impact	Estimated cost
All BSC Parties	No implementation or on-going costs were anticipated or highlighted during the RPC for any Parties. There are potential cost-savings for BSC parties if P456 is approved and implemented.	N/A

Impact on the NETSO	
Impact	Estimated cost
No impacts anticipated.	N/A

Impact on BSCCo		
Area of Elexon	Impact	Estimated cost
Elexon	Allow Elexon to contract with Technology Providers directly and more efficiently. If exercised minor contractual changes could be required to the BSC Agent contracts.	N/A

Impact on BSC Settlement Risks
No impacts on Settlement Risks have been identified.

Impact on BSC Systems and process	
BSC System/Process	Impact
None	N/A

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Impact
All BSC Agents	The Modification will not impact existing contractual arrangements but will facilitate potential changes in future contracts.

Impact on Code	
Code Section	Impact
Section E	Introduce new clauses to facilitate a model in which ancillary Technology Services may be procured by Elexon, although still operated day-to-day by BSC Agents.

Impact on MHHS
No impacts on MHHS have been identified.

Impact on EBGL Article 18 terms and conditions
None identified.

Impact on Code Subsidiary Documents	
CSD	Impact
None	N/A

Impact on other Configurable Items	
Configurable Item	Impact
None	N/A

Impact on Core Industry Documents and other documents	
Document	Impact
Ancillary Services Agreements	No Impact
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
Grid Code	
Retail Energy Code	
Supplemental Agreements	
System Operator-Transmission Owner Code	
Transmission Licence	
Use of Interconnector Agreement	

Impact on a Significant Code Review (SCR) or other significant industry change projects
<p>Elxon provided an SCR Suitability Assessment Report to Ofgem on 28 June 2023 where we stated there to be no impact on any SCRs or industry change projects. Ofgem agreed and approved the SCR Suitability Assessment Report on 6 October 2023.</p>

Impact of the Modification on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability None identified.	Neutral
2) Lower bills than would otherwise be the case P456 could have a positive effect on all BSC Parties through potential cost savings made by Elexon if they decide to procure their own Technology Services that can be potentially passed on to end consumers.	Positive
3) Reduced environmental damage None identified.	Neutral
4) Improved quality of service None identified.	Neutral
5) Benefits for society as a whole None identified.	Neutral



What are the consumer benefit areas?

1) Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?

2) Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?

3) Will this proposal support:

- i) new providers and technologies?
- ii) a move to hydrogen or lower greenhouse gases?
- iii) the journey toward statutory net-zero targets?
- iv) decarbonisation?

4) Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.

5) Are there any other identified changes to society, such as jobs or the economy.



What are the Self-Governance Criteria?

A Modification that, if implemented:

(a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions; except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:

- (i) correcting minor typographical errors;
- (ii) correcting formatting and consistency errors, such as paragraph numbering; or
- (iii) updating out of date references to other documents or paragraphs;

(b) is unlikely to have a material effect on:

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

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

Approved Implementation Date

The Panel have approved an Implementation Date for P456 of:

- **20 Working Days** after Panel Approval as part of a Special BSC Release.

The Panel believe P456 meets the Self-Governance Criteria (for the reasons given in the Panel's Initial Discussion section below) and that P456 should be implemented at the earliest opportunity.

Self-Governance Modifications cannot be implemented until after a 15 Working Day (WD) appeal window has closed. Following Panel approval of P456 on 12 October 2023, the earliest P456 could be implemented is 3 November 2023, which is one day after the Standard November 2023 BSC Release. To avoid the clash with the Standard November Release post-implementation activities, an additional 5 WDs have been recommended to implement P456.

P456 will therefore be implemented on 9 November 2023, subject to no objections during the 15 WD Appeal Window.

P456
Final Modification Report

13 October 2023

Version 1.0

Page 14 of 21

© Elexon Limited 2023

6 Elexon's views against the Terms of Reference

As P456 was submitted to the Assessment Phase, but did not form a Workgroup, the table below outlines Elexon's initial views against the specific Terms of Reference (ToR) a) and b), plus standard ToR c) to h).

Term of Reference	Elexon's view
a) What conditions or controls are needed for Elexon to procure Technology Services?	Elexon believes that the conditions and controls already in the BSC are sufficient e.g. the duty to give effect to the BSC as economically and efficiently as is reasonably practicable. In this context, we note that the existing conditions and controls apply to the (non-Agent) technology services that Elexon already procures (i.e. application development, support and maintenance for BSC Agent applications)
b) What impacts there are, if any, on Elexon's liabilities and liability exclusions?	To the extent that a BSC Agent ceases to be responsible for Technology Services, it will no longer be possible for Parties to bring a legal claim against that BSC Agent under the provisions in Section E that extend third party rights to BSC Parties. As per the 'What is the issue' section of this Report, we do not consider this to constitute a significant risk. Any Party that has suffered a loss that was due to the negligence of the Technology Service Provider (and was not a Settlement Error) would therefore have recourse against Elexon (as Technology Service Providers such as Microsoft will not agree to third party rights), and Elexon would pass through any amounts recovered from the Technology Service Provider to BSC Parties.
c) How will this Modification impact the BSC Settlement Risks?	This solution will not impact BSC Settlement as it is specifically targeted at ancillary Technology Services that are similar to the sorts of Technology Services that Elexon already procures which are not core BSC Agent services required to deliver Settlement.

Term of Reference	Elaxon's view
d) What changes are needed to BSC documents, systems and processes to support this modification and what are the related costs and lead times? When will any required changes to subsidiary documents be developed and consulted on?	<p>P456 is a document only change to Section E which will cost <£1k.</p> <p>P456 should be implemented 20WDs after Panel decision, depending on whether the Panel and Ofgem agree that P456 should be treated as Self-Governance. If it is decided that P456 does not meet the Self-Governance criteria, then we recommend P456 is implemented 5 WDs after the Authority decision.</p> <p>The suggested amendments to Section E changes will be consulted on during the Report Phase Consultation. No impact on CSDs have been identified.</p>
e) Are there any Alternative Modifications?	Elaxon believe this to be a well confined change to Section E and there are no better Alternative Modifications.
f) Should this Modification be progressed as a Self-Governance Modification?	<p>Whilst the proposal does amend the BSC's governance procedures, Elaxon do not believe the amendments are material.</p> <p>The solution allows Elaxon to procure ancillary Technology Services and relieves the BSC Agent of relevant responsibilities. The risks and liabilities associated with the ancillary Technology Services remain substantially the same, regardless of who has procured it.</p>
g) Does this modification better facilitate the Applicable BSC Objectives than the current baseline?	Elaxon believes P456 will better facilitate Applicable BSC objective (d) as allowing Elaxon to procure Technology Services on behalf of BSC Agents maximises value for money.
h) Does this Modification impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives?	As P456 only impacts Section E, which is not an EBGL related Section as per BSC Annex F-2, P456 does not impact on EBGL, nor does it extend them.



Initial Discussions

The [P456 Interim Assessment Report \(342/05\)](#)⁷ was presented to the Panel at its meeting on 14 September 2023. The Panel had no objections or comments to the recommendations that were presented from the Interim Assessment Report. The Panel welcomed the additional benefits analysis and asked whether it would be included in the Modification Report. Elexon confirmed it would (see section 3). The Panel initially unanimously recommended **approval of P456**.

Submission to the Report Phase

The Panel agreed with Elexon that as P456 had not been able to form a quorate Workgroup (see [Interim Assessment Report](#) for history) it should be submitted directly to the Report Phase (in accordance with Section [F 'Modification Procedures' 2.2.11](#)⁸) for the following reasons:

- There has been a lack of interest from industry and it has not been possible for form a quorate⁹ Workgroup;
- The solution has been fully worked up. The proposed legal text can be found in Attachment B;
- Elexon provided its views on the Terms of Reference set by the Panel (see section 6); and
- Elexon will be able to consult, including on the Terms of Reference, to gather industry views on P456 in the Report Phase. This should help to inform the Panel views on whether the proposal should be approved or rejected.

Applicable BSC Objectives

The Panel agreed that since P456 should allow Elexon to procure ancillary Technology Services on behalf of BSC Agents this adds to Elexon's contract management 'toolkit' to allow Elexon to maximise value for money. Consequently, P456 better facilitates Applicable BSC Objective (d).

Self-Governance

The P456 solution allows Elexon to procure ancillary Technology Services and relieves the BSC Agent of relevant responsibilities. The risks and liabilities associated with the ancillary Technology Services remain substantially the same, regardless of who has procured it.

Therefore, whilst the proposal does amend the BSC's governance procedures, the Panel do not believe the amendments are material, therefore the Panel initially agree that P456 is a Self-Governance modification.

EBGL

The Panel also agree that P456 does not impact the EBGL Article 18 terms and conditions as the proposal only impacts Section E, which is not an EBGL related section. P456

What are the Applicable BSC Objectives?

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

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

(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

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

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

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

(g) Compliance with the Transmission Losses Principle

P456
Final Modification Report

13 October 2023

Version 1.0

Page 17 of 21

© Elexon Limited 2023

⁷ <https://www.elexon.co.uk/documents/change/modifications/p451-p500/p456-interim-assessment-report/>

⁸ <https://bscdocs.elexon.co.uk/bsc/bsc-section-f-modification-procedures#section-f-2-2.1>

⁹ Workgroups shall comprise at least five members, as per [Section F 'Modification Procedures' 2.4.4](#)

amends Elexon procurement options for BSC Agent services and does not amend the balancing arrangements.

Initial Recommendations

The Panel **unanimously**:

- a) **AGREED** that P456 progresses directly to the Report Phase;
- b) **AGREED** that P456 **DOES** better facilitate Applicable BSC Objective (d);
- c) **AGREED** an initial view that P456 **SHOULD** be treated as a Self-Governance Modification;
- d) **AGREED** that P456 **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- e) **AGREED** an initial recommendation that P456 should be approved;
- f) **AGREED** an initial Implementation Date of **20 WDs after the Panel decision**; and
- g) **AGREED** the draft legal text.

8 Report Phase Consultation Responses

The Report Phase Consultation was published on 19 September 2023 and ran until 2 October 2023. The Panel received one response to the consultation representing Distributor views. Their responses are summarised below.

Summary of P456 Report Phase Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the Panel's initial unanimous recommendation that P456 should be approved?	1	0	0	0
Do you agree with the Panel that the redlined changes to the BSC deliver the intent of P456?	1	0	0	0
Do you agree with the Panel's recommended Implementation Date?	1	0	0	0
Do you agree with the Panel's initial view that P456 does not impact the EBGL Article 18 terms and conditions related to balancing held within the BSC?	1	0	0	0
Do you agree with the Panel's initial view that P456 should be treated as a Self-Governance Modification?	1	0	0	0
Do you have any further comments on P456?	0	1	0	0

The respondent agreed with the Panel's recommendation that P456 should be approved. They agreed that P456 should be treated as a Self-Governance Modification. Also, no implementation or ongoing impacts or costs to their organisation were identified. They did not have any further comment to the Report Phase Consultation.

The Panel considered the P456 Draft Modification Report at its meeting on 12 October 2023 ([343/05](#)). The Panel made no additional comments on P456. The Panel noted the response received to the Report Phase Consultation aligned with the views previously expressed by the Panel.

At the Panel meeting, Elexon noted that the RPC respondent had highlighted a potential risk regarding having one technology service provider for multiple services. Elexon considered this risk and did not believe the change in approach to contracting Technology Services, that P456 facilitates, would increase the risk. The risk would not change whether the service is procured directly or via an agent (as explained in Section 2 of this document). The Panel had no further comments to this.

The Panel provided their final views against the Applicable BSC Objectives, the Proposed Implementation Date, Draft Legal Text, EBGL impacts and whether P458 should be Self-Governance.

Final Recommendations

The Panel **unanimously** agreed that P456 **does better facilitate** Applicable BSC Objective (d).

The Panel **unanimously**:

- agreed that P456 should be treated as a Self-Governance Modification;
- agreed that P456 does not impact the EBGL Article 18 Terms and Conditions;
- approved the Implementation Date;
- approved the Legal Text.

10 Panel's Decisions

The Panel unanimously:

- **AGREED** that P456 **DOES** better facilitate Applicable BSC Objective (d);
- **AGREED** that P456 **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- **DETERMINED** (in the absence of any Authority direction) P456 is a Self-Governance Modification Proposal;
- **APPROVED** P456;
- **APPROVED** the Implementation Date for P456 of **20 Working Days** after the Panel decision as a Special BSC Release;
- **APPROVED** the draft Legal Text for P456; and
- **APPROVED** the P456 Modification Report.