

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

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.

This Report Phase Consultation for P456 closes:

5pm on 2 October 2023

The Panel may not be able to consider late responses.



The BSC Panel initially 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

E L E X O N

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

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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 sections 1 and 6
- Have 30 minutes? Read all sections
- Have longer? Read all sections and the attachments.

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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 Draft Modification Report, which Elexon is issuing for industry consultation on the BSC Panel's behalf. It contains the Panel's provisional recommendations on P456. The Panel will consider all consultation responses at its meeting on 12 October 2023 where it will make a decision whether to approve or reject P456 as a Self-Governance Modification Proposal.

There are 4 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 draft redlined changes to the BSC for P456.
- Attachment C contains the specific questions on which the Panel seeks your views. Please use this form to provide your responses to these questions, and to record any further views/comments you wish the Panel to consider.

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, and, 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 need 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.

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

We expect Elexon costs to implement P456 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, although we will seek to confirm this via this Report Phase Consultation.

Costs Estimates			
Organisation	Implementation (£)	On-going (£)	Impacts
Elexon	<1k	0	BSC Section E 'BSC Agents'
NGESO	0	0	N/A
Industry	0	0	N/A
Total	<1k	0	

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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 recommend P456 is implemented:

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

Recommendation

The BSC Panel initially 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 initially recommends **P456 should be approved.**

What is the issue?

As set out in its [2023/24 business plan](#)⁴, Elexon will, within the next eighteen 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

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 still 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.

Proposed solution

The changes to the BSC to meet the desired outcomes 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 would add 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 suggested 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 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 us 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 our own tenant would increase our 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/setup/configuration/architecture increases confidence that controls are universal across technologies. This improves security, licensing,	Improved quality of service

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	technology maintenance, and performance controls as well as standardising cost controls.	
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.

Legal text

The full legal text proposed can be found in Attachment B.

Report Phase Consultation Questions

Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P456?

Please provide your rationale.

The Panel invites you to give your views using the response form in Attachment C

Estimated costs of P456

Elxon believe that the costs to implement and ongoing operational costs are very low and would cost <£1k overall, although we will seek to confirm this via the Report Phase Consultation. 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.
	Other	-	
NGESO	Systems	-	
	Other	-	
Industry	Systems & processes	-	No costs to industry are anticipated.
Total		<1k	

On-going costs estimates		
Organisation	On-going costs (£)	Comment
Elxon	0	There are no anticipated ongoing costs after P456 is implemented, rather it could save Elxon and consequently Parties money.
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 are anticipated 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

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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>Ellexon believe there to be no impact on any SCRs or industry change projects. As Ofgem had not notified Ellexon that P456 should be treated as a SCR Exempt Modification Proposal, we prepared a SCR Suitability Assessment Report. An SCR Suitability Assessment Report was submitted on 28 June 2023 and is awaiting Ofgem comment. In accordance with BSC Section F, a Modification Proposal shall continue as a SCR Exempt Modification Proposal unless Ofgem determines otherwise.</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

Report Phase Consultation Questions
<p>Will P456 impact your organisation?</p> <p><i>If it will impact, please provide a description of the impact(s) and any activities which you will need to undertake between approval and implementation (including any necessary changes to your systems, documents and processes) and any on-going operational impacts.</i></p>
<p>How much will it cost your organisation to implement P456?</p> <p><i>If any, please provide details of these costs, how they arise. Please also state whether it makes any difference to these costs whether implemented as part of or outside of a normal BSC Systems Release.</i></p>
<p>What will the ongoing cost of P456 be to your organisation?</p> <p><i>If any, please provide details of these costs, how they arise. Please also state whether it makes any difference to these costs whether P456 is implemented as part of or outside of a normal BSC Systems Release.</i></p>
<p>How long (from the point of approval) would you need to implement P456?</p> <p><i>Please provide an explanation of your required lead time, and which activities are the key drivers behind the timescale. Please also state whether it makes any difference to this lead time whether implemented as part of or outside of a normal BSC Systems Release.</i></p>
<p>The Panel invites you to give your views using the response form in Attachment C</p>



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.

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What is 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.

Recommended Implementation Date

The Panel recommends 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 initial Panel discussion section below) and that P456 should be implemented at the earliest opportunity. Self-Governance Modifications cannot be implemented until after the 15 Working Day (WD) appeal window has closed. Assuming the Panel approve 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. This is different to the suggested date in the Interim Assessment Report of an additional 1 WD to implement.

We expect the Panel to decide whether to approve P456 or not on 12 October. If the Panel do approve P456, it will therefore be implemented on 9 November 2023.

Report Phase Consultation Question

Do you agree with the Panel's recommended Implementation Date?

Please provide your rationale.

The Panel invites you to give your views using the response form in Attachment C

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6 Elaxon'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 Elaxon's initial views against the specific Terms of Reference (ToR) a) and b), plus standard ToR c) to h).

Term of Reference	Elaxon's view
a) What conditions or controls are needed for Elaxon to procure Technology Services?	Elaxon 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 Elaxon already procures (i.e. application development, support and maintenance for BSC Agent applications)
b) What impacts there are, if any, on Elaxon'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 Elaxon (as Technology Service Providers such as Microsoft will not agree to third party rights), and Elaxon 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 Elaxon already procures which are not core BSC Agent services required to deliver Settlement.
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 16WDs 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>

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	The suggested amendments to Section E changes will be consulted on during the report phase consultation. No impact on CSDs have been identified.
e) Are there any Alternative Modifications?	Elexon 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, Elexon do not believe the amendments are material.</p> <p>The 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.</p>
g) Does this modification better facilitate the Applicable BSC Objectives than the current baseline?	Elexon believes P456 will better facilitate Applicable BSC objective (d) as allowing Elexon 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 recommends **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
- We 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 administrating 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

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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;
- g) **AGREED** the draft legal text; and
- h) **NOTED** that Elexon will issue the P456 Draft Modification Report (including the draft Legal Text) for a 10 Working Day consultation and will present the results to the Panel at its meeting on 12 October 2023.

Report Phase Consultation Questions

Do you agree with the Panel's initial recommendation that P456 should be approved?
Please provide your rationale with reference to the Applicable BSC Objectives.

Do you agree with the Panel's initial view that P456 should be treated as a Self-Governance Modification?
Please provide your rationale.

Do you agree with the Panel's initial consideration that P456 does not impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC?
Please provide your rationale.

Do you have any comments on the impact of P456 on the EBGL objectives?
Please provide your rationale.

The Panel invites you to give your views using the response form in Attachment C

8 Recommendations

The BSC Panel initially recommends:

- That P456 should be **approved**;
- That P456 should be treated as a **Self-Governance** Modification;
- That P456 **does not** impact the **EBGL** Article 18 terms and conditions held within the BSC;
- An Implementation Date for P456 of:
 - **20 Working days** after the Panel decision as a Special BSC Release; and
- The draft Legal Text for P456.