



August 2007

Version 1.0

Material Change and Triggers for Re-Qualification

As a requirement of BSCP537, 'SVA Qualification Process for BSC Parties, Party Agents and CVA Meter Operators', and all organisations who are Qualified, except Suppliers, are required to maintain their Qualified status through the Re-Qualification process. The principle of self assessment underpins the Re-Qualification process and Qualified Persons must undertake a Risk and Impact Assessment preceding changes to their systems or processes to determine if any changes are Material Changes¹. Re-Qualification is triggered by a Material Change to a Qualified Person's systems and processes and must be completed before the change is implemented. BSCP537 details the key steps in the process once Re-Qualification has been initiated by a Qualified Person. This guidance note provides additional advice on what might constitute a Material Change and therefore trigger Re-Qualification.

A trigger for re-Qualification will normally be any change that would impact the Qualification Requirements embodied in the Qualification Self Assessment Document² (SAD). Any Risk and Impact Assessment process should ascertain whether a change has the potential to materially impact the Settlement process and/or a Qualified Person's obligations under the BSC should that change not be appropriately implemented.

Various factors including operational, implementation and data quality issues should be assessed for their levels of risk and probability so that a view can be taken on the likeliness of a change to be material or not.

Table 1 below shows a series of example events and scenarios that could trigger the re-Qualification process. It should be noted that:

- Changes that are **highly likely** to have an impact on a Qualified Person's ability to meet its BSC Obligations would normally be a Material Change and it is almost certain that re-Qualification would be required;
- Changes that are **likely** to have an impact on a Qualified Person's ability to meet its BSC Obligations may be the subject of a discussion with ELEXON to determine whether they would constitute a Material Change;
- Changes that are **unlikely** to have an impact on a Qualified Person's ability to meet its BSC Obligations would not normally be the subject of a discussion with ELEXON and re-Qualification would probably not be required;

DISCLAIMER

No representation, warranty or guarantee is made that the information provided in this publication is accurate, current or complete. Whilst care is taken in the collection and provision of this information, ELEXON Limited will not be liable for any errors, omissions, misstatements or mistakes in any information or damage resulting from the use of this information or any decision made or action taken in reliance on this information.

ELEXON Limited uses its reasonable endeavours to ensure that the information or advice given in this and in all other communications (whether written or oral) is given to the best of the belief and knowledge of the author. Notwithstanding this, ELEXON Limited does not and shall not be deemed to have made or to make any representation, warranty or guarantee as to the reliability, accuracy or completeness of the information or advice given and ELEXON Limited does not accept any responsibility or liability for it. Any reliance by the recipient on the information given in this and in all other communications (whether written or oral) is at the sole risk of the recipient unless ELEXON Ltd expressly agrees otherwise in writing.

¹ Material Change is defined in Section X-1 of the BSC as being a proposed change to the Qualified Person's systems and processes has the potential to impact that person's ability to meet its obligations under the Code.

² BSCP537 Appendix 3.1

- The impact of a change and its potential to trigger a re-Qualification exercise will vary at different agent organisations. Where it is unclear from the results of a Risk and Impact assessment conducted on any change whether or not re-Qualification is required, the organisation should consider the questions and obligations in the SAD which may be impacted, and if necessary contact ELEXON for further guidance;
- Changes to the core IT systems used to operate the Qualified Persons' service (and hence deviation away from those system that were Qualified) may be the subject of a discussion with ELEXON to determine the scale of the risk to and potential impact on BSC Obligations should those changes not be appropriately implemented;
- The Qualification Requirements embodied in the SAD should be considered when assessing the impact of a proposed change that may impact the declarations made previously by a Qualified Person;
- All aspects of a change (system, processes, staff etc) should be considered to determine if the change is a Material Change. Where any one of these is highly likely, the change is likely to be a Material Change but a combination of likely impacts may also be a Material Change;
- A change may be a single change implemented in isolation or a group of changes that are batched together for implementation;
- The extent of the SAD which would be completed and the level of supporting evidence required will vary per application, based on the scope of the re-Qualification and initial assessment of the risk of the re-Qualification applicant by ELEXON.

In all cases, if the organisation is in doubt about the need for Re Qualification, it should contact ELEXON who will discuss and give advice as necessary.

It should be noted that other performance assurance techniques operated by ELEXON and applied to Party Agents, such as targeted Technical Assurance checks, may highlight instances where a Party Agent has implemented a Material Change but not completed re-Qualification. In such circumstances where re-Qualification has not been completed, the Party Agents' Qualified status will automatically lapse. The Performance Assurance Board will be notified and will agree on an appropriate course of action, which may include initiating the Removal of Qualification³ process.

It is stressed that information in the tables are examples only and are not a definitive list of the possible triggers for re-Qualification. Triggers for re-Qualification will vary on a case by case basis depending on factors such as market role, scale of operation and IT systems operated. The examples are intended to assist participants in their own assessment of whether a change that they are intending to make is likely to trigger re Qualification.

Table 1: Example Re-Qualification Triggers

	Typical Impact on BSC Obligations		
	Unlikely	Likely	Highly likely
System Change	Changes to non-Settlement interfacing systems.	Replacement of I.T system core to the operation of the agency service with established, proven system.	Replacement of Settlement systems with a new, unproven system.
	Minor software application version upgrades	Major upgrade of I.T systems core to the operation of the agency service.	Bulk migration of data with industry content between systems.

³ The Removal of Qualification process is documented in section 2.3 of BSCP537 'SVA Qualification Process for BSC Parties, Party Agents and CVA Meter Operators'.⁴ BSC Section J.3.3.8 (b) defines the circumstances in which witnessing may take place for any Qualification application.

	Typical Impact on BSC Obligations		
	Unlikely	Likely	Highly likely
	Software changes that do not affect the structure, format or calculated content of dataflows sent to other participants.	Replacement of flow router or gateway.	Upgrade to or replacement of systems which impact inter-operation with other participants.
		Upgrade to server or operating system.	
Process Change	Changes to non-Settlement interfacing processes.	Manual process replaced by automated process (industry facing).	Multiple manual processes replaced by automated processes (industry facing).
		Process modifications that affect the calculation of any data items that are subsequently transmitted to another participant.	Major rewrite of business processes used for the operation of the agency service, requiring new supporting documentation (e.g. Local Working Instructions) and staff re-training.
Staff Change	Changes to appointed sub-contractors.	Staff changes due to acquisition of new company.	Relocation requiring total staff replacement.

	Typical Impact on BSC Obligations		
	Unlikely	Likely	Highly likely
Growth	Step changes under an agent's previous maximum Certified volume (granted under the Accreditation and Certification process before Modification P197 implementation) would not require a re-Qualification exercise as the agent will have demonstrated volume and performance capabilities when the maximum Certified volume was granted, This also applies for step changes arising as a result of the Bulk Change of Agent Process which is covered in BSCP513 'Bulk Change of NHH Supplier Agent'	Step changes in number of Metering Systems for which the agent intends to be responsible (for example an increase of 25% in the number of Metering Systems in 2 months) over the agent's previous maximum Certified volume, or volume capabilities demonstrated through testing under the Qualification Process. This also applies for step changes arising as a result of the Bulk Change of Agent Process. It should be noted that there is no set 'tolerance' percentage level for step increases in Metering Systems; this may vary at different organisations and by agent type. Factors for consideration when assessing the need for a re-Qualification in this area should include (but not limited to); current operating volumes, previous maximum Certified volume, previously tested volumes, previous demonstration of business expansion and timescales for the step change.	
Significant Non-Compliance			Where suggested by the PAB due to the number of non-compliances identified by other PAF techniques, e.g. the number of BSC Audit issues that a participant has (Party Agents and SMRAs only).

More information on the Qualification and re-Qualification processes is provided on the Qualification section of www.elexon.co.uk.

If you would like to contact ELEXON to discuss Material Change and re-Qualification please email Qualification@elexon.co.uk.