

BSCCo Business Plan

2020 / 2021



ELEXON

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Forewords



Chief Executive's foreword to BSCCo Business Plan

Mark Bygraves
Chief Executive Officer

Corporate Strategy

“With the support of our stakeholders and partners, we will simplify and consolidate complex and fragmented services, develop new market solutions and actively facilitate innovation for the benefit of GB energy markets and the UK economy.”

A strategy to meet an evolving market as the UK moves to ‘net zero’

We know that the energy landscape is changing and the needs and demands of our customers and consumers are evolving, particularly as we face the challenge of achieving net zero. The market is becoming more diverse with new providers, new services and new requirements of the central arrangements so that is why we are evolving and changing too.

At ELEXON, we are proud of being created by industry and charged with providing essential market services for its benefit. That is our purpose, our reason for being. We are therefore determined to support

the industry in key ways and I make the following commitments to:

- provide our existing services to industry leading standards
- enable and support innovative consumer-facing solutions
- consolidate and simplify central market arrangements
- engage with our stakeholders and deliver a truly customer-centric service
- provide a flexible, scalable, open digital platform to meet the changing energy market.

We provide more detail on these later. Both our vision and corporate strategy are based on these principles.



“By 2025 we will create the leading provider of essential market services to the GB energy sector, for the benefit of market participants and their customers.”

“We recognise the energy market is changing so our experts have and will proactively strive to identify and implement improvements to market arrangements.”

How our strategy supports our customers

We are delivering our strategy through a collaborative approach, engaging with our stakeholders at all levels, to better understand their needs and how we can continuously improve our services for their benefit.

Maintaining our services to industry leading standards

Our highly skilled, knowledgeable teams have an extensive understanding of the energy industry and we strive to maintain our role as trusted, independent reliable market experts. That is why we are delighted with your feedback through our own, and the regulator's survey of customer satisfaction, which says we are continuing to meet our high standards of service and market expertise.

Creating innovative consumer-facing solutions for you

We recognise the energy market is changing so our experts have and will proactively strive to identify and implement improvements to market arrangements, whether that's leading on the design of Market-wide Half-Hourly Settlement, enabling behind the meter activities or opening up the Balancing Mechanism to new and smaller providers. We aim to support new solutions and deliver flexibility, simplicity and speed of change for the benefit of our customers and see our role as supporting parties centrally to reduce the burden on each of you.

Supporting consolidated central market arrangements

Current central market arrangements are criticised for being too complex and fragmented. That's why we have been calling for increased cooperation to simplify, streamline and speed up the central industry processes and codes as well as promoting the benefits of reducing the number of different central bodies, so that it is easier and cheaper for you to operate in the market. We also want to use ELEXON's breadth of services (such as performance assurance and

robust governance) along with our high standards of service, to aid other central arrangements in the sector.

Delivering a truly customer-centric service

We pride ourselves in how we engage with the industry via our dedicated Operational Support Managers (OSMs) and other colleagues. Our 'not-for-profit' funding model allows us to focus on customer needs. Together with the transparency of costs and charges, we believe that it is a major factor in our high customer survey scores. With our end-to-end model of governance services, administration, operations, delivery and support, we help to shape and implement industry change. We also fully explain these changes to our customers.

Creating a digital platform to meet the changing energy market

We are determined to ensure that our systems and processes facilitate the changes needed in the energy sector to achieve net zero. That is why we have been investing to enhance those systems to deliver a flexible digital platform. It is cloud-based and scalable to meet the needs of the evolving energy market. This will also mean we can reduce the time and cost of future changes by simplifying the implementation process. (See Page 32)

2020/21 BSC Budget

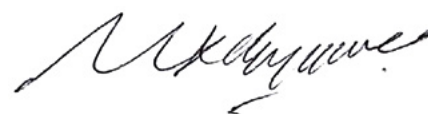
We are committed to both efficiency and transparency in our operations and delivering more of a value added service to our customers, who are facing unprecedented challenges. With industry's support, we have taken on more responsibilities, which bring additional charges, such as cost recovery of the radio teleswitching (RTS) infrastructure, changing the performance assurance processes, driving innovation and supporting ever-larger numbers of BSC Parties. Nonetheless, we have kept our proposed 2020/21 budget within 2.3% of that for 2019/20 (aside from the new, additional £1.4m RTS costs). At the same time, we have retained the headcount

for BSC activities at the same level as budgeted for 2019/20.

When the 2020/21 budget is compared to our forecast for 2019/20, the majority of the difference can be attributed to the additional RTS costs, which did not exist in 2019/20, and the increased spend (compared to 2019/20) on our systems refresh (the Foundation Programme). On the latter, in 2019/20 we have had to prioritise regulatory changes, such as Project TERRE (Trans European Replacement Reserves Exchange) over this systems strategy work resulting in a lower spend in 2019/20. However, we are budgeting to increase that spend in 2020/21, back to the intended level for 2019/20. Value for money is key although this does not mean the same as 'cheap'. In our 2019 independent customer survey you highlighted how much you value our expertise and professionalism, and gave us our highest ever rating for value for money.

Supporting our customers now and in the future

By working closely with government, the regulator and the industry, we will continue to develop solutions that support regulatory and government policy for the benefit of our customers and consumers. The energy market is undergoing unprecedented change and we fully recognise the pressures that our customers are under, including regulatory interventions such as the retail price cap and smart meter roll out. Therefore, we believe that it is more important than ever for ELEXON to remain a trusted, independent reliable market expert that is here to help you. We will step up our support to you, our customers, in delivering the challenges of net zero and I look forward to continuing to work closely with you in 2020 and beyond.



Mark Bygraves
Chief Executive Officer

Chairman’s foreword to BSCCo Business Plan

Michael Gibbons, FEI CBE
Chairman

I regard it as a great privilege to serve as Chairman of ELEXON and the BSC Panel at a time where ELEXON has ambitious plans for the future to build on ongoing achievements. Through our stewardship of central systems, ELEXON (and the Panel) are very much at the centre of facilitating energy industry change. I congratulate my colleagues for coming top of Ofgem’s energy code administrators’ customer satisfaction survey for the third year running in 2019, where we were the only code administrator not to see a reduced satisfaction score. This, together with the improvement to satisfaction levels recorded in our own customer survey, is testament to their continued drive to serve the industry. Whether developing technical solutions or formulating new policy proposals, ELEXON’s end-to-end business model has proven itself once again as highly successful in the robust delivery of the central market functions and in driving innovation.

Feedback from our customers on our services, events, workgroups and our ELEXON Policy View publications gives us confidence that we are providing the services that our customers want. It also shows that we are helping them in the transition to a smarter and more flexible energy system. I can assure you we are not complacent and we continuously identify areas where we can bring further improvements, whether to our operational processes or to our systems.

The business model that delivers robust results

Our business model, where we return any unused funding to industry, coupled with our in depth expertise enables us to focus on delivering our services under the BSC objectively and in a way that fully supports the energy industry’s transformation and contribution to the UK’s net zero

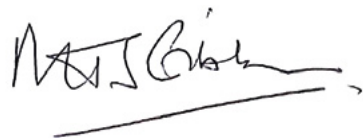
emissions target. With industry, we lead and develop modifications and industry-wide initiatives, which ensure Settlement accuracy and enable new industry participants and innovators to access the electricity markets.

An example of this is ELEXON opening up the electricity Balancing Mechanism (BM) so that independent aggregators can participate in the BM from December 2019. We also support the Government and Ofgem in new policy development, sharing with them our understanding of the BSC and other codes and central systems.

ELEXON Policy Views and practical solutions

We have taken our technical and market design expertise to a new level, with several Policy View papers published in 2019, to stimulate debate. Each of these documents has been geared towards making life simpler for our customers and addressing market challenges. I believe that this is especially important given the complicated nature of this industry, and the resource and cost challenges that all market participants face, particularly in an environment of price caps and heightened scrutiny.

I remain fully convinced that ELEXON and the BSC Panel have much more to offer in shaping the new world of a more decarbonised, digitalised and decentralised energy sector, and the transition to a more consumer-focused, smart, innovative, and flexible energy system.



Michael Gibbons, FEI CBE
Chairman

Figure 01
Holistic
Business Model



Code Management

- Industry rules management
- Trusted critical friend
- Dedicated customer support



Code operation

- Central data platform delivery
- 24/7 settlement
- Design/change implementation
- Assurance services



New policy support

- Impartial expert advice/ guidance
- Market scanning
- Providing support to deliver policy outcomes

We also collect and distribute payments to Contracts For Difference Generators and Capacity Market providers

**“ELEXON’s end-to-end business
model has proven itself once
again as highly successful”**



Strategic priorities 2020/21





Our strategic priorities for 2020/21

In 2020/21, our focus will remain on our existing strategic priorities that we see in the areas of Quality Delivery, Innovation, Engagement, Customer Centric, Simplification and Consolidation, Digital Platform and Talented People. We will strive to continue delivering the high levels of service and we will work smarter to help our customers so that we perform above their expectations and those of our other stakeholders.

We will provide a full overview of the 2019/20 activities in our Annual BSC Report, to be published in June 2020. Meanwhile, the following pages provide some highlights and key achievements for 2019/20 to date and set out our plans for 2020/2021.

Many initiatives cut across strategic priorities. This is especially true where in our capacity as a trusted code manager we provide key central systems and data platforms. It is also evident where we lead (where appropriate) and contribute to deliver industry-wide initiatives, such as:

01 Energy Industry Data

We will continue to play a key role in implementing the recommendations of the Energy Data Taskforce, as we have done since its launch in October 2018, sharing our knowledge, stimulating debate around open data, and embedding open data principles into our new platforms.

02 Energy Industry Codes Reform

We will continue to offer our expertise and support to BEIS and Ofgem as they conclude their review of the energy codes and we will seek ways to make the industry rules easier for our customers and new entrants to understand.

03 Enabling Storage

By building on several BSC modifications, which have already been implemented, we will continue to lead the industry in developing further modifications to enable extended deployment of energy storage. We will also maintain our contribution to changes/modifications under other codes through our participation in workgroups and Panels.

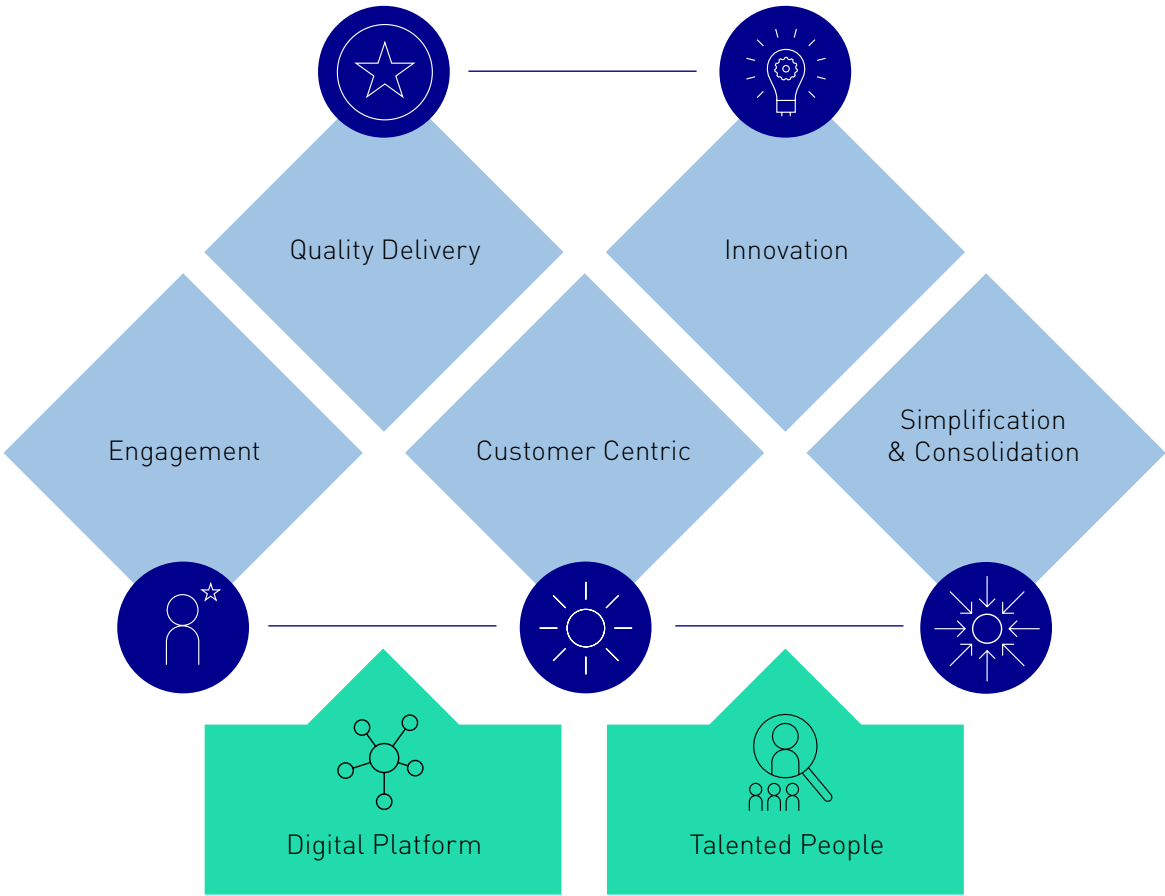
04 Supporting New Business Models

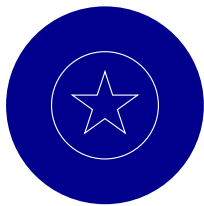
The Market-wide Half-Hourly Settlement Target Operating Model is one of the pre-requisites to facilitating new product offerings to consumers with smart

meters; in particular, time-of-use tariffs. Therefore we continue to assist Ofgem in their programme of work in this area.

05 EV Rollout and Integration

We contribute to the EV Energy Taskforce workgroups, and will continue to work with the Office for Low Emission Vehicles and industry, to ensure the efficient integration of EVs into the grid. This includes working to establish common smart charging arrangements that will support EV users and charging operators in providing services to the wider energy market.





Quality Delivery – Actively managing our services to ensure we deliver in a reliable, economic and efficient way

Highlights from 2019/20

01 Data Publication

As a primary source of operational data on GB’s Electricity Balancing and Settlement arrangements, the Balancing Mechanism Reporting Service (BMRS) has continued to see a strong increase in usage due to the extensive set of data it has and the flexibility and versatility of receiving information from it. (See Figure 2)

to identify risks and take action to mitigate them. We supplemented each of those 34 risks with additional information such as a financial impact forecast, key root causes and affected parties. We also produced a risk visualisation tool. This is an interactive set of diagrams breaking down the risks by the relevant Settlement processes, so that they are understood more easily.

02 Performance Assurance Framework (PAF)

We listened to the views of our customers and consolidated the 220 risks of inaccurate Settlement into 34 risk categories, making it easier for companies

Our Settlement risk management framework is:

- Effective at minimising the errors in Settlement
- Flexible and applicable to different situations
- Easy to understand

“We believe that the new Risk Evaluation Methodology allows for a more dynamic risk management process, which is supported by the changes made to the wider Performance Assurance Framework (PAF) governance documentation.”

Feedback from a customer in response to the consultation on the Risk Evaluation Methodology for 2019/20

Figure 02

Stats on the increase
in BMRS usage

Most popular APIs

- Physical BMU data
- REMIT
- Rolling system frequency
- Bid offer level data
- Rolling system demand

Average daily users

1,900

The service availability remains high above 99% and supported 24/7

📡 = API hits
DPU = Data push users

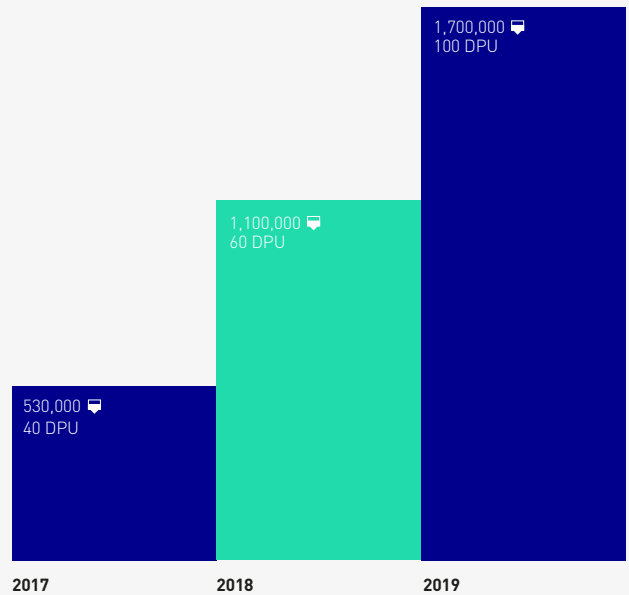
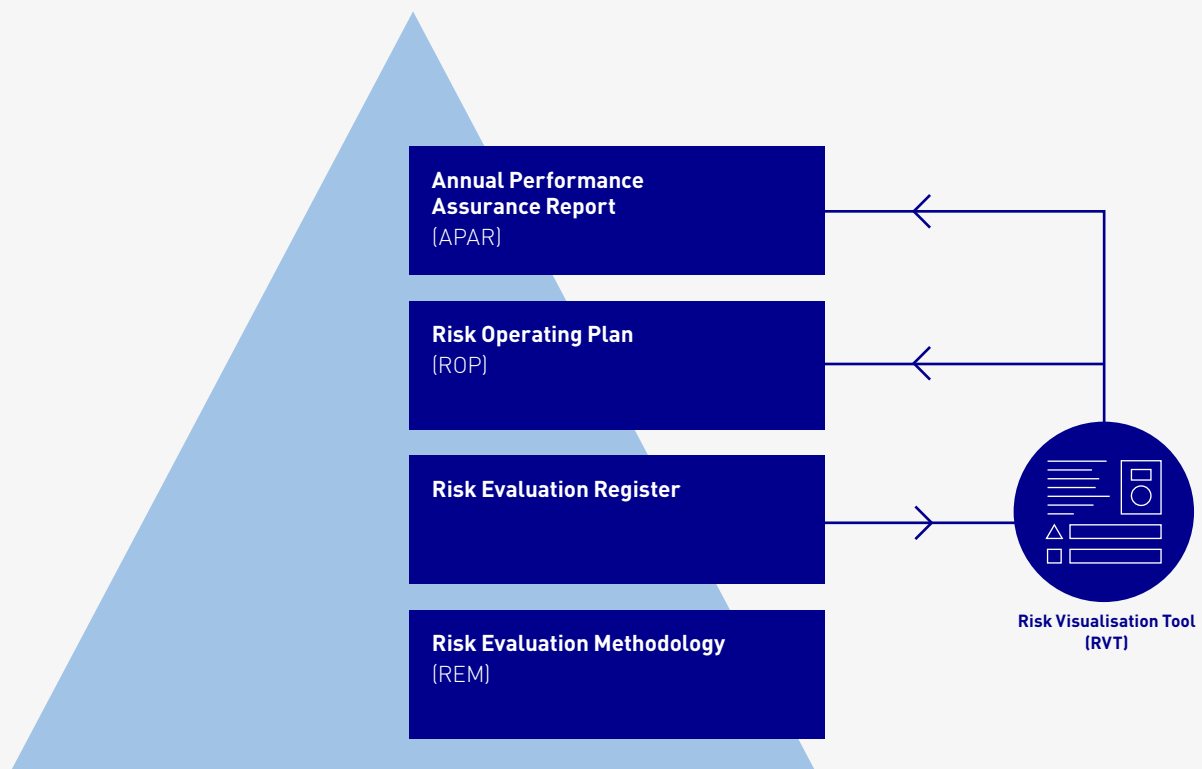
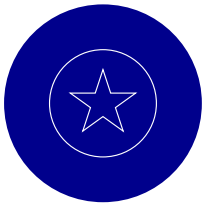


Figure 03

Risk Management Approach/Risk
Evaluation Register



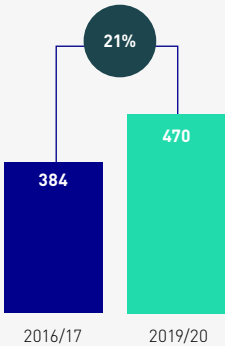


Our focus for 2020/2021

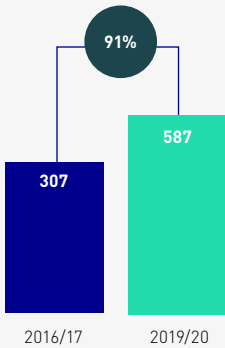
As well as business-as-usual during 2020/21, we will look for further opportunities to streamline and simplify what we do and how we interact with you, our customers.

Figure 04

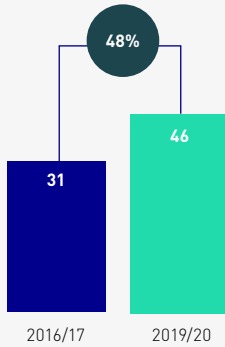
Increase in numbers of BSC Parties that we serve



Increase in number of customer meetings we have held



Increase in number of workgroup meetings held



01 Business As Usual (BAU)

During 2020/21 we will continue our day-to-day focus to deliver BSC obligations to the highest standard and accommodate the changing needs of the ever-increasing and evolving range of BSC Parties. We have a culture of serving the industry in a cost-effective way. In our 2019 customer satisfaction survey, we achieved our highest ever value for money rating.

02 Delivering Change

In line with the [ELEXON Policy View: A Faster, More Consistent Process for Changing Energy Codes](#), following debate in 2020/21 we will assess the need to raise new BSC modifications to simplify and streamline your experience of dealing with us.

Further to the improvements implemented in 2019/20, we will work with the industry to assess and plan further improvements, some of which are outlined in the Policy View mentioned above. These changes could make it simpler for our customers to get involved in the BSC change process.

03 Open Data and Reporting

In the data-centric world, access to open and transparent data is critical for encouraging innovation which benefits companies and consumers.

We are working to enhance and evolve our data governance framework. This includes our data analytics capabilities, applying new data standards, policies and controls. Our aim is to better align our data management activities with current regulatory and governance principles as well as delivering the Energy Data Taskforce recommendations.

“I’ve seen the ELEXON Insights articles you posted on your website a few days ago which provide great summaries and useful resources so thanks for producing.”

Feedback from a customer – 31 October 2019

BMRS

We have set up a new BMRS Change Board to work with both industry and non-industry experts to ensure that the long-term scope and strategy for the BMRS data publishing platform meets industry needs. This will continue during 2020/21.

Market Reports/ELEXON Insights

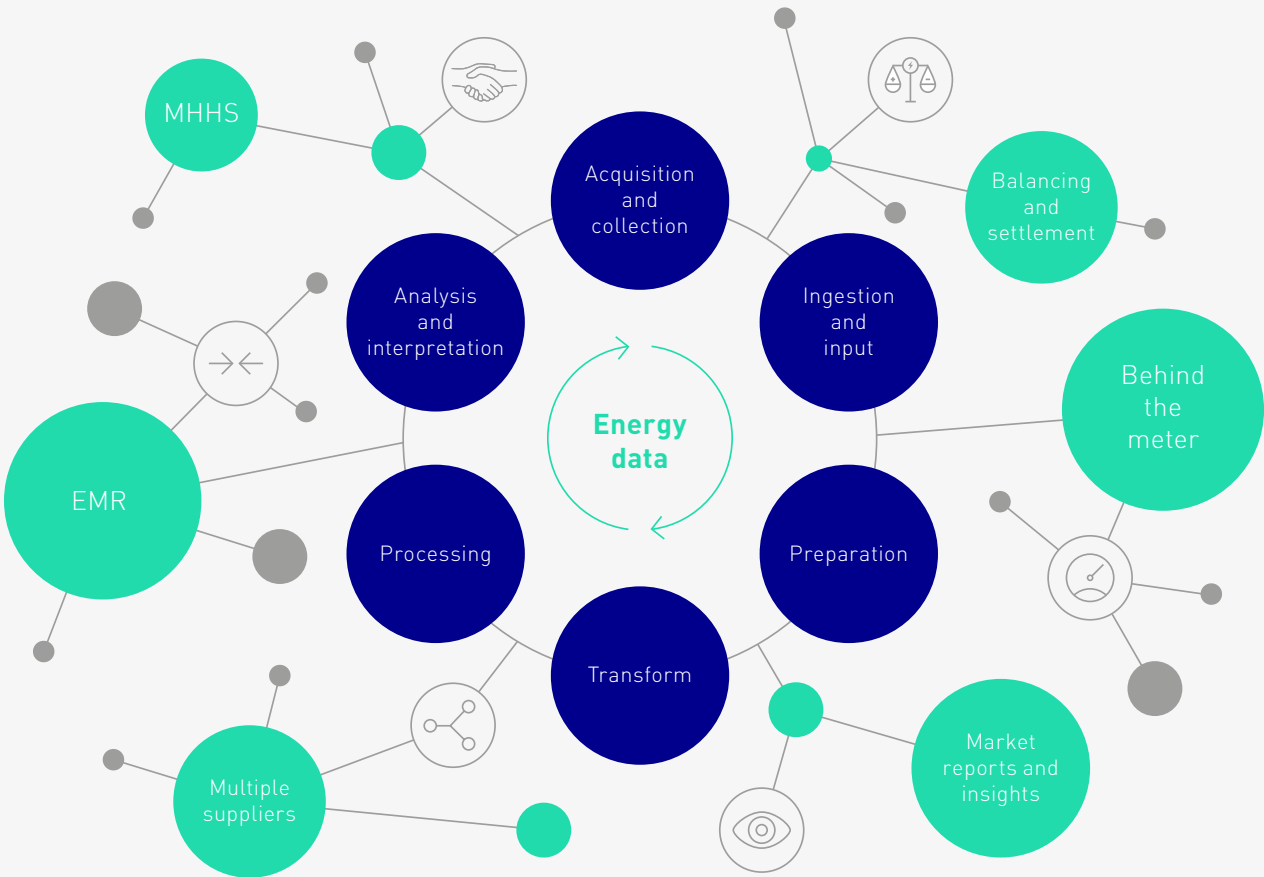
During 2019, more than 8,800 unique visitors viewed our market reports and insights. We will keep analysing the data we hold to generate valuable, readily available, interactive insight articles that could inform your decisions and understanding of the market.

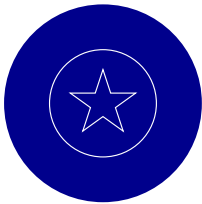
Licensing/Open Data

ELEXON is an advocate of open data culture and practices. We are committed to making further progress with open data in 2020/21, expanding upon the suite of available data sets under our open data licence.

In most cases, our data is freely available to use under an open licence. However, sometimes we are required to charge for providing certain datasets and place some restrictions on how that data can be used. In 2020/21, we will remove any remaining barriers for our customers in accessing and understanding the information that we provide.

Figure 05
ELEXON Data Management Cycle





Our focus for 2020/2021 Continued...

04 Performance Assurance Framework (PAF) Review (Figure 6)

We know that an effective and efficient performance assurance process is important to you. Our 2019 customer satisfaction survey showed increased scores for our performance assurance activities. ELEXON through the (PAF) Review has been proposing improvements to the framework to achieve this goal. Our recommendations on the assurance processes are being deployed into routine operations while we work on the remaining two work streams:

Review of the Performance Assurance Techniques (PATs).

We are producing recommendations to enhance the risk mitigation 'toolkit' of efficient and cost effective assurance techniques. Our goal is to ensure that there are sufficient preventative elements, robust and flexible audits, performance monitoring procedures and clear routes for escalation.

Data Provision

We are assessing how we can make better use of existing data items. We are considering the viability of alternative methods of data provision that place less burden on you to provide data and support more accurate risk appraisal.

05 European Developments

We will continue to monitor and work with other code administrators to ensure an effective relationship and proportionate representation relative to the Brexit position.




Throughout the year, we will implement, where necessary, any further changes needed due to European developments like the European Electricity Balancing Guideline (EB GL), Harmonisation of Imbalance Settlement and Project MARI (Manually Activated Reserves Initiative) and the Clean Energy Package.










Figure 06
PAF Review and
implementation timeline

Workstream	Pre March 2019	2019/20	2020/21
Smart Risks	Smart risks identified and monthly report established for rollout progress and delivery of accurate Smart Meter Technical Details		
PAF Procedures	<p>New risk evaluation methodology and risk register developed and approved for use.</p> <p>Other recommendations around governance and stakeholder engagement made.</p>	<p>Risk register in use.</p> <p>Progress of risk mitigation reported in Quarterly Performance Assurance Reports.</p> <p>Risk Visualisation Tool (RVT) Published</p>	<p>Continue to work with new risks</p> <p>Develop risk report suite to support ongoing risk evaluation and mitigation</p>
Performance Assurance Techniques (PATs)		<p>Metering, BSC Audit and Qualification/ Re-qualification reviewed.</p> <p>Performance monitoring, peer comparison, supplier charges reviewed.</p> <p>P391 and P393 Implemented.</p>	<p>Technical Assurance audits</p> <p>Error and Failures Resolution</p> <p>Escalation techniques</p> <p>Implement PAB recommendations</p>
Data Provision		Identify, document and fully assess existing and alternative PAF data sources	Implement PAB recommendations
	Completed	In progress but milestones achieved	To be completed within the following financial year

Figure 07
European Developments:
Future impact of key EU legislation

 Fully implemented
  In progress
  In development (where the rule changes still need to be developed)

01	02	03	04
Electricity Balancing Guideline (EB GL)	Network Code on Emergency and Restoration (NC ER)	REMIT	The Clean Energy Package (CEP)
Came into force on 18 December 2017	Came into force on 18 December 2017	Came into force in 2011	CEP Electricity Regulation and Directive came into force on 4 July 2017
<p>TERRE (Mod P344) </p> <p>Harmonisation </p> <p>MARI </p>	<p>Potential impact on the Black Start provisions of BSC (Section G) </p>	<p>BMRS - REMIT inside information platform for GB electricity </p> <p>Potential changes to ACER web-feeds </p>	<p>Implement changes to the BSC required by the CEP as agreed to be necessary by Ofgem and BEIS </p>



Innovation – Enhancing and evolving our services to support industry changes and development of the energy market

Highlights from 2019/20

There are three areas of the work that ELEXON is doing, which go beyond the day-to-day delivery of the BSC. These focus around providing more opportunities for demand-side response, realising the benefits of smart meters, and achieving more efficient use of the electricity networks, all of which are important for creating an environment that supports net zero:

01 Wider Access to the Balancing Mechanism (BM)

Working with National Grid Electricity System Operator, Ofgem and the industry, we developed the solution for Wider Access to the BM for independent aggregators. This enables flexibility service providers to participate in the BM in their own right as a new type of BSC party (a Virtual Lead Party). Ofgem approved P344 in August 2019, concluding the two-year development phase. From December 2019, the BM was open to independent aggregators, which helped create a wider pool for provision of demand side response.

02 Market-Wide Half-Hourly Settlement (MHHS)

Working with Ofgem and the industry, we completed the design work on the MHHS Target Operating Model (TOM) and transition approach in August 2019 – to which Ofgem subsequently gave its preliminary approval in October 2019. This represented the culmination of two years’ collaboration with Ofgem, the Design Working Group and wider industry on this phase of work.

03 Enabling Flexibility Services and Distribution Network Operator to Distribution System Operator Transition. (Figure 8)

In November 2019, we published our Policy View: Setting up Electricity Flexibility Platforms where we proposed that nationwide ‘flexibility markets’ could be set up to operate in a similar way to the existing wholesale electricity market, where buyers and sellers can trade electricity or spare capacity at prices set by the market. We proposed action from the DNOs and Ofgem to bring this about and pledged our support. Flexibility platforms will facilitate more efficient network usage and fully realise the value of assets connected to the system.

“There was plenty of time for delegates to ask questions which was great. The Elexon staff were all very knowledgeable and provided excellent advice.”

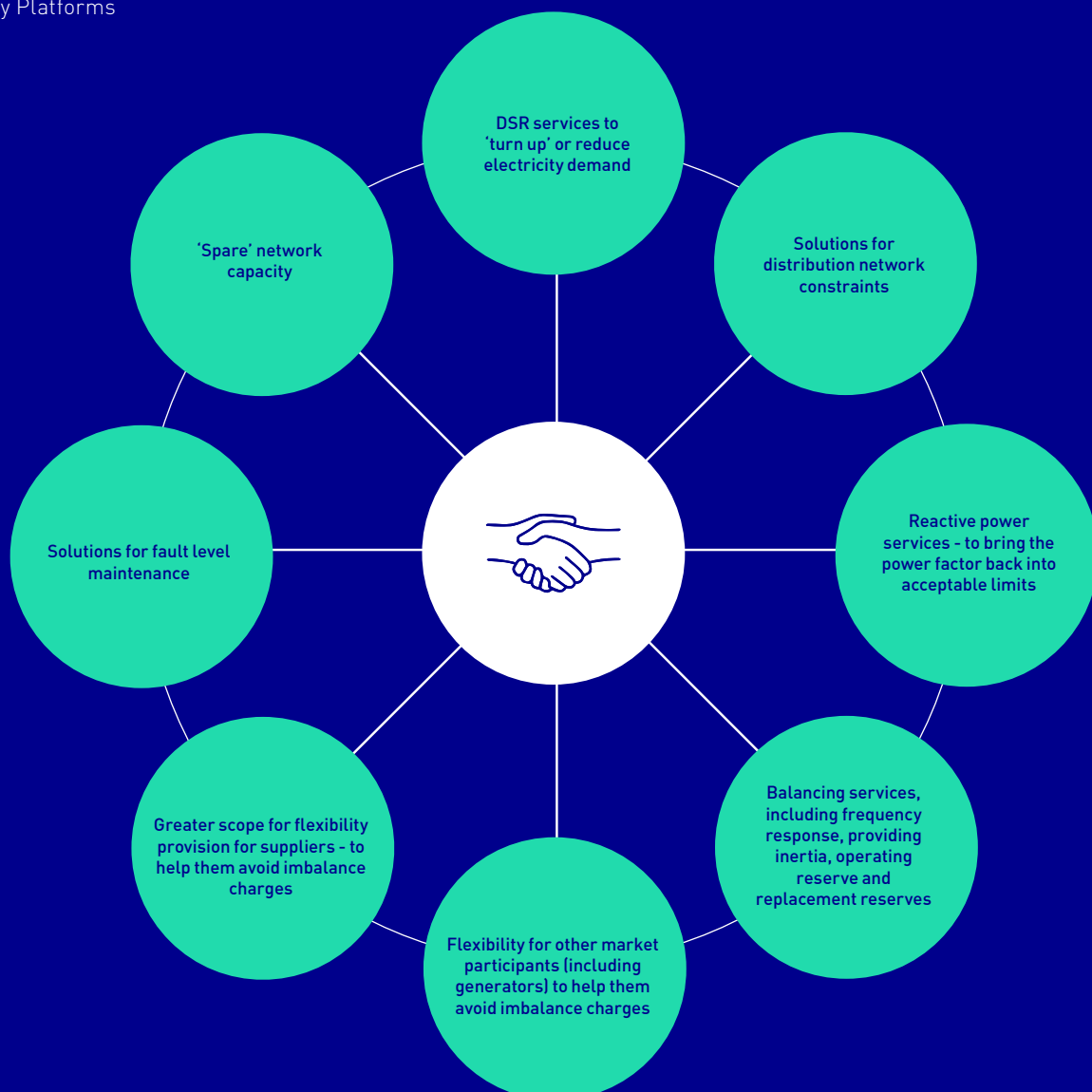
Feedback from Half Hourly Settlement Performance Supplier Workshop, 12 June 2019

ELEXON Policy View: Setting up Electricity Flexibility Platforms

ELEXON

“We proposed that nationwide ‘flexibility markets’ could be set up to operate in a similar way to the existing wholesale electricity market.”

Figure 08
Policy View:
Flexibility Platforms



“I found out about information I didn’t know anything about or where to find it and I was able to feed in to discussion about how these things could be improved to be of benefit within my organisation.”

Feedback from Code Administration Code of Practice
(CACoP) Industry Engagement Event 17 July 2019

Our focus for 2020/2021

We see the BSC and the ELEXON team as enablers to innovation in services and business models that will bring benefits to our customers, end consumers and society as a whole. Central market arrangements and systems will have a vital role to play in progress to deliver net zero.

01 Wider Access

Opening up the Balancing Mechanism for new market participants – Project TERRE P344

During 2020/21, we will be offering support on Project TERRE (Trans European Replacement Reserves Exchange) to new market participants as they complete our streamlined electronic market entry process.

We began work on implementing Project MARI (Manually Activated Reserves Initiative) in 2019/20. MARI is the project name for the second of the Electricity Balancing Guideline (EB GL) balancing products to be introduced to the GB market. While it may be similar to Project TERRE initially, this will be an entirely new pan-European balancing product. We will work with National Grid ESO to ensure future BSC modifications to enact MARI and meet BSC Parties' needs. We plan to start working with industry through the Workgroup process in spring 2020 once National Grid ESO completes its initial preparations.

02 Leadership on Future Markets and Settlement Design

Market-wide Half-Hourly Settlement (MHHS)

We will continue to lead on Market-wide Half-Hourly Settlement. In November 2019, Ofgem launched the next phase for developing the industry code changes and system architecture needed to implement the MHHS Target Operating Model. This includes establishing two new industry working groups: the Code Change and Development Group and the Architecture Working Group. ELEXON will chair these groups, provide technical leadership and work closely with Ofgem, industry and other codes throughout 2020/21 to deliver this work.

03 Enabling New Paradigms in The Energy Sector

Multiple Providers through Meter Splitting (P379)

BSC Modification P379 will enable multiple suppliers to provide energy to the same consumer via a single meter (for example, where a customer has a domestic supplier, but has electricity for their electric vehicle provided as part of the EV leasing arrangements). The Modification was raised following an ELEXON Policy View, where we articulated how this could be enabled. The Modification will facilitate non-traditional business models and innovation through the simplification of current meter splitting arrangements and the creation of a new Party Agent role, the Customer Notification Agent (CNA). During 2020/21, we will continue guiding the P379 workgroup in exploring the issue and developing the solution.

'Behind the Meter' Resources (P375)

The high proportion of renewable generation and volatile changes in demand patterns increase the need for the electricity system to be flexible. BSC Modification P375 proposes to settle Secondary Balancing Mechanism Units using metering equipment behind the defined Boundary Point for Balancing Services, rather than settling using Metering Equipment at the Boundary Point, as per current BSC obligations.

Enabling 'behind the meter' equipment to input data into Settlement is a pre-requisite for a number of future innovative business models and charging structures, which require more granular data. P375 facilitates this by creating a new register of asset meters, a new associated code of compliance, new data flows and new Settlement processes.

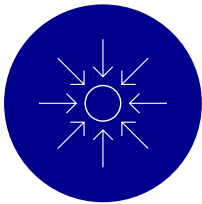
This will allow balancing-related services on site to be separated from imbalance-related activities, more accurately reflecting the balancing-energy volumes provided by the Balancing Service Provider. During 2020/21, we will support and guide the P375 workgroup summarising the proposed solution in an assessment report at the end of the process.

Electricity Market Sandbox (P362)

As the BSC sandbox begins operations, we will improve market access for innovators by demonstrating changes on a small scale and using the learnings to inform future BSC modifications.

04 DNO to DSO Transition

Building on our ELEXON Policy View: Setting up Electricity Flexibility Platforms, we will work together with Ofgem, DNOs, Energy Networks Association (ENA) Open Networks project and any interested parties to further develop our initial ideas on achieving the DNO to DSO transition, and enabling local energy markets. We will be working with winners of funding from the BEIS Flex competition to trial flexibility markets during 2020/21. We will be offering support on how these trial projects can interact with Settlement and the central market arrangements.



Simplification and consolidation – Reducing complexity and fragmentation

Highlights from 2019/20

01 Streamlining the BSC

Building on our suggestions to simplify codes’ content, we implemented eight changes to streamline the BSC in June 2019. They included among others, Modification P364, which speeds up registration for ‘non-standard’ balancing mechanism units; P372, which streamlines the process for making changes to data published in the balancing mechanism reporting service (BMRS) and modification P394 [which removes redundant provisions from the BSC].

03 Cornwall Insight Research on Code Reforms

In July 2019, we published a study which we commissioned from Cornwall Insight, which analysed the 11 main industry codes and considered six different models of consolidation and how they aligned to the objectives that Ofgem and BEIS are seeking to address in the energy codes review.

04 Policy View on a Quicker Change Process for the Codes

In November 2019, we published our policy view on how to achieve a faster, more consistent code change process, where we proposed practical steps that could be taken now to improve the change process across the codes, before wider reforms are brought in.

02 Policy View on Reforming Codes

In May 2019, we published a [Policy View on the Energy Codes Review](#), to stimulate debate and put forward options for how the 11 existing gas and electricity codes could be consolidated and simplified into three codes covering the retail, wholesale and settlement and networks sectors. We have been feeding our views into BEIS and Ofgem as part of their review of the codes.

Figure 9
Policy View: Energy Codes Review

Under the simplified model there will be a number of benefits:



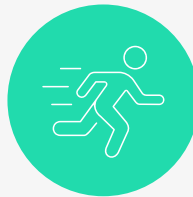
A simplified and more efficient user experience



Easier processes for new and existing users to navigate



A scalable and flexible solution for future changes to energy market rules



The ability to process changes more quickly and the opportunity for more tailored engagement of parties



Consistent processes including a one-stop-shop service desk for market participants to use which would cover all the codes



The potential pooling of credit arrangements between the codes to reduce energy companies’ credit burden



Greater interaction between Distribution System Operators and the Electricity System Operator



Cost synergies

Our focus for 2020/2021

With the Government’s commitment to net zero emission targets, it is clear that the management of central market rules will have to change. We will continue to advocate that changes across the code governance arrangements are necessary to ensure the GB energy system is more flexible and responsive so it can support a range of new business models as well as existing participants to deliver net zero.

01 Consolidation and Simplification

Building on our analysis we will continue to support and contribute to the Energy Codes Review. This includes supporting the Government and Ofgem during the implementation phase, if they decide to introduce reforms.

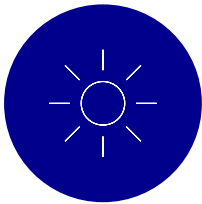
02 Faster Code Change Process

Separately, we will look for further opportunities to streamline the BSC for the benefit of existing parties and new entrants. We will also engage Ofgem on our proposals for achieving a faster, more consistent change process which can act as a first step towards improving the codes before wider reforms are introduced.

03 Applying our Skills

Finally with the support of the industry we will investigate opportunities to apply our code management and service delivery skills in other parts of our sector.





Customer-centric – Improving the customer experience and developing richer customer relationships

Highlights from 2019/20

01 Ofgem’s Code Administrators’ Survey

For the third consecutive year in a row, ELEXON was top of Ofgem’s energy code administrators’ performance survey, with 86% of respondents saying they were satisfied or very satisfied with our performance. ELEXON was the only code administrator whose overall satisfaction score did not decline.

On the ‘Value for Money’ indicator, 53% of our customers rated ELEXON as eight out of 10 or higher, which is the highest ever score since the survey began in 2003. However, we are not complacent and continue to take on board our customers’ feedback to improve our services.

02 ELEXON’s Customer Survey

In 2019, we also commissioned (using an independent third party) our own annual customer survey where satisfaction rose to 71% (meaning 71% of respondents rated us eight or more out of 10). This is our highest score since 2016 and up seven per cent on 2018.

03 Supplier of Last Resort Process

We play a key role in supporting Ofgem through the Supplier of Last Resort process (SoLR) where customers of a failed supplier are transferred to a new supplier. As such, we worked with Ofgem and suppliers to efficiently and effectively transfer 800,000 customers to new suppliers through the SoLR process smoothly and without delay.

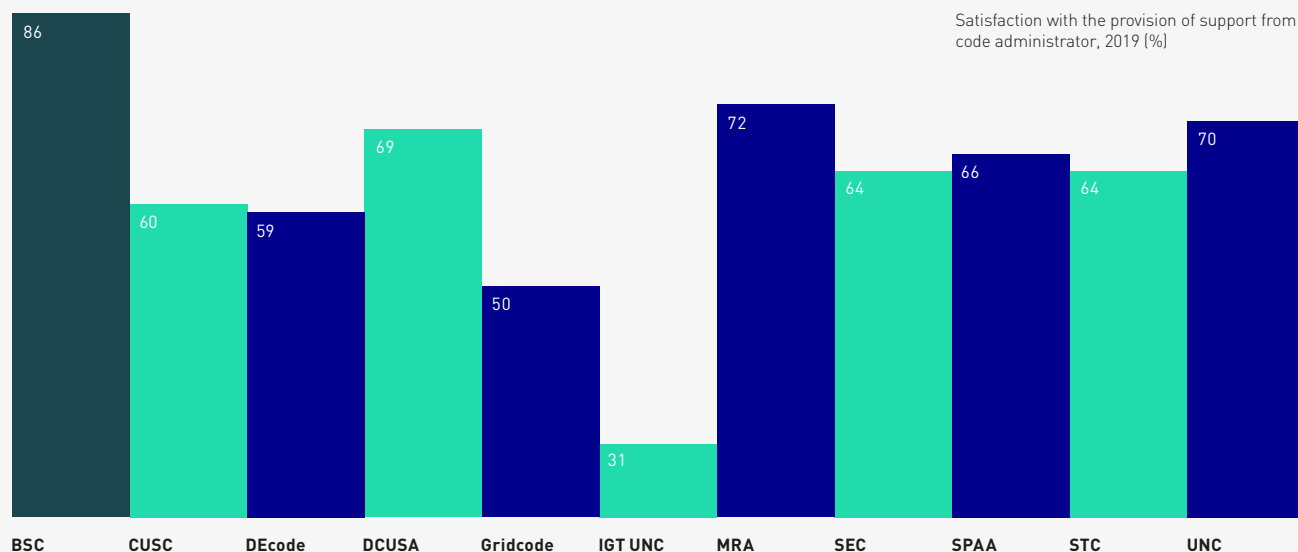


Figure 10
Code administrators'
performance survey, 2019

86%

Are satisfied or very satisfied with
ELEXON's overall service provision

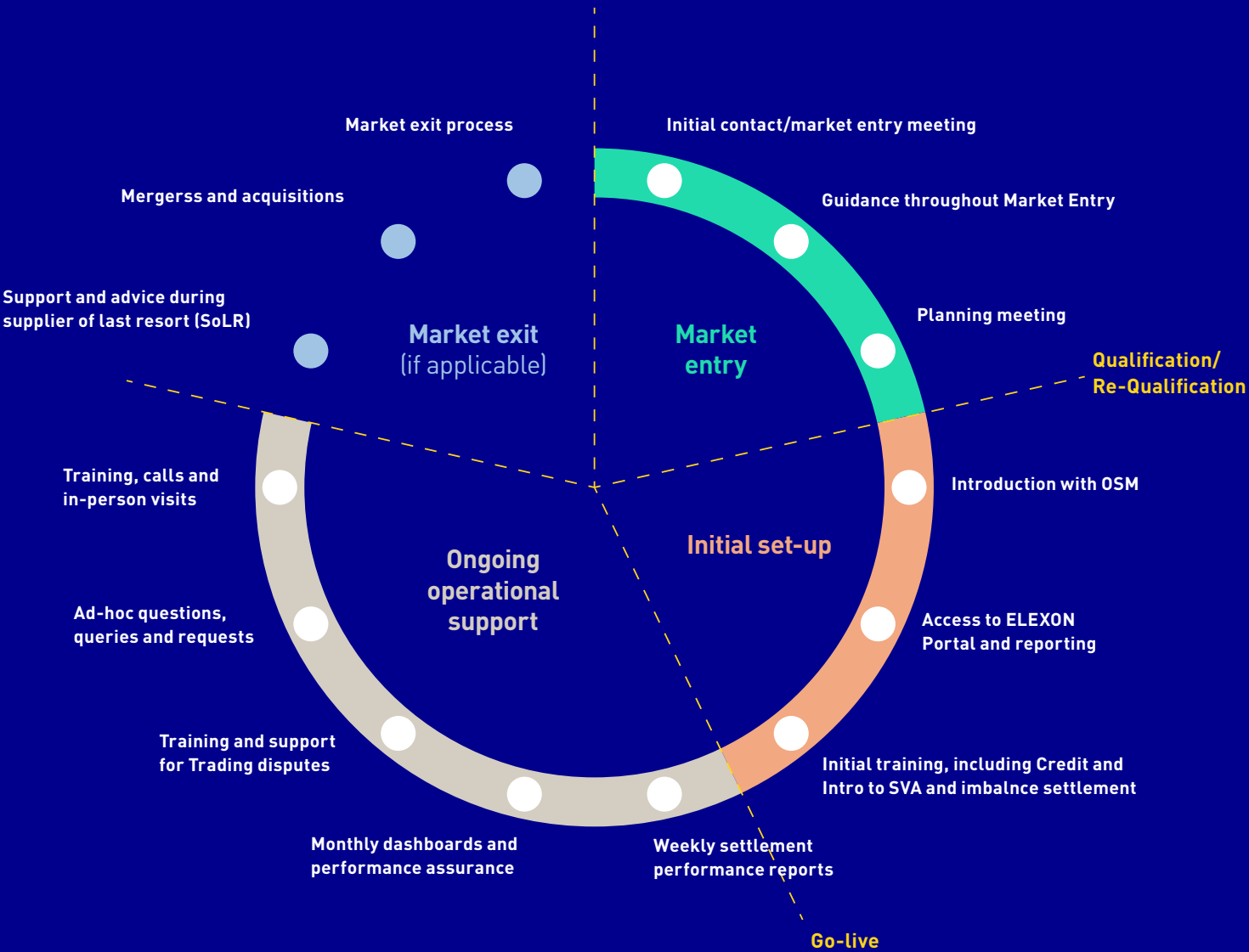
Comparison of Satisfaction From All Code Administrators



“I think they have highly capable people there motivated to deliver customer experience. Extremely professional. Focus on the purpose rather than profit.”

“We are evolving our comprehensive programme of support for all our customers throughout their lifecycle in the industry”

Figure 11



Our focus for 2020/2021

We are committed to further improving our programme of comprehensive training and bespoke advice, which is highly regarded by the industry. Our aim for 2020/21 is to further digitalise the customer journey, based on mapping exercises to ensure that we place them at the forefront of our digital transformation.

01 Delivering the Highest Standard of Services to BSC Parties

Operational Support Managers (OSMs)

We provide a dedicated OSM for each BSC Party, which we know is appreciated by our customers and we will invest further in the training of our OSMs and encourage them to gain a greater understanding of the needs of their customers. We were pleased that the 2019 customer satisfaction survey showed increased scores in this area.

Industry Days, Educational Sessions and Webinars

We are evolving our comprehensive programme of support for all our customers throughout their lifecycle

in the industry. We will continue to review the content regularly to reflect market changes and your business needs.

New Ways to Support BSC Parties

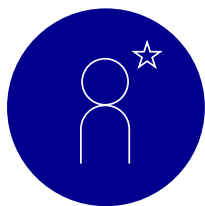
We will develop new features for parties to self-manage their BSC accounts. We aim to provide a 360-degree view of the customer status on the Market Entry journey and clear visibility of the next steps.

An early online preview of the forms will reduce the overall length of the market entry process and allow ELEXON's OSMs to extend support to parties early in the process, where required. We intend that this will make the BSC accession process the easiest to navigate of all codes.

02 Helping New and Existing Market Participants to Navigate Industry Processes

We will look for ways to enhance our support to all market parties and coordinate with other codes. Our ongoing monitoring of your training needs provides us with insight to develop more specialised training to ensure that new entrants as well as existing parties are aware of their obligations under the BSC and can deliver those successfully.





Engagement - Working in partnership to enable 'whole-system' approach and industry convergence

Highlights from 2019/2020

01 Sharing Our Experience

We presented at BEIS, Ofgem, and industry seminars and events to share our knowledge and experience with a wide range of stakeholders, from policy makers to academics.

ELEXON's Training Opportunities

We welcomed almost 800 customers and stakeholders to our training sessions and seminars.

Energy Data Taskforce

In addition, we supported and fully participated in the Energy Data Taskforce and progressed ELEXON's Data Strategy in line with its recommendations.



Our focus for 2020/2021

Close collaboration between all parties, industry, Government and Ofgem will be needed to deliver a 'whole-system' approach to facilitate fundamental changes such as the electrification of transport and heat. As a major central services provider, we will continue to identify challenges and work with our stakeholders to identify practical solutions to them.

01 Enabling Whole-system Approach to Industry Changes

During 2020/21, we will use our expertise to proactively support the BSC change process and provide guidance and advice to Modification workgroups.

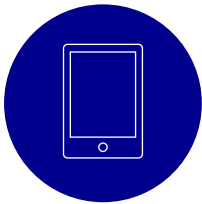
We will continue to share our technical knowledge and insights on new market and regulatory developments to work on the solution and provide sound legal advice so we continue to play a key role in the timely completion of the major industry change initiatives.

We also will continue to engage with our customers and a wider range of market participants to better understand their businesses and the challenges they face.

“I feel that every aspect of the day was delivered to an extremely high standard and all presenters are professional and obvious experts in their field.”

Feedback from ELEXON seminar: Introduction to the energy market 19 June 2019





Digital platform - Creating a digital platform to meet the changing needs of energy market

Highlights from 2019/20

01 Wider Access and TERRE

In 2018/19 ELEXON embarked on a multi-year plan to re-architect our central systems along with delivering on our Wider Access and TERRE commitments. During 2019/2020, we successfully progressed core elements of the developments, including the internal launch of the Customer Solution.

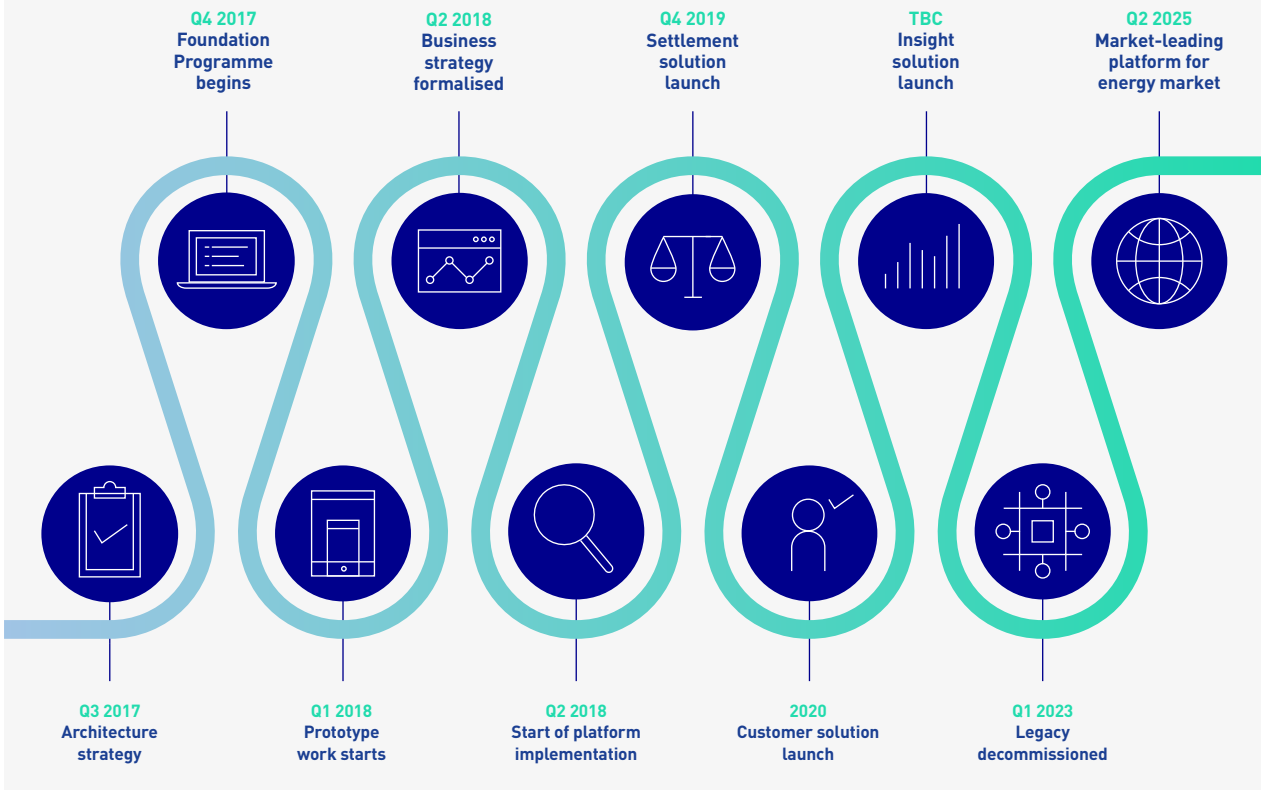
03 Go Live for Wider Access

During the year, we developed the systems required for participation in Project TERRE. In December 2019, we delivered our P344 commitments for Wider Access, which enables independent aggregators to participate in the BSC. As part of this release, we launched the Settlement Solution, which performs our data and calculation Settlement services, and deployed it on our new digital platform.

02 The Customer Solution

The Customer Solution is a key feature of our new Platform which will digitalise market entry and enables existing parties to self-manage their accounts – a first for any industry code.

Figure 12
Our journey to market-leading platform



Our focus for 2020/2021

Through the Foundation Programme, we remain committed to modernising the technical architecture of the BSC central systems. Upon completion, it will deliver a flexible, scalable platform to provide digitalised market entry, customer account management, settlement and data insight services to meet the future needs of a changing energy market.

A major focus will be the delivery of our industry testing on P344 obligations to enable Project TERRE, which will allow GB market participants to trade in the European electricity markets. Ofgem announced in late November that it had granted National Grid ESO a derogation from participating in Project TERRE until 30 June 2020 at the latest and ELEXON is working closely to align its BSC plans for TERRE industry testing with National Grid ESO.

We have adopted a phased approach to delivering the Foundation Programme, to minimise the overall cost and risk to parties.

Three Key Features Form the New Platform:

- Settlement Solution: which performs scalable, flexible and modular electricity Settlement and calculations operations (underlying platform deployed in 2019; further scope of agent services migrating over several years).
- Customer Solution: which digitalises market entry, registration and account management for both new and existing electricity companies (multi-year delivery, started in 2018).
- Insights Solution: receiving, processing and publishing data together with insights to aid business and industry decision making (multi-year delivery, starting in 2019/20).

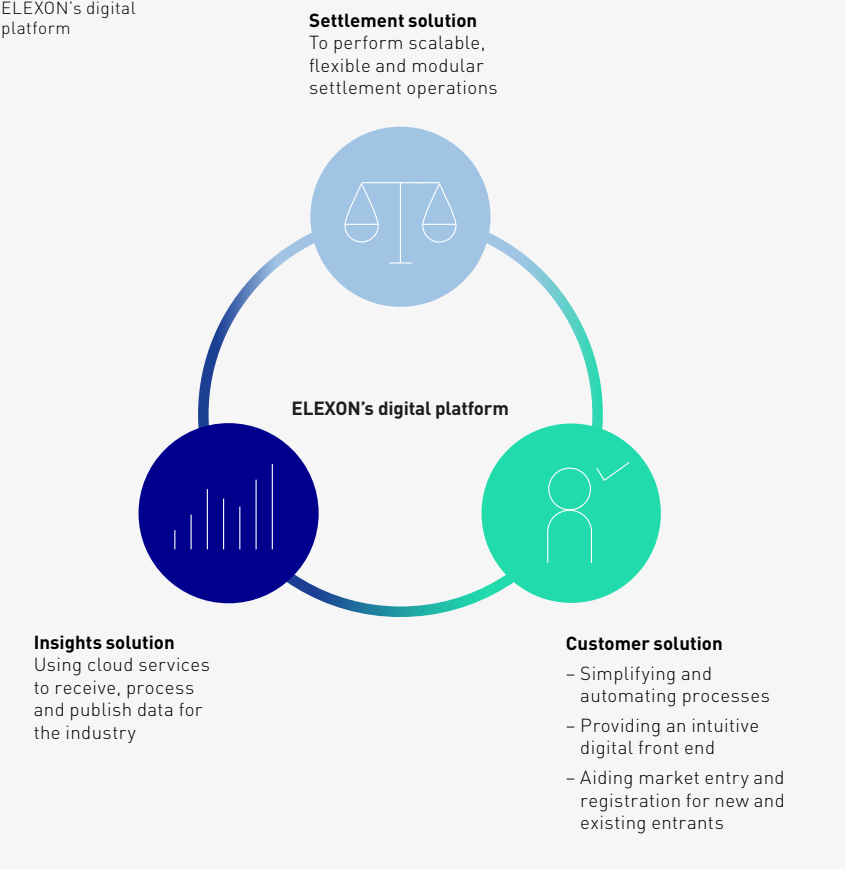
01 The Customer Solution

We will continue to enhance the digital Market Entry/Exit processes along with account management functions to turn the end-to-end customer journey into an online streamlined and self-managed experience. We have several releases planned for 2020/21 that will see an increased level of digitalisation of various customer steps and processes. With the modern system’s capabilities to support automated workflows, provide guidance and help features and clear visibility of the next steps, we will improve the customer experience and reduce the time required for market entry and asset registration processes, as we deploy this best-in-class system for managing all customer data in one place.

02 Insights Solution

We will continue our work on planning and scoping our Insights Solution, which will re-platform our existing BMRS in three phases. It will enhance our understanding of data and how we can best use those insights to the benefit of the industry. The new Insights Solution will provide the foundation on which to build new capabilities, providing options for developing services that use different technologies while leveraging common governance and security services.

Figure 13
ELEXON’s digital platform





Talented people: Developing our end-to-end service capabilities to enable industry to benefit from our experience

Highlights from 2019/20

01 Evolving Customer Care

Taking into account our customers’ feedback, we evolved our customer services policy to explain how we are supporting BSC Parties during their lifecycle from market entry through to fully-fledged market operations.

02 Continued Drive for Excellence

During the last year, ELEXON people undertook sufficient training to keep improving their skills and building their capacity to respond to the rapidly changing energy market.

“Great opportunity to obtain an overview of many areas of the electricity industry. A great team atmosphere with lovely people who want to improve things for the electricity industry.”

Feedback on Glassdoor from someone who worked in BSC Operations, May 2019



Our focus for 2020/2021

It is important for us to develop the skills of ELEXON staff so they can deliver our value-adding services in code management, central systems delivery and policy support.

01 Building on Our End-to-end Service Capabilities

We have developed 'end-to-end' service capabilities and business model that extends beyond basic code administration.

As in previous years, we will maintain our focus on developing our people's expertise. This is so we can build new capabilities in the business such as advanced analytics and insights, customer journey digitalisation, artificial intelligence, data science and modelling.

This is particularly important for our Foundation Programme platform delivery where we have already brought in people with new skills.

02 Developing and Retaining Talent

We are creating leaders of the future in our own workforce through our mentoring scheme and graduate programme.

03 Maintaining Our Investors in People Status

We already have Silver Investors in People (IIP) Accreditation and will continue working with the IIP on a plan to take our accreditation to the next level – Gold IIP.

04 Knowledge Sharing and Transfer

We will maintain our focus on knowledge sharing and transfer amongst colleagues, and by extension to our customers. Our goal is to enable the industry experts of tomorrow.



“Compared to other codes, the BSC modification procedure is very well managed and it normally progresses very well. The team at ELEXON truly are critical friends and that amazing level of expertise would be valuable to all other codes.”



Electricity Market Reform

BSC Parties will be aware that ELEXON calculates, collects and distributes the payments to EMR Contracts for Difference (CfD) generators and Capacity Market providers. We do this via our wholly owned, separate subsidiary EMR Settlement Ltd (EMRS) under a contract with the Low Carbon Contracts Company (LCCC) and the Electricity Settlements Company (ESC).

This separation ensures risks and liabilities from EMR Settlement activities cannot affect ELEXON. While some of our people are full-time on this EMR activity, other industry experts from ELEXON support EMR Settlement activities part-time, but regardless, all record their time to ensure their cost is allocated appropriately to BSC or EMR activities. This also enables us to allocate a proportionate share of the ELEXON overheads such as office costs etc.

Nearly £4.5m of such costs have been borne by EMRS since 2015, meaning that without the EMR activities, BSC Parties would have had to bear an additional £4.5m over that period.

LCCC and ESC reviewed the EMRS contract in 2019 using independent consultants. Based on their findings that the service represented value for money, plus EMRS' track record of service delivery and system implementation, the review successfully concluded and the contract will now continue until 2026.



Budget overview

This part of the Business Plan details the budgeted costs for 2020/21 in support of our strategy, which is set out earlier. This budget enables us to continue delivering our BSC obligations, allows us to implement our leading technology platform, increase our engagement with our stakeholders and customers, develop market arrangements, and focus on developing our people capabilities. All of this is necessary to allow us to support our customers and the changing market place.

ELEXON is a not-for-profit entity, funded by electricity market participants. We do not carry any reserves or retained capital, and any underspend against budget is always returned to those participants. In light of this, budgeting for uncertainties in advance of any new financial year, with no other access to working capital, requires careful consideration. We need to put in place contingencies mindful of this constraint. We also endeavour to set challenging financial and efficiency targets for the business, which ensure we deliver the best possible value for money to the industry.

Table 01
Budget Summary

Item	Year to March 2019/20 Budget £'000	Year to March 2019/20 Forecast £'000	Year to March 2020/21 Budget £'000	Variance to 2019/20 Budget £'000	Variance to 2019/120 Budget %	Year to March 2021/22 Projection £'000	Year to March 2022/23 Projection £'000
ELEXON Operational	23.2	22.9	24.4	(1.2)	(5.4)	24.5	24.8
EMR Contribution	(3.3)	(3.4)	(3.5)	0.2	(7.6)	(3.5)	(3.5)
Subtotal	19.9	19.5	20.9	(1.0)	(5.0)	21.0	21.3
Contracted Costs	18.0	17.3	20.1	(2.1)	(11.7)	21.8	21.8
Total Regular Activity	37.9	36.8	41.0	(3.1)	(8.2)	42.8	43.1
Demand Led Costs	4.9	4.7	4.2	0.8	15.3	4.4	4.4
System Strategy	9.9	4.6	10.1	(0.2)	(2.1)	12.8	12.8
Market Development	0.5	0.5	0.5	-	-	0.5	0.5
Total Projects	15.3	9.8	14.8	0.5	3.5	17.7	17.7
OVERALL TOTAL	53.2	46.7	55.8	(2.6)	(4.8)	60.5	60.8

The overall total budget to deliver BSC activity in 2020/21 is £55.8m, which represents an increase of £2.6m (4.8%) against the current year's budget of £53.2m. Excluding the new service of Radio Teleswitching cost recovery of £1.4m (see further details below), the increase in budget is £1.2m (2.3%).

The budget increase anticipated in 2020/21 compared to the forecast for 2019/20 (£46.7m) is driven by the impact of the Foundation Programme and other factors, which are summarised below.

In 2018/19 ELEXON developed a plan to deliver its Wider Access and TERRE commitments on ELEXON's new digital platform (the Foundation Programme).

In 2019/20, we have successfully progressed some of the core elements of the developments. However, due to the substantial and complex deliverables needed to meet the Project TERRE requirements, we have had to prioritise regulatory changes, such as Project TERRE over our systems strategy work

resulting in a lower spend in 2019/20. However, we are budgeting to increase that spend in 2020/21, back to the intended level for 2019/20. As a result, during our mid-year budget review in September- October 2019, we returned £6.4m of unutilised budget, mainly System Strategy budget (£5.3m), back to BSC Parties.

The budget for total regular activity shows an increase of £1.7m (4.4%) against the budget for 2019/20. This increase excludes the new additional Radio Teleswitching costs of £1.4m following the conclusion of the Issue 84 workgroup, where the industry agreed that the Radio Teleswitch Service operational costs previously borne by the ENA will now be recovered through the BSC from April 2020. This new arrangement will see these costs fully recovered from BSC Parties on an annual basis.

We recognise that our customers have specific cost pressures (not least the retail price cap) and that the costs levied by ELEXON for our services contribute

to this. We have therefore strived to maintain our operational costs at existing levels, despite delivering improvements in service and dealing with an ever-changing energy system.

Within the budget, we account for services ELEXON provides to its subsidiary, EMRS. Next year (2020/21) will be the sixth year that ELEXON, in its role as Settlement Services Provider for EMR, delivers its services via EMRS to the LCCC and ESC. All EMR related costs are fully funded by LCCC and ESC and the total costs of LCCC and ESC (which include those of EMRS) are consulted on separately by BEIS. Our participation also enables us to offset some of our overheads, which would otherwise have been borne by BSC Parties (actual savings for 2018/19 are £726k), and are budgeted for 2020/21 at £1m.

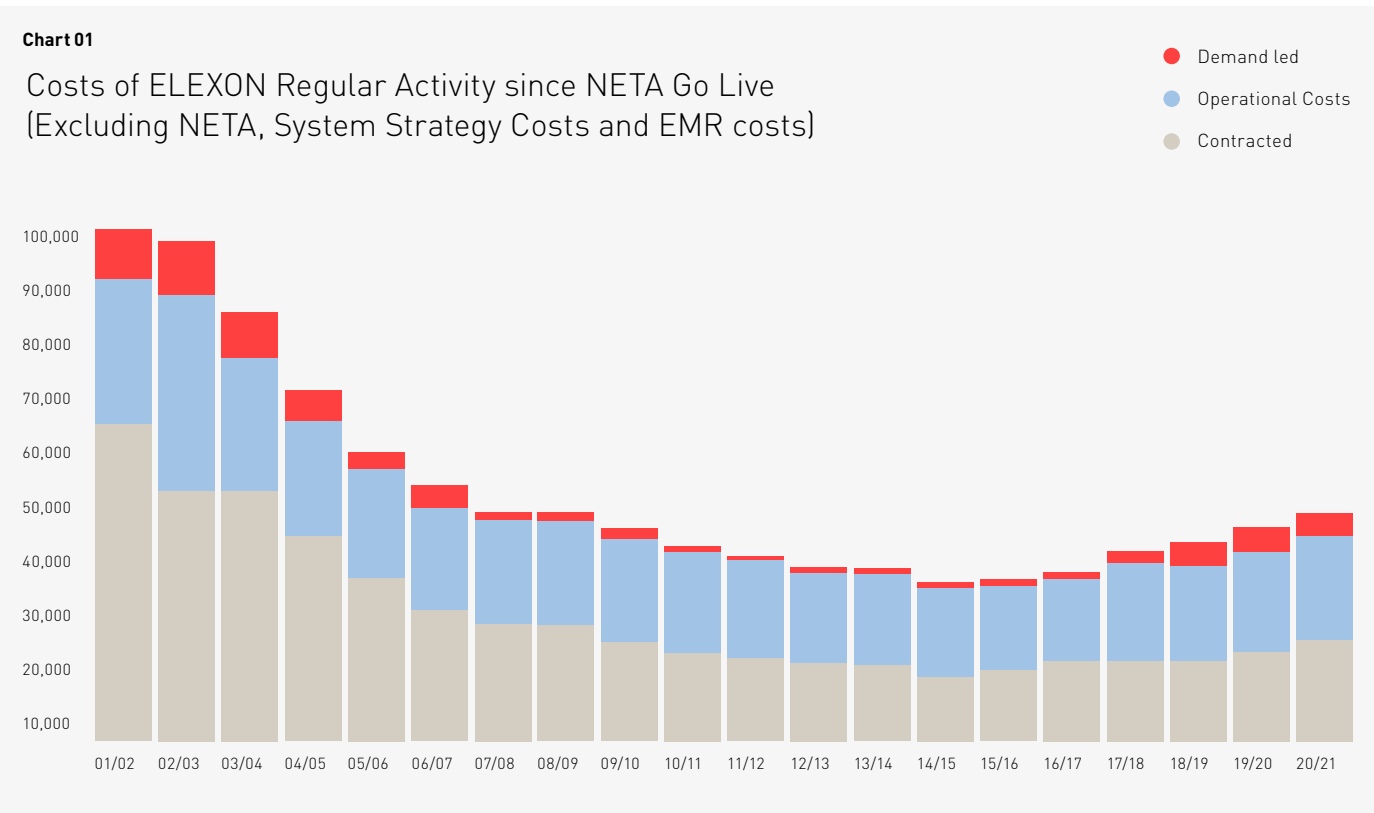


Chart 1 above details the total costs of ELEXON regular activity net of staff and overhead costs for EMR activities (which are fully funded by LCCC/ESC) since go-live of the New Electricity Trading Arrangements (NETA) in 2001/02. This is expressed in real terms (in 2019/20 money after applying April RPI of each

year). It shows our success over the years in bringing costs down but also reflects that in recent years we have both invested in future proofing our central systems and increased our activities to support the evolving market and new business models, as well as to deliver innovation.

ELEXON Operational Costs

The budget for our operational costs for 2020/21 is £20.9m, 5% more than the current year budget, and includes costs such as people, occupancy, staff-related and administrative expenses, consultancy and legal support.

This also includes the contribution from EMR activities as a result of providing resources to our EMR subsidiary, EMRS for which it recompenses ELEXON. BSC people costs are expected to increase by £647k (5.2%). This figure is derived by deducting the £249k EMR contribution from £896k in the 'Variance to 2019/20 Budget' column from Table 2.

Table 02
ELEXON Operational Costs

Item	Year to March 2019/20 Budget £'000	Year to March 2019/20 Forecast £'000	Year to March 2020/21 Budget £'000	Variance to 2019/20 Budget £'000	Variance to 2019/20 Budget %	Year to March 2020/21 Projection £'000	Year to March 2021/22 Projection £'000
People Costs	15,562	15,653	16,458	(896)	(5.8)	16,712	17,010
Other Operational Overheads	7,590	7,276	7,942	(353)	(4.6)	7,784	7,796
EMR Contribution	(3,262)	(3,419)	(3,511)	249	(7.6)	(3,511)	(3,511)
Operational Total	19,890	19,510	20,890	(1,000)	(5.0)	20,985	21,295

ELEXON Average Headcount

The 2020/21 regular activity headcount remains consistent with the 2019/20 budget, with an increase of only 0.6 full time equivalents (FTE). The headcount

illustrated in Table 3 is an average for the year and does not represent the actual number of persons. Instead, it represents a full-time equivalent of

those working directly for ELEXON, and also contractors, and is, therefore, representative of the costs.

Table 03
ELEXON Average Headcount

Headcount	Year to March 2019/20 Budget	Year to March 2019/20 Forecast	Year to March 2020/21 Budget	Variance to March 2019/20 Budget	Variance to March 2019/20 Budget %	Year to March 2021/22 Projection	Year to March 2022/23 Projection
Average Employee Headcount	189.2	182.5	199.5	(10.3)	(5.4)	200.1	200.1
Average Contractor Headcount	11.4	12.2	8.6	2.9	25.0	6.3	5.3
Average Total Headcount	200.6	194.7	208.0	(7.4)	(3.7)	206.4	205.4
EMR Contribution	(26.2)	(27.3)	(33.0)	6.8	(26.0)	(33.0)	(33.0)
BSC BAU Headcount	174.4	167.4	175.0	(0.6)	(0.3)	173.4	172.4

We have budgeted based on known headcount by function, which is to remain static for the entire year. Full consideration is taken of indexation as well as employment conditions and trends in our sector, as well as the wider economy while preparing this budget. To allow for all of these potential costs, and in recognition that recruiting staff to fill vacancies created through natural turnover will sometimes require a modest uplift in salary, we have included a provisional amount in the 2020/21 budget, for this purpose.

To fulfil our role as the EMR Settlement Service Provider, via ELEXON's 100% owned subsidiary EMRS, we have contracted with LCCC and ESC to provide the services on day rates that fully recover our management overheads, office overheads and occupancy costs on a not for profit basis in respect of those personnel working on EMR. We have budgeted 33 FTEs to deliver these services. The £3.5m EMRS Contribution represents the income from LCCC and ESC to pay for EMRS, which is made up of people costs for

those directly or partially used to deliver EMR services, as well as a share of fixed overheads apportioned on a per person basis. The fixed overheads element of the contribution defrays the fixed overheads that BSC Parties are currently paying, for example occupancy and the IT infrastructure, and is budgeted to be £1.0m for 2020/21.

Contracted Costs

A significant proportion of our costs of delivering the BSC arrangements come from contracted expenditure for the BSC Agents and contracted service providers for running legacy systems in parallel to the new technology platform until we can retire the legacy systems. We have adopted this parallel approach over a ‘bang big’ approach to reduce the risk and ensure that legacy systems are retired only once the new solution is stable. These are predominantly fixed costs, linked to indexation.

The key drivers of our £2.1m (16.3%) increase are as follows:

- Radio Teleswitch Service (RTS) – Following discussions with Energy UK in July 2019, Elexon convened industry representatives to agree a solution for operational RTS costs to be recovered from BSC Parties post April 2020, through existing BSC cost recovery arrangements. This represents £1.4m of new BSC contracted costs.

- Central Systems – during the transition period to the new digital platforms, whilst some of the BSC Agents are still remaining on legacy infrastructure, running two systems in parallel to reduce risk gives rise to an increase of £1.3m offset by no longer accounting for amortisation of assets from previous years, which has a budget impact of £0.7m.

Table 04
Contracted Costs

Item	Year to March 2019/20 Budget £'000	Year to March 2019/20 Forecast £'000	Year to March 2020/21 Budget £'000	Variance to 2019/20 Budget £'000	Variance to 2019/20 Budget %	Year to March 2021/22 Projection £'000	Year to March 2022/23 Projection £'000
Total Contracted	18,026	17,312	20,127	(2,100)	(11.7)	21,846	21,780

Demand-Led Costs

To ensure that we are appropriately funded in order to be able to implement changes requested by industry through BSC modifications, our budget has to incorporate an element of demand driven expenses (‘demand led’).

The budget for BSC systems releases is £3.9m. This is a decrease (17.2%) on the previous year’s budget. The budget incorporates scheduled BSC changes, notably TERRE, Market-wide Half-Hourly Settlement, Performance Assurance changes and a number of other approved

BSC changes. The budgeted figures are based on the impact assessment of known modifications, taking into account estimates of historic change costs, as well as taking a view on new changes that may come forward during the year.

Table 05
Demand-led

Item	Year to March 2019/20 Budget £'000	Year to March 2019/20 Forecast £'000	Year to March 2020/21 Budget £'000	Variance to 2019/20 Budget £'000	Variance to 2019/20 Budget %	Year to March 2021/22 Projection £'000	Year to March 2022/23 Projection £'000
IA - Modification Proposals	105	57	105	-	-	105	105
BSC Systems Releases	4,732	4,594	3,919	813	17.2	4,200	4,200
Panel Committee Projects	50	52	100	(50)	(100.0)	100	100
PAF Review	37	30	46	(9)	(23.9)	-	-
Total Demand Led	4,923	4,732	4,170	754	15.3	4,405	4,405



System Strategy Costs and Market Development Costs

This area of our budget is entirely dedicated to fund our Foundation Programme, which is working to transform and transition the current ageing BSC Central Systems to deliver a new digital platform based on modern technologies. We have had to prioritise regulatory changes, such as TERRE over our systems strategy work resulting in a lower spend in 2019/20. However, we are budgeting to increase that spend in 2020/21, back to the intended level for 2019/20.

The Platform will be easier to maintain, mitigate the risks of failure and deliver better value for money to BSC Parties, as well as greater flexibility for future market arrangements.

We have several releases planned for 2020/21 (as explained earlier in this plan). We have adopted a phased approach to delivering the Foundation Programme, to minimise the overall cost and risk to parties, whilst spreading the cost across several years to reduce the financial impact on BSC parties. As such, we have

included a budget of £10.1m in 2020/21, which is in line with the 2019/20 budget provision of the Foundation Programme.

Due to ELEXON’s funding model, the absence of retained capital and in accordance with allowable accounting treatment under accounting standard FRS102, we do need not to capitalise this investment. Due to the phased nature of this transformation, we do not believe that this will materially impact the profile of our charges to industry compared to a ‘big bang’ approach.

Table 06
System Strategy

Item	Year to March 2019/20 Budget £'000	Year to March 2019/20 Forecast £'000	Year to March 2020/21 Budget £'000	Variance to 2019/20 Budget £'000	Variance to 2019/20 Budget %	Year to March 2021/22 Projection £'000	Year to March 2022/23 Projection £'000
System Strategy	9.9	4.6	10.1	(0.2)	(2.1)	12.8	12.8

Market Development Costs

The budget for Market Development is £0.5m to allow us to cover any non-BAU activities regarding the developments within the GB energy market and is unchanged from 2019/20.

A number of industry developments remain that require ELEXON to continue to monitor, engage and informally assess impacts outside of the formal

change process. Some of those have been referred to earlier. We continue to engage with new market entrants and their proposed business models, seeking to ensure the BSC enables innovation. In addition to all of the activity outlined earlier, we have been aiding Ofgem in the development of the Retail Energy Code, sharing learnings from the BSC.

Table 07
Market Development

Item	Year to March 2019/20 Budget £'000	Year to March 2019/20 Forecast £'000	Year to March 2020/21 Budget £'000	Variance to 2019/20 Budget £'000	Variance to 2019/20 Budget %	Year to March 2021/22 Projection £'000	Year to March 2022/3 Projection £'000
Market Development	0.5	0.5	0.5	-	-	0.5	0.5

Charging analysis

This section outlines how we expect to charge the budget to BSC Trading Parties. Table 8 contains charging proposals from Section D of the BSC. All of the charges presented in Table 9 exclude value added tax (VAT).

The BSC Panel reviewed Section D charges in 2019/20 to find the charging regime is fit for purpose, reflective of the BSC parties' activities and fair to existing and new market participants.

Table 8
Section D

Charging*

- £500 Application Fee
- Membership fee of £250 per month
- CVA Metering System Monthly Charge of £50 per month. CVA BM Unit Monthly Charge (other than for Supplier BM Unit) of £0 per month (this charge is levied on each pair of BM units in the case of an exempt generator);
- For communication line and TIBCO charges, please refer to the ELEXON website
- Notified Volume Charge per Gross Contract MWh at a rate of £0.0005/MWh
- For all Base SVA BM Units a charge of £100 per month
- For all Additional SVA BM Units a charge of £60 per month
- SVA costs split:
 - 50 percent of costs are paid by generators on basis of metered energy volumes
 - A fixed fee of £0.00757 per SVA Metering System per month;
 - Remainder allocated on Suppliers Non Half Hourly MWh market share.
- All remaining costs split on basis of metered energy volumes.

* These are based on the current charges.
Please refer to the BSC website for current rates.

Based on the information in *Table 8* examples of charges to BSC Parties are provided.

Firstly, the 2019/20 Annual Budget is set out in *Table 09*.

Table 09
Assumed
split of costs

Item	2019/20 Budget	2019/20 Forecast	2020/21 Budget
Supplier Volume Allocation (SVA) Costs	5.6	5.4	7.0*
Other Costs	47.6	41.2	48.8
Total	53.2	46.7	55.8

*SVA Costs increase because of the RTS Service costs, recovered from BSC Parties.

Secondly, various assumptions about the size of the market are made. These are presented in *Table 10*.

Table 10
Market Assumptions

Item	2019/20 Budget	2019/20 Forecast	2020/21 Budget
Number of Trading Parties	477	440	440
Sales - Notified Contract Volumes (TWh)	840	760	780
Purchases - Notified Contract Volumes (TWh)	840	760	780
Generation (TWh)	254	235	242
Supply (TWh)	251	230	237
Non Half Hourly (NHH) Supply (TWh)	130	104	107
HH Supply (TWh)	130	127	130
CVA BM Units	793	840	840
SVA Base BM Units	213	225	225
SVA Additional BM Units	145	185	185
Data Line	75	60	63
Comms Software (5 users)	29	29	29
Comms Software (additional user)	0		
CVA Metering Systems (MSIDs)	936	924	925
HH Supply (MSIDs)	31,049,998	31,161,927	31,785,166

Third, the charging regime from Section D of the BSC in Table 8 is then applied to costs in Table 9 based on the assumptions in Table 10. This gives the estimated charges (either specified charges or £/MWh fees) as shown in *Table 11*.

Table 11
Expected Charges

Charge Item	2019/20 Budget	2019/20 Forecast	2020/21 Budget
Specified Charges			
CVA BM Units (£/month)	100	100	-
SVA Base BM Units (£/month)	100	100	-
SVA Additional BM Units (£/month)	60	60	60
Data Line - estimated average (£/month)	700	700	700
Comms Software - average quad2 processor (£/month)	1,080	1,080	1,080
Comms Software (additional user) (£/month)	22	22	22
Contract Traded (£/MWh)	0.0005	0.0005	0.0005
CVA Metering Systems (£/month)	50	50	50
Base Monthly Charge (£/month)	250	250	250
SVA			
HH SVA Ops (£/MSID/month)	0.00632	0.00757	0.00918
NHH SVA Ops (£/NHH MWh)	-	-	-
Gen Energy SVA (£/MWh)	0.011	0.012	0.014
Main Charges			
Energy fee (£/MWh)	0.08501	0.07783	0.09421

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