



Welcome and introductions

ELEXON's presenters:



Mark Bygraves
Chief Executive Officer



Angela Love
Director of Strategy and Communications



Peter Stanley
Director of Design and Delivery



Nigel Smith
Chief Financial Officer

Notes to participants:

- ☐ You may submit questions at any time through the chat facility
- ☐ We will answer questions at the end of the webinar. We will follow up with answers if there is not enough time to answer all questions
- ☐ The draft Business Plan is available on our website: <https://www.elexon.co.uk/documents/about-elexon/business-plan/bscco-business-plan-2020-21/>



On this slide, and slides 3 and 4, Our Chief Executive Mark Bygraves explained that he would talk through the background and context for ELEXON's 2020/21 business plan as well as covering the main principles which underpin the plan and give ELEXON a platform to keep up delivery of leading customer service among energy code bodies.

He would then hand over to other members of ELEXON's executive management team:

- Peter Stanley (Director of Design and Delivery) to explain ELEXON plans for rolling out the Foundation Programme, a new digital platform to promote better outcomes for customers
- Nigel Smith (Chief Financial Officer) to talk through ELEXON's proposed budget for 2020/21
- Angela Love (Director of Strategy and Communications) to talk through next steps on gathering feedback on the business plan

and publishing the final version by the end of March 2020

There would then be time for the audience to ask questions to the executive management team.

What we aim to achieve



"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"

We value your opinion:

- ❑ The draft Business Plan is available on our website: <https://www.elexon.co.uk/documents/about-elexon/business-plan/bocco-business-plan-2020-21/>
- ❑ The opportunity to comment is open until 24 January 2020
- ❑ Please send your responses and comments to the Communications team at communications@elexon.co.uk

We are seeking views on:

- ✓ Strategic priorities and ambition for 2020/21
- ✓ Outcomes that we aim to achieve for our customers and end consumers
- ✓ Financial forecasts

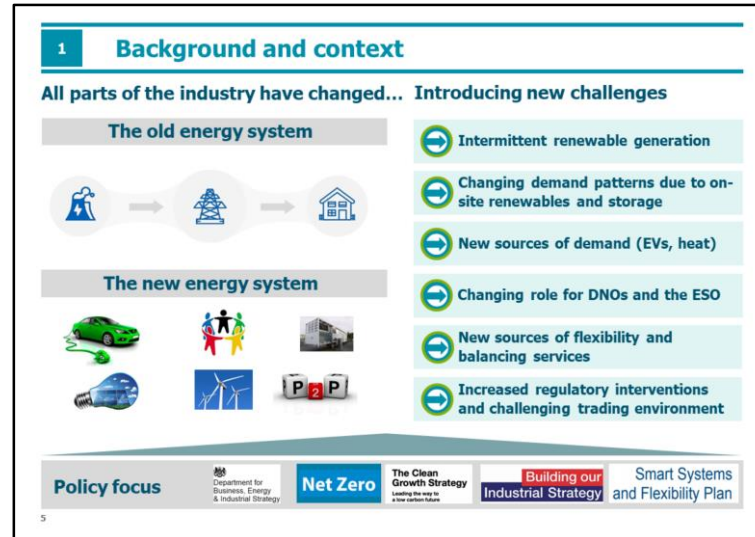
ELEXON

What we will cover today

- | | |
|---|---|
| 1 | Background and context |
| 2 | Principles for developing the business plan |
| 3 | Building on service excellence - 2020/21 |
| 4 | Budget |
| 5 | Next steps |
| 6 | Questions |



4



Mark Bygraves explained that the energy landscape is rapidly moving away from a centralised model where electricity is generated by a smaller number of large power stations and transported through the networks in one direction – to end consumers.

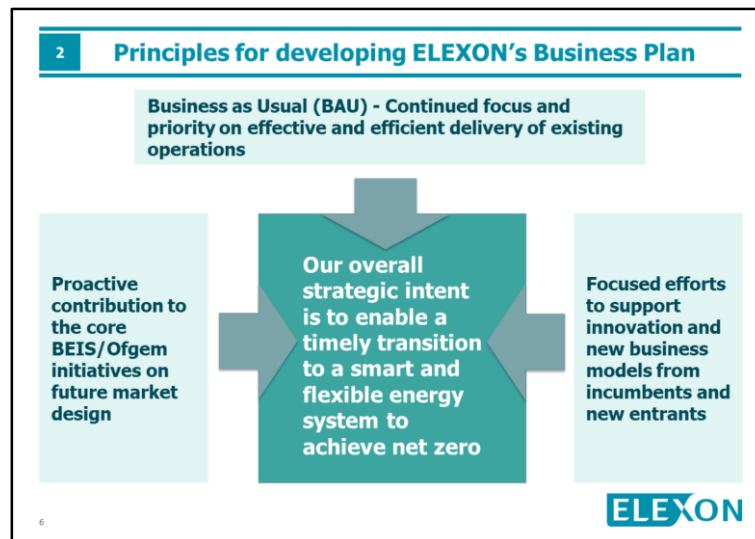
The new energy system is more localised with large numbers of smaller, distributed low-carbon generators producing electricity. Use of new technology including small-scale electricity generation equipment is giving consumers the ability to play a bigger role in the energy market by selling surplus electricity back to energy companies. New business models are entering the market including Peer-to-Peer trading schemes, where consumers can trade electricity between themselves.

This presents a range of challenges to energy companies, which include managing intermittency of renewables, and shifting patterns for electricity demand.

Distribution Network Operators now have to play a more proactive role in managing flows of electricity on the networks, which include electricity from storage providers and other forms of flexibility. Increased demand to charge electric vehicles and the decarbonisation of heat (which will impact on electricity demand) also need to be managed.

At the same time, energy companies have to manage policy interventions, such as Ofgem's standard retail tariff price cap.

ELEXON provides essential services to the industry. Against this backdrop we are determined to support the industry through these changes with a business plan to help the sector make a major contribution to achieving the Net Zero carbon emissions target.



ELEXON delivers electricity Settlement services, which are essential to the electricity sector.

Altogether we manage around £2.5 billion in Settlement transactions per year. Our wholly owned subsidiary, EMR Settlement Ltd (EMRS) is also the Settlement Services Provider to the Low Carbon Contracts Company (LCCC) and the Electricity Settlements Company, delivering Settlement services for both the Capacity Market and the Contract for Difference schemes.

The key principles of our business plan are built around:

- Continuing to deliver our services to a high standard
- Providing expert support on policy development to Government and Ofgem – this includes for example, sharing our views and

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- offering our expertise to the BEIS/Ofgem review of energy codes
- Supporting innovation and development of new business models. This includes working closely with industry on proposals to change the BSC to support moves to a smarter energy system. This includes for example BSC Modifications P379 and P375.

All of this work contributes to our overall strategic objective to ensure that our systems and processes support the energy transition and the Net Zero commitments.



Our 2020/21 business plan is based around the strategic objectives that we set out in the 19/20 plan.

They are to:

- Provide our existing services to industry leading standards **(Quality Delivery)**
- Enable and support innovative consumer-facing solutions **(Innovation)**
- Consolidate and simplify central market arrangements i.e. support for the BEIS/Ofgem codes review and our work to streamline the BSC **(Simplification and Consolidation)**
- Engage with our stakeholders and deliver a truly customer-centric service **(Engagement / Customer Centric)**
- Provide a flexible, scalable, digital platform to meet the changing energy market **(Digital Platform)**

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- Commitments to develop the skills of ELEXON staff so they can deliver our services and ensure the industry benefits from the expertise and experience of our people. **(Talented People)**



ELEXON is recognised as the leader among code managers in service provision having come top of Ofgem's code administrators' performance survey for three years running (2017 to 2019).

86% of respondents saying they are satisfied with our performance.

Our main areas of focus include:

- Helping companies to register as Virtual Lead Parties after opening the Balancing Mechanism to Wider Access in December 2019. This makes it possible for independent aggregators to participate in the BM.
- Working to ensure that existing companies, innovators and new business models can benefit from the BSC Sandbox (P362)

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- where they can trial ideas without having to meet the full BSC rules. It can help test 'proof of concept'
- Streamlining the BSC – where possible we have worked to slim down the BSC by removing unnecessary or unused provisions. We implemented P372 to help achieve this in summer 2019 and will keep looking for further opportunities
 - Examining ways to speed up the rule change process across the energy codes and make it more consistent. These are reforms, which could be brought in before major changes resulting from the wider codes review.

3

Building on service excellence - 2020/2021



Talented people



1

Building on our end-to-end service capabilities

2

Developing and retaining talent

3

Maintaining our Investor in People status

4

Knowledge sharing and transfer; training and new skill development

Our talented people enable us to provide end-to-end services:



Code Management



Performance Assurance



Code Operation and Delivery



New policy Support

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

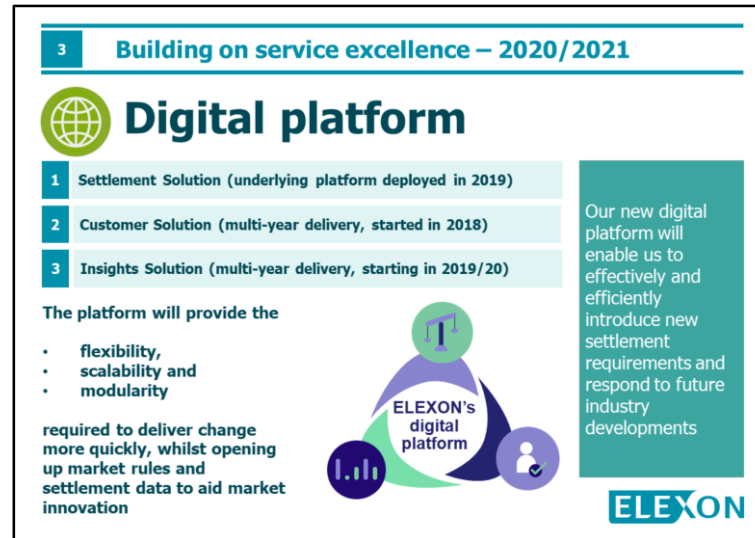
Feedback from ELEXION Customer Survey 2019

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 (to be covered in the next slide) where we have already brought in people with new skills.

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.

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.



The Foundation Programme is our multi-year programme to modernise the technical architecture of the BSC central systems.

It involves the phased delivery of a new digital platform which will enable us to effectively and efficiently introduce new Settlement requirements as they emerge in the future.

The platform can fully scale to accommodate the growth in data volumes as markets evolve.

It is a key and fundamental enabler to open up market arrangements and our ability to respond to the development of new flexibility products and markets.

The Customer Solution digitalises the market entry and registration process removing central administration of paper forms, thereby meeting the needs of both new and existing parties to self-manage their account information.

Last year we launched the Customer Solution internally. We have already adopted this within ELEXON and we're currently making changes necessary to launch self-service externally during this year.

In December 2019 we deployed the changes necessary to enable our Wider Access commitments. This was a significant milestone for the Foundation Programme as the new technology platform for our Settlement Solution went live as part of this Release.

Over the course of the year we will continue to develop the ELEXON platform, migrating further agent services. This year in particular we will be creating our Insights Solution, which allow us to extend the benefits of our market insight and data publishing services including greater data transparency, which is in line with the principles of the energy data task force.

4 Budget			
£55.8m		Budget to deliver the 2020/21 BSC Business Plan vs £53.2m budget for 2019/20	
2.3%		Increase (aside from the additional £1.4m cost of RTS service)	
		Total budget, 2020/21 (m£)	Increase from 2019/20 to 2020/21 (m£)
1	Operational Costs	20.9	+1.0
2	Contracted Costs	20.1	+2.1
3	System Strategy Costs	10.1	+0.2
4	Demand-led Costs	4.2	-0.8
5	Market Development Costs	0.5	0
6	Total	55.8	+2.6

Operational Costs: including costs such as people, occupancy, staff-related and administrative expenses; also includes reimbursement from EMR activities of £3.5m


Contracted Costs: including Radio Teleswitching (RTS) service (£1.4m); also, additional costs for parallel running of legacy systems and new platform

System Strategy Costs: consist entirely of the Digital Platform (Foundation Programme) expenditure

Demand-led Costs: including costs to implement changes requested by the industry

Market Development Costs: funds to allow us to cover any non-BAU activities covering the developments in the GB energy market

Note: BSCCo (ELEXON) is not-for-profit, meaning that we do not carry any reserves or retained capital. Budgeting for uncertainty with no access to working capital requires careful consideration. Any underspend against budget is returned to the BSC Parties. We make our best effort to balance challenging financial targets to ensure delivery of best value for BSC Parties with the need to address possible contingencies.



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.

The overall 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 the increase in budget is £1.2m (2.3%).

The budget increase anticipated in 2020/21 is driven by the impact of the Foundation Programme and other factors. Last year we had to prioritise delivering on regulatory changes including GB participation in the Trans European Replacement Reserves Exchange

(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.

Radio Teleswitch Service (RTS) costs: RTS meters allow suppliers to alter when a customer's electricity storage or water heaters take electricity from the network, to maximise lower prices. Distribution Network Operators currently pay for the RTS operating costs via the Energy Networks Association (ENA). They have been in discussions with electricity suppliers about the funding of the RTS service once the current contract with ENA ends in March 2020.

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.

5 Next steps

Industry feedback gathered and collated	▶ Until 24 January 2020
Industry feedback presented to Board	▶ 5 February 2020
Board approval of Business Plan	▶ 4 March 2020
Business Plan is effective	▶ 1 April 2020



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ELEXON Corporate Strategy



Comments/questions

communications@elexon.co.uk

by 24 January 2020