

# BSCCO BUSINESS PLAN 2019/20

---

## FOREWORD

---

**Mark Bygraves, Chief Executive [incl photo]**

### **Chief Executive's foreword to BSCCo Business Plan**

I have the immense privilege of leading ELEXON, an organisation full of highly-regarded, highly-skilled market experts, as the energy market continues to change at an ever increasing speed. This is seen in the number of new entrants and new products and services being introduced in the industry as it evolves. These new products and services, from home batteries to time-of-use tariffs; from smart meters to new demand side aggregation services; from electric vehicles to V2G (vehicle to grid) services; all promise to provide more choice for consumers than ever before. We see it as our number one priority to support you through these changes. In fact, we have already suggested a number of practical solutions to open up the Balancing Mechanism to new market participants and to enable consumers to have multiple energy providers.

We are determined to evolve along with the industry, maintaining and improving our historically high standards of service, retaining and attracting talented colleagues and delivering to our customers' needs. However, despite the high levels of customer satisfaction demonstrated in Ofgem's and our own surveys, we are not complacent and we continuously look at areas where we can improve, be that our website or our underlying systems. But we also believe improvements can be made beyond the BSC. And our view is that the central services landscape is too fragmented and complex and that this can be confusing for new and existing market participants and, potentially, creates additional cost for consumers. That is why our Corporate Strategy clearly states:

*"With the support of our stakeholders and partners, 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."*

**Insert new infographic on Corporate Strategy**

Our 2019/20 BSCCo Business Plan supports this and we promise to continue to deliver our 'best in class' business-as-usual services, as well as embracing our drive and commitment to support the industry. During the year, we will proactively identify and implement the arrangements needed to support innovative consumer-facing solutions as the energy industry continues to radically change and innovate.

### **Supporting consolidated central market arrangements**

During 2019/20, we will continue to support the government's Smart System and Flexibility Plan and fully participate in the BEIS/Ofgem review into codes and code governance. However, we strongly believe it is only by simplifying and consolidating central market arrangements, sharing best practice and streamlining processes to enable wider participation from smaller, newer organisations and speed up existing change processes that we will provide a cost effective way of unlocking the benefits to the end consumer, while still maintaining the need for rigorous assurance in arrangements.

We will share ELEXON's breadth of knowledge and our well-established processes and governance along with our standards of service, with the codes review and apply them to any new arrangements.

To that end, our 2019/20 Business Plan demonstrates how we will lead, drive and deliver new opportunities for customers and industry participants in markets that weren't previously open to them, including aggregators, electric vehicles, storage and value that can be obtained from smart meters.

### **Creating a digital platform to meet the changing energy market**

During the year, we will continue to invest in our systems to deliver a flexible, scalable and open platform providing settlement and other value-added services to meet the future needs of a rapidly changing energy market. By working collaboratively with BSC Parties and other key stakeholders across the industry, we will shape and design improved processes and customer interfaces that are for the benefit of the market. In the next few years, we are committed to transform and transition the current aging BSC central systems to a platform that will be easier to maintain, mitigate the risks of failure and deliver better value for money to our customers, as well as greater flexibility for future market requirements by using modern technologies.

### **Supporting our customers now and in the future**

During the year, we will continue to develop solutions that support regulatory and government policy that benefit you. We take our role as trusted, independent, reliable market experts seriously and our 2019/20 BSCCo Business Plan sets out how we will support you now and in the future.

### **2019/20 BSC Budget**

We are now serving more Parties than ever before, supporting more new entrants and smaller organisations, consulting on more Modifications and Change Proposals, processing more Trading Disputes, Defaults and SoLR events, responding to more industry consultations and supporting more market initiatives. We are also faced with reviews of the supplier hub, supplier licensing and now a review of codes and code governance. At the same time we will be implementing market wide Half Hourly Settlement and making changes to our systems and processes to deliver TERRE, the largest system change since NETA, and opening the Balancing Mechanism to more smaller players. Additionally we are leveraging those TERRE changes, which are mandatory, to redevelop our core systems in response to market transformation to make sure we can support you during the year, continuing to deliver our best-in-class service that you appreciate so highly. That is why, as you will see from the Budget section of this Business Plan, we are making a proportionate increase to our budget for 2019/20, although as you are aware, if there is any underspend it is effectively returned to you.

I welcome your comments and look forward to working with you and your businesses over the coming year.

[signature]

Mark Bygraves

Chief Executive Officer

**Michael Gibbons CBE, Chairman [incl photo]**

## **Chairman's foreword to BSCCo Business Plan**

### **Enabling innovation**

It is a privilege to chair ELEXON and the BSC Panel at a time when we find ourselves near the centre of so many important changes in the energy industry. Moreover, I believe that we have already demonstrated considerable leadership for the benefit of the industry and its consumers in several key areas, notably:

- Half Hourly Settlement (HHS), which could expand the uses and importance of the smart meter roll-out
- the setting up of a regulatory sandbox to encourage innovation; to-date the BSC is the only Code to do so
- our proposal to facilitate electricity customers having more than one supplier.

All these initiatives, and others, show that we have fully engaged with the need to enable innovation in this industry.

### **Welcome the Review of Code and Code Governance**

But we are conscious that the BSC is only a part, albeit an important one, of the central systems that run the energy industry, and that there is a real, and urgent, need to ensure better coordination with the other codes. I am sure we could also all operate more simply and more quickly. That is why ELEXON strongly welcomes the Review recently announced by BEIS/Ofgem into codes and code governance, and we look forward to helping to develop and implement firm proposals that deliver these aims.

I congratulate the Executive Team and staff here at ELEXON on their leading performance, again, in the Ofgem Cross-Code Survey, and I feel that such a result should enable our role in the review to be well respected.

The Board's agreement on a new ELEXON Strategy in the middle of the year was very important for us. At its heart is the commitment to innovation and to a new, agile, flexible platform to deliver it. Our aspirations for the future rest on the wish to drive and share best practice in all we do.

### **BSC Panel and ELEXON's Board – a range of diverse experience**

As Chairman of both ELEXON and the BSC Panel, I am especially pleased that the relationship between the two is based on mutual respect between two high performing bodies.

The BSC Panel model is frequently cited as one of the better models for ensuring broad representation of stakeholders (including as it does Citizen's Advice and other non-industry appointees) and independence of decision making. I was pleased to welcome two new members to the Panel last year:

- Lisa Waters, who brings a wealth of experience and understanding of the challenges faced by both BSC Parties as well as those outside of the BSC: small generators, storage operators, and prosumers, who are shaping the future of the energy markets; and
- Mark Bellman, who brings profound knowledge and experience in energy settlement both from operational and financial perspectives and expertise in gas markets.

Coinciding with these appointments, Andy Knowles and Barbara Vest have departed and I am grateful to them for their service on the BSC Panel.

I highlight particularly Barbara Vest's extraordinarily long standing commitment to the BSC.

We recently welcomed two new members to the ELEXON Board: *[Name 1, name 2. At the time of drafting the appointment process is underway. Names should be known by the date of finalisation of the Business Plan and will be inserted].*

They replace Volker Beckers and Alison Chappell and I would like to thank both Volker and Alison for their relentless drive and focus in directing ELEXON's efforts to serve the energy industry and consumers.

I am certain these new appointments will maintain ELEXON's focus and contributions to the new more consumer-focused, smart and flexible energy system.

## BSCCO BUSINESS PLAN 2019/20

---

[signature]

Michael Gibbons CBE, Chairman

# BSCCO BUSINESS PLAN 2019/20

---

## LOOKING BACK: HIGHLIGHTS OF 2018/19 BUSINESS STRATEGY IMPLEMENTATION

---

In 2018/19, we continued to proactively support and contribute to the ongoing energy market transformation. So, in addition to delivering and evolving the BSC effectively, efficiently and economically, we built on our industry-leading service culture for the benefit of consumers and market participants.

### Highlights: 2018/19 Financial Year

We will provide a full overview of the 2018/19 financial year and all activities in our Annual BSC Report, which will be published by the end of June 2019. Meanwhile, the following pages provide highlights for 2018/19 against each of our Strategic Priorities.

*(Below are the 'skeleton' page designs that will be converted into professionally looking information pages by the design agency. We will provide concepts for the illustrations to the agency to make sure we use the concepts and imagery representative of the changing landscape of the energy markets).*

## Delivery



Page/graphs/visual elements will be professionally designed.

**Actively manage our services to ensure that we deliver in a reliable, economic and efficient way**

### Data Publication (BMRS)

**Graph** - Stats on the increase in BMRS usage over 2016-2018 (with new stats for 2018) – **stats ready (graph 3 in the main ppt pack: Info on page views + most popular APIs)**

The BMRS has become the primary channel for providing operational data relating to Great Britain's electricity market arrangements, as well as REMIT and European Transparency Regulation data.

### Customer Feedback on BMRS

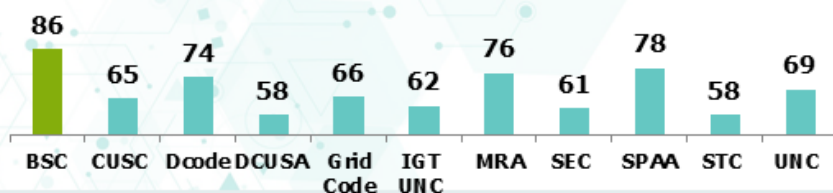
*API's: Very good documentation and easy to use, return data quickly and good coverage of different market related data...Uniper*

### Number of visitors

**11,000 visitors**

### Code Administrators' Performance Survey Findings

**Satisfaction with the provision of support from code administrator, 2018 (%)**



ELEXON's satisfaction rating further increased in Ofgem's second cross-code administrators' performance survey, with 86% of those being surveyed satisfied or very satisfied with the services and support.

As in previous years, we welcomed over 11,000 visitors for training and educational sessions, industry modification work groups and meetings.

### Customer feedback (2018/19)

*I think Elexon are very good. [the BSC]... structure is more open, you can find the subsidiary documents that you are looking for more easily.*

Respondent's feedback, Ofgem's Code administrators performance survey 2018, Balancing and Settlement Code (BSC)

### EU Developments

**P344**



P344 (Project TERRE) was approved in August 2018 for implementation in February 2019 BSC Release.

### Supporting Ofgem and customers through SoLRs

We remained committed to supporting Ofgem, the industry and customers through the unprecedented levels of SoLR (Supplier of Last Resort) events in 2018/19.

**Note:** full account of 2018/19 activities will be provided in the Annual Report (June 2019).

## Improvement



Page/graphs/visual elements will be professionally designed.

### Enhance and evolve our services to support industry changes and development of the energy market.

#### PAF review – New Risk Register Delivered



- ✓ 'Plain English': Easy to read and technically correct
- ✓ Flexible/Applicable to different situations
- ✓ Accurate – aiming at minimising the errors in Settlement

We developed a new Risk Evaluation Methodology which provides a forecast impact in financial terms, and a new risk register with fewer risks and enhanced information about them to support risk mitigation.

#### 'BSC Sandbox'

**P362** 

Implemented in August 2018, ELEXON's BSC Sandbox can enable innovative products and services to enact trials with end customers.

#### Digital Market Entry

Deliver registration requirements for P344 (TERRE)

Remove manual entry and duplication of data capture

We launched a new process and self-service platform for market entry, exit and registrations.



#### Multiple Provider White Paper

4. Illustration of a move from Supplier Hub to multi-supplier world (main ppt pack)

In Q2 2018 ELEXON published a white paper '[Enabling Customers to Buy Power from Multiple Providers](#)' which offered a practical solution to adapting BSC central services to enable individual customers to buy electricity from more than one supplier.

#### Website improvements

Following the launch of our new website in 2017/18, we continued with the programme of improvements to make our website customer-friendly and easy to navigate.

**Note:** full account of 2018/19 activities will be provided in the Annual Report (June 2019).

## Customer Focus



Page/graphs/visual elements will be professionally designed.

### Improve the customer experience and develop richer customer relationships.

#### Regular Communications Touchpoints

1. Weekly Performance Reports

2. Monthly Dashboards

3. Calls and Visits

4. Training, Education

5. Executive Engagement

ELEXON has proactively changed and adapted its operational services to support a significant number of new market entrants with little or no prior experience in the energy markets.

#### Guiding BSC parties through market change

- ✓ Industry days on smart meter roll out
- ✓ Industry days on TERRE implementation
- ✓ Stakeholder event on HH Settlement Consultation
- ✓ 'Introducing ELEXON' seminars

We have hosted a number of events and forums to guide parties through the ongoing and upcoming market changes.

#### Cross-code work on changes

*ELEXON work with National Grid and Energy Networks Association to develop a European Network Codes (ENCs) implementation plan. The plan supports BSC Parties in managing the changes that these Network Codes and EU Guidelines have introduced.*

**Note:** full account of 2018/19 activities will be provided in the Annual Report (June 2019).

#### Helping BSC Parties operate efficiently

- ✓ Rigorous on-boarding for operational obligations
- ✓ Regular touch points to help keep on top of requirements
- ✓ A comprehensive programme of training and bespoke advice
- ✓ Monthly reports, calls and visits

Operational Support Manager (OSM) is an assigned prime contact for a BSC Party. They guide new and existing parties through requirements to successfully fulfil their obligations under the BSC.

#### Market Entry Support

**8-10 Meetings monthly on average**

We assisted a wide range of new energy industry participants and technology providers through our education and advice on market entry requirements.

#### Website improvements

We continued to make improvements to our website and teleconferencing facilities to enable wider participation in work groups and meetings.

#### Customer feedback

*Excellent talks - making complicated arrangements much more accessible.*

Introducing ELEXON Seminar, Sept 2018

## Capability



Page/graphs/visual elements will be professionally designed.

**Develop our end-to-end service capabilities to enable industry to benefit from our experience**

### End-to-End Business Model

5. New illustration of the end-to-end business model (main ppt pack)

We believe end-to-end services is an essential pre-requisite for effectively coordinating the implementation of strategic change.

### Meter-to-Bank Process



We administer the BSC – rules governing the 'meter to bank' process, including imbalance prices calculation every half hour, – and CFD and CM payments.

### Support to the energy market reforms

- ✓ Leading on Half-Hourly settlement and Target Operating Model design for Ofgem
- ✓ Opening up Balancing Mechanism for new market participants
- ✓ Contributing to the Faster Switching Programme
- ✓ Feeding into other codes administrators' work to ensure the 'whole system' approach
- ✓ Contributing to Government and Ofgem taskforces on Energy Data and EV Energy

Over the last years Elexon has provided support to Government and Ofgem in reforming the energy markets and central arrangements.

### Sharing Best Practices

We are committed to sharing our best practices and learning from other industries to improve our delivery capabilities. Our stakeholders are asking for additional support from us on the ongoing and new market initiatives.



### Sharing Best Practices



We are proud to receive a Silver Investor in People accreditation, which serves as a testament to our continued efforts to develop our people.

**Note:** full account of 2018/19 activities will be provided in the Annual Report (June 2019).

# BSCCO BUSINESS PLAN 2019/20

## LOOKING FORWARD: OUR STRATEGIC PRIORITIES FOR 2019/20

During 2019/20, you, our customers and stakeholders, will continue to be our number one priority. We will focus on performing above your expectations to deliver the high levels of service you have come to expect from us under what is becoming an increasingly multi-dimensional industry with many changes and demands impacting your business.

We believe there is clear scope for us to contribute to the energy industry transformation as a trusted code manager and provider of key central systems and data platforms, while actively supporting and participating in a number of the Government's and Ofgem's joint Smart Systems and Flexibility Plan work streams. These include:

1. **Enabling storage:** Working with Ofgem and BEIS to ensure that the supply volumes used to settle amounts due under the CFD scheme and CM auctions are calculated appropriately for storage.
2. **Supporting new business models:** Designing a Target Operating Model for Market-wide Half-Hourly Settlement to facilitate all the possible innovations it could offer, in particular smart tariffs.
3. **EV rollout and integration:** Participating in the EV Energy Taskforce, will explore the flexibility of the energy market and the arrangements in delivering EVs' potential to provide Demand Side Response and storage services to ensure the efficient grid integration.
4. **Energy Industry Data:** Participating in the Energy Data Taskforce, which will identify gaps in the energy sector where data can be used more efficiently.

In light of the changing market landscape and priorities and to further build on our history as trusted, independent, reliable market experts, our corporate strategy for 2019/20 is summarised below:

*With the support of our stakeholders and partners, 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.*

Whereas last year we used Delivery, Improvement, Engagement, and Capability; in 2019/20 we describe our strategic activities as Quality Delivery, Innovation, Engagement, Customer Centric, Simplification and Consolidation, Digital Platform and Talented People.



The below section will provide details on the key contributions where ELEXON will focus its efforts in the coming year.

# BSCCO BUSINESS PLAN 2019/20

## Quality Delivery: Actively manage our services to ensure that we deliver in a reliable, economic and efficient way.

As well as business-as-usual, during 2019/20, we will continue to support the Government and Ofgem in their work to simplify and create consolidated, leaner and more agile market governance arrangements.

The information below provides details on the key works streams where we will focus in the coming year.

		2019/20
1	Business-as-usual (BAU)	<p>You can be assured that throughout 2019/20 we will continue to focus on the day-to-day delivery of our BSC obligations to the highest standard you have come to expect from us.</p> <p><b>Insert new infographic – ELEXON's service areas</b></p>
2	Delivering Change	<p>We know that our BSC Change process is regarded as an industry leader for good governance and practice but as the market evolves we will too.</p> <p>While continuing to provide industry-leading customer service and expertise that we know you appreciate, we will always look at ways to simplify the BSC. We will also try to make it easier for you to get involved in changes and to keep you informed. We will look to:</p> <ul style="list-style-type: none"> <li>• put Workgroup materials and their availability on our website.</li> <li>• use video conferencing facilities so that it is easier for you to join and participate in meetings.</li> <li>• make it easier for you to follow the progress of changes from 'raise to implement', by providing more visual information on our website and smarter information and a notification subscription service.</li> </ul> <p>Your expectations are changing and we believe these improvements will make sure that the BSC Change process remains the 'go-to' model, fit for the future.</p>
3	Data and Reporting	<p>We know that data openness and transparency is currently a hot topic; one which is being explored by many industries, including ours and many other sectors too.</p> <p>And we are aware that we maintain critical processes for the wholesale market data collection, verification and reporting, so through a range of continuous improvements at every level we will deliver a better and faster service to the industry.</p> <p>In fact, we see our business model evolving to include that of a data platform, data services company.</p> <p><b>Insert infographic on the Data</b></p> <p><b>1. BMRS</b></p> <p>Publishing data is one of our key functions and delivering a high quality service continues to be our top priority. During the year, we will improve the BMRS platform in terms of accessibility, openness, consistency and continued data accuracy, so it can become your one-stop-shop for electricity market data.</p> <p>We will work closely with you to determine the scope of data that should be reported, while ensuring that any new initiatives to publish data fall within this scope.</p> <p><b>2. Market reports</b></p> <p>We will continue to improve and enhance our market reports and analysis that you value so they provide you with the information you need.</p>

		<p><b>3. Licencing/Open Data</b></p> <p>ELEXON embraces the open data culture and we will work in line with Ofgem's efforts to create a new paradigm of shareable industry data that can be queried and passed on to provide a collective benefit.</p> <p>We aim to make use the rapidly growing estate of open data for your benefit by:</p> <ul style="list-style-type: none"> <li>• removing barriers for our smaller/potential customers so that you can access information and direct your trials prior to joining the market.</li> <li>• opening up certain files (e.g. SAA-I014) so it is no longer a requirement for specially designed software to interpret the data.</li> <li>• providing a competitive marketplace of data services and Credit Cover support service, to aid your financial planning.</li> </ul> <p><b>Insert infographic on Benefits of Open data</b></p>
4	Performance Assurance Framework (PAF) Review	<p>We know performance assurance is a highly visible element of the service we provide you.</p> <p>We have a dedicated page on our website that provides you with more information on the <a href="#">PAF Review and Issue 69</a>.</p> <p>While the approved recommendations from work streams 1 and 2, around the Performance Assurance Framework (PAF), move into routine operations, we will continue to work on the remaining two work streams:</p> <p><b>Work stream 3 – Review of the Performance Assurance Techniques (PATs)</b></p> <p>This will produce a set of recommendations to enhance the risk mitigation 'toolkit' of efficient and cost effective assurance techniques that have sufficient preventative elements, and provide robust and flexible audits, performance monitoring and escalation.</p> <p><b>Work stream 4 – Data Provision</b></p> <p>Here we will create proofs of concepts to test the viability of alternative methods of data provision that place less burden on you to provide data and supports more accurate risk appraisal.</p> <p><b>Insert infographic on the PAF (PAF Timeline)</b></p>
5	European developments	<p>We are working with other Code Administrators and engaging with Ofgem and BEIS to ensure we are as prepared as possible for Brexit. Regardless of the UK's relationship with the EU after the planned withdrawal, we will update the BSC accordingly. 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, Project MARI (Manually Activated Reserves Initiative) and the Clean Energy Package.</p> <p>We will provide you with timely information as soon as we can.</p> <p><b>Insert infographic on the key EU legislation and its impact</b></p>
6	Review of Section D Charges (BSC Cost Recovery and Participation Charges)	<p>We are reviewing Section D Charges to make sure that they are appropriately set and fit for purpose. The Issue Group, initiated in 2018/19, is assessing what behaviours are driving the costs, whether the current charging structure is fit for purpose and, if not, what alternative approach BSC Parties would prefer.</p> <p>The Panel has encouraged the Issue Group to focus on simplicity and cost</p>

		reflectivity, with a particular focus on charges that have not changed since pre-NETA Go-Live.
--	--	--

## Innovation: Enhance and evolve our services to support industry changes and development of the energy market

We are keen to ensure the BSC is an enabler to innovation, be it new services or new business models that deliver new benefits to our customers and end consumers. We will do this through a mixture of evolving our services and working in close cooperation with a number of leading regulatory and industry bodies and initiatives.

In 2019/20, our core modifications aim to make BSC arrangements more inclusive for a wider range of market participants.

		2019/20
1	Opening up Balancing Mechanism for new market participants	<p><b>P344 (TERRE)</b></p> <p>BSC Modification P344 'Project TERRE' aligns the BSC with the European Balancing Project TERRE (Trans European Replacement Reserves Exchange) requirements. 'Project TERRE' is a pan-European balancing product implementation project, developed by the majority of European Transmission System Operators (TSOs), including the GB TSO National Grid.</p> <p>This project will provide new opportunities to independent aggregators and customers to participate in markets that weren't previously open to such participants, hence promoting competition. The solution to P344 also widens access to independent aggregators participating in the BM market, thus opening up the balancing mechanism and other balancing services to a wider and more diverse set of market participants.</p> <p><b>Insert infographic on P344 Timescale</b></p>
2	Leadership on future markets and settlement design	<p><b>Half Hourly (HH) Settlement – design lead.</b> We are proud to have been at the forefront of the work on HH Settlement since 2010. We see it as a key enabler for new innovations, including Demand Side Flexibility (DSF) as the data, which will be available through the smart meter roll-out will enable more companies, existing and new, to participate in flexibility markets and therefore deliver benefits to the end consumer.</p> <p>We will continue to lead on Market-wide Half Hourly Settlement with the Design Working Group (DWG), working closely with Ofgem to deliver our completed design work on the Target Operating Model towards the end of 2019.</p> <p><b>Text Box - Pre-requisites from integrating EVs into the energy system: smart meter roll-out and Half Hourly Settlement.</b></p> <p>Looking at the transition to EVs from the electricity market's perspective, we believe that a whole-system approach will be critical to enable the Government's ambition on the roll out of EVs. An accurate measurement and attribution of metered volumes and energy imbalances between different service providers will be key to assuring settlement accuracy.</p>
3	Enabling new paradigms in the energy sector	<p><b>Multiple Providers White Paper</b></p> <p>We believe our white paper 'Enabling Customers to Buy Power from Multiple Providers' offers a practical proposal to enable new business models.</p> <p>During 2019/20 we will continue to champion this opportunity, working on a technical</p>

		<p>solution which could potentially be implemented in 2020.</p> <p><b>'Behind the meter' resources</b></p> <p>As the proportion of renewable generation increases and demand becomes more volatile due to 'Behind the Meter' generation and demand response, the need for increased systems flexibility becomes crucial. We will use the benefits that P344 Project TERRE and Foundation Architecture will bring to the industry to support our customers in these enhanced services.</p>
4	DNO to DSO transition	<p>We believe that the transition from Distribution Network Operator to Distribution System Operation (DSO) is a key enabler for further innovation in the electricity markets. We will continue to provide our knowledge and expertise to the ENA's Open Networks Project and other initiatives putting our customers' and stakeholders' needs first.</p>

## Simplification and consolidation: Reduce complexity and fragmentation

We know that the use of electricity and the administration of energy services are radically changing, with the UK Government's commitment to the decarbonisation of the economy and considerable advances in technology meaning that end consumers are being presented with a growing number of new energy services. To date the industry has operated within the limits of established rules and regulations set out in legislation, licences and the industry codes and we believe these established rules and systems are not changing quickly enough to keep up with the pace of innovation across the energy market.

We have been advocating for a number of years that changes across market governance arrangements are needed to ensure the GB energy system as a whole remains flexible, responsive and rapidly evolving to support a range of new business models. We will continue our close cooperation with BEIS/Ofgem on smart and flexible energy systems work, Ofgem's Innovation Link (regulatory sandbox), InnovateUK, Energy Systems Catapult and other key industry players and initiatives to support innovative businesses into the market arrangements.

		2019/20
1	Simplification	<p>We understand that navigating the industry governance landscape can be extremely challenging for new (and indeed existing) market entrants, with numerous licence conditions and codes governing the wholesale and retail operations in gas and electricity markets. We have been highlighting a number of steps that should significantly improve the landscape of code services in a timely manner. These proposals range from amending code panel and code manager/delivery body objectives to appropriate empowerment of code managers to raise changes that are beneficial to competition and consumers.</p> <p>We will continue to support and contribute to the Energy Codes Review, launched by BEIS and Ofgem in winter 2018 advocating change for the benefit of our customers and end consumers.</p> <p>We have highlighted an opportunity arising from the Retail Energy Code (REC) to look beyond the retail part of the market. There could be an opportunity to further align the wholesale/settlement aspects of the gas and electricity code governance framework and administration; something that would reduce the complexity and cost burden for market participants and consumers respectively.</p>
2	Consolidation	<p>We have been fully involved in shaping and delivering a number of Ofgem's Significant Code Review (SCR) programmes to bring the electricity industry's central arrangements in line with changes in generation and consumption of electricity. Under its Faster Switching</p>

	<p>programme, Ofgem plans to consolidate the retail market code provisions under a newly introduced REC (Retail Energy Code).</p> <p>We believe that even greater alignment and even consolidation of central code services is possible, bringing the 'whole systems' approach to life across the gas and electricity codes.</p> <p>End customer-facing business models such as peer-to-peer trading, small-scale electricity storage (residential and small to medium commercial), smart tariffs (time-of-use tariffs) and a number of other new services rely on changes to the wholesale/settlement market arrangements specified under the BSC. That is why we firmly believe that a closer alignment between retail and wholesale markets is a much needed first step to allow for further alignment between electricity and gas, energy and transport, energy and heat networks.</p>
--	--

## Customer centric: Improve the customer experience and develop richer customer relationships

We are proud that our programme of comprehensive training and bespoke advice, tailored to every BSC signatory's needs, is well regarded in the industry. Our high levels of service have been independently verified through Ofgem's Code Administrators' Performance survey (2017 and 2018) in addition to ELEXON's own independent annual customer survey.

		2019/20
1	Delivering the highest standard of services to BSC Parties	<p><b>Industry days, educational sessions and webinars</b></p> <p>We will continue to organise industry days and training sessions that are of interest to you and your business.</p> <p>We will always make sure that the agenda is updated to reflect market trends and your business needs.</p> <p>We will also increase the number of webinar topic-led, bespoke training sessions, making them available on our website to all.</p> <p>During the year, we will monitor your training needs and look to add more specialised training to ensure that 'supplier in a box' entrants are aware of their obligations under the BSC and can deliver those successfully.</p> <p><b>New ways to support BSC Parties</b></p> <p>Through your feedback and as part of the renovation of the website, you have inspired us to improve the user experience for market entrants, including a more interactive and informative website with forms and tracking tools to increase engagement and usability. We will, through the implementation of the new Party Management IT system, reduce the amount of forms required by Market Entrants.</p> <p>Insert customer quotes</p>
2	Helping new market entrants to navigate industry processes	<p>We understand that the landscape of industry codes is complex for a new entrant, so we will identify further opportunities to help new and existing BSC Parties overcome this complexity by sharing information on the BSC through our continued efforts to drive better coordination between code administrators.</p> <p>Insert new market entrant quotes</p>

## Engagement: Work in partnership to enable 'whole-system' approach and industry convergence

As a major industry code manager we know that a whole-system approach to the fundamental changes in the GB energy industry structure requires close collaboration between all parties, if the vision of the Clean Growth Plan and Industrial Strategy and the Smart Systems and Flexibility Plan are to be delivered and implemented on time. To this end, we will continue our work with the industry, key Government departments and Ofgem with an aim to identify practical solutions to the numerous challenges.

		2019/20
1	Enabling whole-system approach to industry changes	<p>Over years of operations, we have developed deep in-house expertise which the industry, Ofgem and Government rely upon in bringing changes and new arrangements to the energy industry.</p> <p>During 2019/20, we will use our expertise to proactively support change management, workgroups with guidance and advice in technical solutions, and sound legal advice so we continue to play a key role in the timely completion of the major industry change initiatives.</p>

## Digital Platform: Creating a digital platform to meet the changing energy market

In 2018/19 we embarked on a multi-year programme to re-architect our central systems, which have served the industry well since their introduction in 2001 under the NETA programme. The first release will deliver P344 (TERRE) on hybrid architecture. The programme has been designed as a phased approach to leverage the BSC change investment to minimise the overall cost and risk to Parties and to spread the cost across financial years to reduce the financial impact of BSC costs. Upon completion the Foundation Architecture will deliver a flexible, scalable and open platform to provide market entry, settlement and data insight services to meet the future needs of a changing energy market.

		2019/20
1	Foundation Architecture: Data and Services Platform	<p>Our new services and open data platform will provide enhanced capabilities to the electricity market. The modernised technical architecture of the BSC systems will be more flexible making them easier and quicker to adapt to the needs of the future market.</p> <p>Specifically, the enhanced data modelling and settlement micro-services will enable us to more quickly and clearly define new and improved services facilitating requests for smaller changes economically and new services more rapidly.</p> <p>Intelligent auto-provisioning of compute resources allows for truly elastic scaling in response to data growth (e.g. 5mins settlement) with no impact on settlement performance and on-demand.</p> <p>The new data platform provides the foundation on which to build new capabilities, providing options for developing services that use different technologies while leveraging common governance and security services. It aims to help foster innovation by providing common data related services and governance capabilities, freeing new service designs from of non-value-add overheads.</p> <p>In 2019/20 we will be completing the Data and Services Platform built for TERRE, adding Analytics capability and migrating further Legacy Agent services in line with our technology route map.</p>

## BSCCO BUSINESS PLAN 2019/20

		<p>Insert infographic on the FP benefits</p> <p>Insert infographic on the FP key workstreams</p>
2	Foundation Architecture: Digital Party Platform	<p>Our new Digital Party Platform will digitise the existing process of submitting paper forms for the Market Entry, Exit, Balancing Mechanism (BM) Units, Authorised Signatories and other central registration data through a modernised digital platform. The benefits of having this 'self-service' gateway for submission and management of central registration data are:</p> <ul style="list-style-type: none"> <li>• Reduce the risk of manual error and rework through automated data validation</li> <li>• Three-way visibility of status and progress in terms of where potential Participants are in the Registration Process (Customer, ELEXON, our Service Providers)</li> <li>• Guidance in respect to BSC obligations and processes compliance</li> <li>• Support P344 Modification for registration of Virtual Lead Parties and an increase in new entrants will be accommodated and facilitated effectively.</li> <li>• Overall customer engagement – more streamlined end-to-end customer journey.</li> </ul> <p>In 2019/20 we will build on the Party Management Platform to include more of the market entry and registration services to enhance customer experience focusing on CDCA (Central data Collection Agent) and MDD (Market Domain Data) processes.</p>

### **Talented People: Develop our end-to-end service capabilities to enable industry to benefit from our experience**

We recognise the importance of developing our people's skills to continue delivering our value-adding services in code management, central systems delivery and policy support.

		2019/20
1	Building on our end-to-end service capabilities	<p>We are proud that our remit extends beyond basic code administration. We are responsible for managing and delivering the end-to-end services set out in the BSC and aiding the development of industry change proposals.</p> <p>We will continue to focus on developing our peoples' expertise in order to build capability in the business as we gain a better understanding of the skills needed to perform in a rapidly changing energy market.</p> <p>This is particularly important in our Foundation Architecture Programme delivery where we have brought in people with new skills although further capability will be required.</p>
2	Developing and retaining talent	Internally, the evolving programme of manager's training, coaching and mentoring will ensure we achieve the right balance between a high degree of flexibility and the robust, predictable service delivery in which ELEXON is recognised.
3	Maintaining our Investor in People status	<p>We are extremely proud to earn the Silver Investor in People certification in recognition of our efforts to develop our people. We are committed to maintaining this status and reaching the next level.</p> <p>Insert Investor in People logo</p>
4	Knowledge sharing and	We will maintain our focus on knowledge sharing and transfer to enable our experts of tomorrow. We will continue to build on our process of mentoring, whereby we will identify individuals within ELEXON who are willing to take on the role of trusted advisor, teacher

	transfer	and wise counsel to another person or group of people to ensure that tacit knowledge is transferred between long standing and new ELEXON employees. This will also present a new opportunity for our staff in developing their mentoring skills as well.
--	----------	--

### **Text box on EMR**

#### **EMR**

BSC Parties will be aware that ELEXON calculates, collects and distributes the payments to EMR 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 impact ELEXON. Whilst some of our people are full-time on this EMR activity, other of our experts are part-time but regardless, all record their time to ensure their cost is allocated appropriately to BSC or EMR activities. This enables us to allocate a proportionate share of the ELEXON overheads such as office costs etc. To date nearly £3.5m of such costs have been borne by EMRS, meaning that without the EMR activities, BSC Parties would have had to bear an additional £3.5m.

The contract with LCCC and ESC provides for five yearly extensions and they are currently considering whether to extend or tender the services afresh. Based on our excellent track record of service delivery and system implementation, our not-for-profit charging model (like the BSC) and the synergies enjoyed from swift access to ELEXON's settlement experts, we would hope LCCC/ESC extend the contract. However, we must also be able to participate in any tender. Fortunately, the changes to the BSC which enabled ELEXON to provide the EMR settlement services anticipated this and provide for the cost of our participation in such a tender to be treated as BSC costs.

# BSCCO BUSINESS PLAN 2019/20

## Overview

This part of the document details the budgeted costs for 2019/20 in support of our strategy as laid out earlier in this Business Plan.

We believe this budget enables us to continue delivering our BSC obligations, particularly by implementing leading technology platforms, increasing our engagement with our stakeholders and focusing on developing our people capabilities to deliver structural solutions to the changes facing the energy industry.

2019/20 will be the fifth year that ELEXON, in its role as Settlement Services Provider for EMR, delivers its services via its subsidiary EMR Settlement Limited (EMRS) to Low Carbon Contracts Company Limited (LCCC) and Electricity Settlements Company Limited (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 (2017/18: £763k).

**Table 1 Budget Summary**

Item	Year to March 2018/19 Budget  £m	Year to March 2018/19 Forecast  £m	Year to March 2019/20 Budget  £m	Variance to 2018/19 Forecast  £m	Variance to 2018/19 Forecast  %	Year to March 2020/21 Projection  £m	Year to March 2021/22 Projection  £m
ELEXON Operational	21.5	20.8	23.2	(2.4)	(11.5)	23.0	23.3
EMR Contribution	(3.3)	(3.0)	(3.3)	0.3	(10.0)	(3.1)	(3.1)
Subtotal	18.2	17.8	19.9	(2.1)	(11.8)	19.9	20.2
Contracted Costs	15.3	15.1	18.0	(2.9)	(19.2)	17.0	17.8
<b>Total Regular Activity</b>	33.5	32.9	37.9	(5.0)	(15.2)	36.9	38.0
Demand Led Costs	4.2	4.1	4.9	(0.8)	(19.5)	3.7	3.7
System Strategy	5.4	5.3	9.9	(4.6)	(86.8)	9.5	11.5
Market Development	0.5	0.3	0.5	(0.2)	(66.7)	0.5	0.5
<b>Total Projects</b>	10.1	9.7	15.3	(5.6)	(57.7)	13.7	15.7
<b>OVERALL TOTAL</b>	43.6	42.6	53.2	(10.6)	(24.9)	50.6	53.7

The budget to deliver BSC activity in 19/20 including the detailed breakdown of work streams described in this Business Plan is £53.2m. This represents an increase of £10.6m (24.9%) against the current year's forecast. This budget is substantially more than previous ELEXON budgets. It will ensure we are able to deliver our new systems, address the changes coming from industry while maintaining our support to BSC Parties. We have had 140 new BSC Parties since April 2015, which represents a 44% increase. There is evidence we do more to support them:

- In 2015/16 our OSMs were in contact with BSC parties through either a teleconference or a customer visit 33 instances per month on average. We are already at 89 instances per month on average in 2018/19;
- The number of trading disputes raised have also increased by 52% across the same period;
- We managed 171 more credit defaults in 2017/18 than in 2015/16 (475% increase) and the 2018/19 statistics show this is continuing;
- Modifications and changes raised are becoming more complex and require an average of 10 workgroup meetings now against 2.5 in 2015, which increases the effort needed and the average time taken to progress change (it now takes 214 days for a Modification to be approved on average, 52 days more compared to 2015/16);

# BSCCO BUSINESS PLAN 2019/20

- The consultations that have required attention have increased by 127%.

We have also proactively introduced the electricity market sandbox as means of supporting innovative business models and facilitating new technologies in the electricity market. We will move from the design to implementation phase of Market-wide Half Hourly Settlement, and as explained in our white paper, design the arrangements to enable consumers to have multiple providers (subject to a Modification).

In addition to the significant increase in our Business as Usual range of activities, as explained above, there are a number of industry-wide taskforces and reviews that ELEXON has been invited to contribute to. As detailed earlier, these include the Energy Data Taskforce, EV Energy Taskforce, the BEIS/Ofgem review of codes and code governance, and actions arising from the Smart Systems and Flexibility Plan. We have earmarked resources within this budget to contribute to those joint BEIS/Ofgem projects.

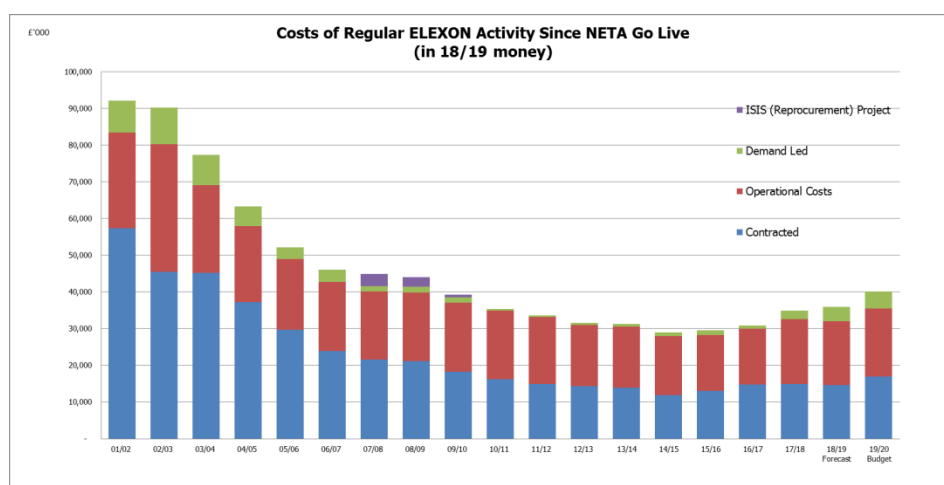
As outlined above in 2018/19 ELEXON started the Architecture Strategy project which allowed us to establish a better understanding of the significant market changes that ELEXON is facing, and define how ELEXON's processes and systems would need to evolve to address them. While we have continually been improving our processes, our core systems have been in place and served the industry well since the NETA arrangements came into force in 2001. The Architecture Strategy Project proposed a Foundation Architecture, which recommends moving to flexible and scalable platforms that will enable faster and more efficient delivery of change while building the capabilities required to capture future market opportunities and benefits to industry.

The increase anticipated in the coming year is driven by the impact of our Foundation Architecture Programme on our regular costs. The first release will be implemented and its first effects are reflected in next year's budget, as before efficiencies can take place it will increase our operational and contracted costs while we run two systems in parallel and work on delivering future releases to our Foundation Architecture.

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 parties. 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 address contingencies mindful of this constraint, while also endeavouring to set challenging financial targets for the business, which ensure we deliver the best possible value for money to the industry.

In addition, due to ELEXON's funding model and the absence of retained capital, after consultation with our auditors and exploring financing options, we are proposing, in accordance with allowable accounting treatment under accounting standard FRS102, 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.

**Chart 1 Costs of ELEXON Regular Activity since NETA Go Live (Excluding NETA, System Strategy Costs and EMR costs)**



# BSCCO BUSINESS PLAN 2019/20

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 NETA go-live in 2001/02 in real terms (in 2018/19 money after applying April RPI of each year). It shows our success over the years in bringing costs down but also reflects in recent years our investment in future proofing our central systems, as well as the increased activity in a growing sector as demonstrated earlier.

## ELEXON OPERATIONAL

The budget for our operational costs for 2019/20 is £19.9m, 12.1% more than the current year forecast, and includes costs such as People, Occupancy, Staff related and Administrative expenses, Consultancy and Legal support. This also includes income from EMR activities as a result of providing resources to our EMR subsidiary EMR Settlement Ltd (EMRS) for which it recompenses ELEXON.

Table 2 below illustrates the Operational costs budget:

**Table 2 ELEXON Operational**

Item	Year to March 2018/19 Budget £'000	Year to March 2018/19 Forecast £'000	Year to March 2019/20 Budget £'000	Variance to 2018/19 Forecast £'000	Variance to 2018/19 Forecast %	Year to March 2020/21 Projection £'000	Year to March 2021/22 Projection £'000
People Costs	14,198	13,931	15,548	(1,617)	(11.6)	14,965	15,240
Other operational overheads	7,349	6,842	7,590	(748)	(10.9)	7,995	8,014
EMR Contribution	(3,335)	(3,043)	(3,262)	219	(7.2)	(3,098)	(3,098)
<b>Operational Total</b>	<b>18,212</b>	<b>17,730</b>	<b>19,876</b>	<b>(2,146)</b>	<b>(12.1)</b>	<b>19,866</b>	<b>20,156</b>

## People (Employee and Contractor) Costs

People costs are expected to increase by £1,617k (11.6%) as a result of a higher average headcount necessary to deliver this Business Plan. The headcount illustrated in Table 3 is an average for the year and does not represent the actual number of persons, but a full time equivalent of those engaged, and therefore representative of the costs.

**Table 3 ELEXON People Costs and Average Headcount**

Headcount	Year to March 2018/19 Budget £'000	Year to March 2018/19 Forecast £'000	Year to March 2019/20 Budget £'000	Variance to 2018/19 Forecast £'000	Variance to 2018/19 Forecast %	Year to March 2020/21 Projection £'000	Year to March 2021/22 Projection £'000
Average Employee Headcount	176.9	167.3	189.2	(21.9)	(13.1)	185.6	184.6
Average Contractor Headcount	12.7	12.6	11.5	1.1	8.7	10.9	10.4
<b>Average Total Headcount</b>	<b>189.6</b>	<b>179.9</b>	<b>200.7</b>	<b>(20.8)</b>	<b>(11.6)</b>	<b>196.5</b>	<b>195.0</b>
EMR Contribution	(30.5)	(23.6)	(29.5)	5.9	(25.0)	(28.5)	(28.5)
<b>BSC BAU Headcount</b>	<b>159.1</b>	<b>156.3</b>	<b>171.2</b>	<b>(14.9)</b>	<b>(9.5)</b>	<b>168.0</b>	<b>166.5</b>

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

## BSCCO BUSINESS PLAN 2019/20

have budgeted 29.5 FTEs to deliver these services. The £3.3m 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 utilised 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 £0.9m for 2019/20.

### CONTRACTED

**Table 4 Contracted Costs**

Item	Year to March 2018/19  Budget £'000	Year to March 2018/19  Forecast £'000	Year to March 2019/20  Budget £'000	Variance to 2018/19  Forecast £'000	Variance to 2018/19  Forecast %	Year to March 2020/21 Projection £'000	Year to March 2021/22 Projection £'000
<b>TOTAL CONTRACTED</b>	<b>15,282</b>	<b>15,098</b>	<b>18,026</b>	<b>(2,928)</b>	<b>(19.4)</b>	<b>17,044</b>	<b>17,755</b>

A significant proportion of our costs of delivering the BSC arrangements come from contracted expenditure for the BSC Agents and contracted service providers. These are predominantly fixed costs, linked to indexation.

As a result of the Foundation Architecture Programme we are running legacy systems parallel to the new technology platforms until such time as we can retire these legacy systems. We are focusing on upgrading and enhancing our current underlying infrastructure of the central systems in 2019/20 to future-proof the infrastructure and technology for the coming years.

The main drivers of our £2.9m (19.4%) increase are as follows:

- Central Systems – during the transition period to the new platform, to reduce risk an approach has been adopted to continue to run the legacy systems for some BSC Agent processes for a transition period. This risk mitigation approach gives rise to a £1.701m increase, but avoids a “big-bang” implementation and increases the opportunity for a stabilisation period and ensuring that the new platform does not introduce any unintended consequences or risk
- Increased Data Transfer Service (DTS) costs of £575k directly relating to an estimated increase in usage and announced price increase from Electralink;
- We have built in a contingency of £250k during this transitional period, which will be returned to Parties if unutilised.

### DEMAND LED

**Table 5 Demand Led**

Demand Led	Year to March 2018/19  Budget £'000	Year to March 2018/19  Forecast £'000	Year to March 2019/20  Budget £'000	Variance to March 2018/19  Forecast £'000	Variance to March 2018/19  Forecast %	Year to March 2020/21 Projection £'000	Year to March 2021/22 Projection £'000
IA - Modification Proposals	100	50	105	(55)	(110.0)	105	105
BSC Systems Releases	3,900	3,900	4,732	(832)	(21.3)	3,500	3,500

## BSCCO BUSINESS PLAN 2019/20

Panel Committee Projects	129	70	50	20	28.6	50	50
PAF Review	99	89	37	52	58.4	-	-
<b>Total Demand Led</b>	<b>4,228</b>	<b>4,109</b>	<b>4,924</b>	<b>(815)</b>	<b>(19.8)</b>	<b>3,655</b>	<b>3,655</b>

This area of our budget is entirely demand driven, and is set to ensure that we are appropriately funded in order to be able to implement changes requested by industry.

The budget for BSC systems releases has been set at £4.7m. This is an increase on the previous year's budget as well as our current forecast for 2018/19 due to the increasing amount of change we are seeing within the industry – in particular the Project TERRE implementation into GB market arrangements which is budgeted to cost approximately £2.1m. The remainder of the £2.6m budget is attributed to scheduled BSC changes based on the impact assessment of known modifications with estimates based on historic change costs.

## SYSTEM STRATEGY

**Table 6 System Strategy**

Item	Year to March 2018/19 Budget £m	Year to March 2018/19 Forecast £m	Year to March 2019/20 Budget £m	Variance to March 2018/19 Forecast £m	Variance to March 2018/19 Forecast %	Year to March 2020/21 Projection £m	Year to March 2021/22 Projection £m
<b>SYSTEM STRATEGY</b>	5.4	5.3	9.9	(4.6)	(86.8)	9.5	11.5

The Architecture strategy was approved and endorsed by the ELEXON Board in 2016/17 and discussed with the BSC Panel. In the next few years, we are committed to transform and transition (Foundation Programme) the current aging BSC Central Systems to a platform using modern technologies, which 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.

Phase 1 was successfully completed, and in May 2018 the Board approved further investment over the next two years to deliver Phase 2 of the Foundation Architecture Programme.

In 2018/19 we are developing a new party management platform and a new data and calculations platform. We are also delivering the BSC changes (P344) required to support the TERRE solution. This has enabled us to use a stable, hybrid architecture in legacy and new foundation that we will further develop and enhance. We have included a budget of £9m in 2019/20 for provision of the Foundation Architecture Programme.

## MARKET DEVELOPMENT

**Table 7 Market Development**

Item	Year to March 2018/19 Budget £m	Year to March 2018/19 Forecast £m	Year to March 2019/20 Budget £m	Variance to March 2018/19 Forecast £m	Variance to March 2018/19 Forecast %	Year to March 2020/21 Projection £m	Year to March 2021/22 Projection £m
------	---	---	---	--	---	---	---

# BSCCO BUSINESS PLAN 2019/20

<b>Market Development</b>	0.5	0.3	0.5	(0.2)	(66.7)	0.5	0.5
---------------------------	-----	-----	-----	-------	--------	-----	-----

The budget for Market Development has been set at £0.5m to allow us to cover any non BAU activities regarding the developments within the GB energy market.

There remain a number of industry developments that require ELEXON to continue to monitor, engage and informally assess impacts outside of the formal change process. These include developments from European network codes (particularly assignment of our existing roles), review of codes and code governance, closer cross-code collaboration to improve the customer experience, BREXIT and its impacts on the BSC and the potential for discussions on the future role of the independent system operator (especially its new responsibilities as proposed by OFGEM). In particular, the recently announced joint BEIS and Ofgem review of codes and code governance is unknown in scope or duration but ELEXON will participate in and support this review.

In addition, we will continue to engage with new market entrants and their proposed business models, seeking to ensure the BSC enables innovation and will further explore providing data to our customers accompanied by insightful analysis. Furthermore, we need to understand the potential impact upon the BSC of the proposed new Retail Energy Code. We have again budgeted for these market developments should we require to backfill or seek additional support, expert advice or guidance.

## 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 has endorsed a review of Section D Charges (BSC Cost Recovery and Participation Charges) to ensure that they are appropriately set and fit for purpose. It has instructed ELEXON to engage an Issue Group in assessing what behaviours are driving the costs, whether the current charging structure is fit for purpose and, if not, what alternative approach BSC Parties would prefer. The Panel has encouraged the Issue Group to focus on simplicity and cost reflectivity, with a particular emphasis on charges that are currently without drivers and those that have not changed since pre-NETA Go-Live.

**Table 8 Section D – Charging \***

<ul style="list-style-type: none"> <li>• £500 Application Fee;</li> <li>• Membership fee of £250 per month;</li> <li>• CVA Metering System Monthly Charge of £50 per month. CVA BM Unit Monthly Charge (other than for Supplier BM Unit) of £100 per month (this charge is levied on each pair of BM units in the case of an exempt generator);</li> <li>• For communication line and TIBCO charges, please refer to the ELEXON website</li> <li>• Notified Volume Charge per Gross Contract MWh at a rate of £0.0005/MWh;</li> <li>• For all Base SVA BM Units a charge of £100 per month;</li> <li>• For all Additional SVA BM Units a charge of £60 per month;</li> <li>• SVA costs split: <ul style="list-style-type: none"> <li>○ 50 percent of costs are paid by generators on basis of metered energy volumes;</li> <li>○ A fixed fee of £0.00632 per SVA Metering System per month;</li> <li>○ Remainder allocated on Suppliers Non Half Hourly MWh market share.</li> </ul> </li> <li>• All remaining costs split on basis of metered energy volumes.</li> </ul>
---

\* These are based on the current charges. They are subject to change following a periodic review approved by the Panel. Please refer to the BSC website for current rates.

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

# BSCCO BUSINESS PLAN 2019/20

First, the 2019/20 Annual Budget is set out in Table 9 below.

**Table 9 Split of Costs**

<b>Assumed Split of Costs</b>			
	<b>2018/19 Budget</b>	<b>2018/19 Forecast</b>	<b>2019/20 Budget</b>
SVA Costs	4.4	4.8	5.6
Other Costs	39.2	37.7	47.6
<b>Total</b>	43.6	42.5	53.2

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

**Table 10 Market Assumptions**

<b>Market Assumptions</b>	<b>2018/19 Budget</b>	<b>2018/19 Forecast</b>	<b>2019/20 Budget</b>
Number of Trading Parties	443	460	477
Sales - Notified Contract Volumes (TWh)	917	810	840
Purchases - Notified Contract Volumes (TWh)	917	810	840
Generation (TWh)	251	245	254
Supply (TWh)	248	242	251
NHH Supply (TWh)	132	125	130
HH Supply (TWh)	126	126	130
CVA BM Units	765	765	793
SVA Base BM Units	180	205	213
SVA Additional BM Units	4	140	145
Data Line	72	72	75
Comms Software (5 users)	28	28	29
Comms Software (additional user)			0
CVA Metering Systems (MSIDs)	898	903	936
HH Supply (MSIDs)	30,701,514	30,906,459	31,049,998
PRS Supply (MSIDs)			

Third, the charging regime from Section D of the BSC in Table 11 is then applied to costs in Table 12 based on the assumptions in Table 13. This gives the estimated charges (either specified charges or £/MWh fees) as shown in Table 14.

**Table 11 Expected Charges**

## BSCCO BUSINESS PLAN 2019/20

Charge Item	2018/19 Budget	2018/19 Forecast	2019/20 Budget
<b>Specified Charges</b>			
CVA BM Units (£/month)	100	100	100
SVA Base BM Units (£/month)	100	100	100
SVA Additional BM Units (£/month)	100	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
<b>SVA</b>			
HH SVA Ops (£/msid/month)	0.01	0.006320	0.00632
NHH SVA Ops (£/NHH MWh)	-	-	-
Gen Energy SVA (£/MWh)	0.009	0.010	0.011
<b>Main Charges</b>			
Energy fee (£/MWh)	0.06870	0.06745	0.08498