

# ELEXON

## Quality Delivery

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

## Innovation

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

## Customer Centric

Improving the customer experience and developing richer customer relationships.

## Simplification & Consolidation

Reducing complexity and fragmentation.

## Digital Platform

Creating an agile digital platform to meet the changing energy market.

## 324/01 Elexon Report

### BSC Panel

Date of meeting	<b>10 March 2022</b>
Paper Number	<b>324/01</b>
Owner/author	<b>Sara Vaughan</b>
Purpose of paper	<b>For Information</b>
Classification	<b>Public</b>
Summary	<b>Elexon provides this paper for the Panel's information. The paper presents an overview of activities and developments within Elexon, the balancing and settlement arrangements, industry and Codes.</b>

### Executive Summary

We have:

- highlighted that the Digitalised BSC website will undergo testing with the first prototype allowing customers to start to experience an easier navigation structure and localised search across the documents;
- requested new members for the TDC and Data Reporting and User Group;
- highlighted that the CAP consultation closed on the 3rd March 2022; and
- responded to two consultations since the last update.

### Target Audience

Elexon's customers and the wider industry.

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## I. Elexon News

### Market Conditions

The energy industry continues to experience unprecedented and challenging market conditions. The Russian invasion of Ukraine is also now impacting the energy markets and leading to fears of even higher prices. Elexon continues to operate Settlement and to closely monitor Parties' payments and Credit Cover positions, escalating defaulting Parties to the Panel where resolutions available under the BSC are discussed and applied. Such discussions also include representatives of Ofgem. We also support Ofgem in the Supplier of Last Resort (SoLR) process, as well as supporting the appointed Supplier. This also extended to the recent first use of the Energy Supply Company Administration process. We will continue to be available to assist Parties during these difficult times.

### Consultation Responses

We have responded to two consultations since our last update to the Panel as follows:

- Ofgem's call for input on Establishing the Capacity Market Advisory Group. Elexon has been proposed to take the role of independent secretariat for the CMAG. Therefore, in the response, the long-term commitment to running the CMAG for the benefit of Ofgem and wider industry was re-affirmed. It was noted that, by utilising the existing, well-developed secretariat and chairing competencies through the BSC Change process, Elexon would deliver an efficient and high quality service to industry for the Capacity Market (CM).
- BEIS Committee's inquiry on Energy pricing and the future of the Energy Market. Elexon responded to this inquiry but, because of the specific rules around publication of evidence to Parliamentary Committees, our report will not be published on the [industry insights](#) page. It will be published by the Committee, as part of its evidence received, in due time. Elexon noted in its evidence the evolution of Ofgem's approach to matters such as market entrance requirements, and in-life controls, with little action being taken against new entrants within the market. It also referred to points made in the letters that the Panel had sent to Ofgem in relation to risk management in the retail market and the operation of the price cap. Elexon also noted that, as high and volatile gas and electricity prices continued to put severe strain on the retail energy market, we welcomed Ofgem's recent announcement to review the price cap and suggested that the price cap be adaptive to market conditions in order to prevent well-run companies falling into distress. We noted that if the UK were to achieve Net Zero by 2050, retail market reform would play a crucial part in the transition.

Subject to the point made above, previous consultation responses are available on the [industry insights](#) page of the Elexon website.

## II. Operational News

### Elxon Kinnect: Insights begins second iteration and SAA due to go live in September

#### Settlement Solution

The code development for the Settlement Solution application has completed and, although factory acceptance testing for Drop 2 has not yet completed, good progress has been made. The plan has now been re-baselined and the new date for our Settlement Administration Agent (SAA) calculation activities to go live on the Settlement Solution is September 2022. The Settlement Solution development to date demonstrates a significant improvement on our legacy systems. There is a significant reduction in operation time, it removes manual operation and tracks input files to allow live identification of missing data.

#### Insights Solution

The Insights Solution team have begun the second iteration of the project, which will deliver Demand Data and Wind Forecast on the Insights Solution. The team have delivered three sprints so far and the project continues to progress well.

Recruitment of more industry participants to the Data and Reporting User Group has begun, to allow for maximum customer insight to the project. Ideas for new ways of presenting information were also put forward to the BMRS Change Board during their meeting on 11 February.

#### Customer Solution

The Participant Management team continue to progress Release 3.2, Drop 1 of Elxon Kinnect, establishing a pipeline of continuous delivery for the Customer Solution, which will include enhanced functionality and other customer-led service improvements in May this year.

A roadmap of the current, next and future developments planned for the Customer Solution is now available on the [Kinnect Customer Solution ongoing development and planning](#) page of the Elxon website.

Overall, the Kinnect Programme remains on budget with £28.2m of investment in progress, of which £22.5m has been spent to date. Since the previous reporting period, a further £0.9m has been released to the Insights project and an additional £0.9m to the Settlement Solution. The remaining £19.3m is forecast for future work to conclude migration of the legacy systems to the digital platform in 2023. These figures are also demonstrated in the table below:

CTD (£m)	Committed	FTC	Forecast Outturn	Budget	Variance
22.5	5.7	19.3	47.5	47.5	0.9

### Risk of Economic Sanctions impacting BSC Settlement

In the context of the Russian invasion of Ukraine, Elxon has been considering the impact of sanctions being ordered against any industry participants. If sanctions were implemented affecting a BSC Party then Elxon would have to comply with the sanctions - a failure to comply with sanctions is a criminal offence. However, the BSC is silent on the question of sanctions and their impact. Elxon has therefore been considering whether a modification should be introduced specifically to cater for sanctions to put the matter beyond any doubt.

### Participate in designing the future Digital BSC

Elxon is now recruiting interested parties to join our Digital Code User Group. The User Group is being formed to allow our customers and stakeholders the opportunity to help shape the design of the new digital version of the BSC. [The brand new website](#) will enable customers to have much easier access to the BSC and its subsidiary documents. The first phase will deliver a prototype, where customers will start to experience an easier navigation structure and localised search across the documents.

### **Join the Trading Disputes Committee (TDC)**

We are looking for industry members to volunteer to join the TDC. As a TDC member, you will be responsible for ensuring that all Trading Disputes and Manifest Errors are resolved so that errors are corrected and the integrity of Settlement is maintained. For any queries, please contact [bsc.admin@elexon.co.uk](mailto:bsc.admin@elexon.co.uk)

### **The BSC Insight about why 'Event-driven' architecture can help to release the value of energy data was published**

Once Market-wide Half Hourly Settlement is implemented in October 2025, it will result in a major increase in the volume of meter readings that Suppliers will need to submit for Settlement. 'Event-driven' IT architecture (EDA) can support this increase and Peter Stanley, Director Digital Operations explained [why Elexon would be best placed](#) to operate EDA for the benefit of the industry and consumers. We continue to await Ofgem's decision on where the EDA/ Data Integration Platform should sit, whether with Elexon or REC Co.

### **Join our Data and Reporting User Group**

Elexon are looking for interested Parties to join our Data and Reporting User Group. Participating in the User Group will enable you to help shape the early design of the Insights Solution, which is one of the three elements that make up the new digital platform, Elexon Kinnect. Building on our Balancing Mechanism Reporting Service (BMRS) and providing easier access to data and data insights, the new Insights Solution will play a key role in supporting existing companies, new entrants and innovators who want to develop new products and services.

### **Settlements Administration Agent (SAA) Calendar and draft D0095 Calendar published**

Elexon has published the [Settlements Administration Agent \(SAA\) 2022/23 Calendar](#) and the draft D0095 2022/23 Calendar in the Settlement Calendars folder on the Elexon Portal.

### **Credit Assessment Price Consultation**

Parties had until 17:00 on Wednesday 2 March 2022 to respond to our consultation on the Credit Committee's proposal to increase the CAP to £231/MWh from 17 March 2022.

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## **III. Contract for Difference and Capacity Market Settlement News**

Settlement of Contracts for Difference and of the Capacity Market is undertaken on behalf of Low Carbon Contracts Company (LCCC) and Electricity Settlements Company (ESC) respectively, by Elexon's wholly owned subsidiary EMR Settlement (EMRS) which involves the calculation, collection and distribution of payments to CfD generators and CM providers.

No EMR Circulars have been issued since the last Panel meeting. All EMR Circulars are available to download from the [EMRS Circulars page](#) of the EMRS website.

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## **IV. Cross-Code News**

### **PricewaterhouseCoopers appointed as MHHS Independent Programme Assurance provider**

On 21 February 2022, Ofgem announced the appointment of PricewaterhouseCoopers (PwC) to the role of Market-wide Half-Hourly Settlement (MHHS) Independent Programme Assurance (IPA) provider. The IPA is mobilising and working with the Programme to define ways of working and will share its plan and immediate priorities at the PSG meeting on Wednesday 2 March.

### **MHHS Design Update**

The sub-working groups have been having detailed design discussions since November 2021. The MHHS Design team have carried out an internal review of the changes that have been incorporated into design artefacts across each

of the Working Groups. This is to ensure that the end-to-end design hangs together, ahead of the first batch being issued to the Business Process & Requirements Working Group (BPRWG) for wider review. The first review cycle will focus on the Business Process Diagrams and related Interface Specifications for those processes without any outstanding design issues. [You can see a full list of the documents here](#). Documents will be available in the Design Document Library on the MHHS Portal assigned to BPRWG with a status of Under Review for a period of two weeks. A comments log will also be available to capture feedback. Following the initial review period, the Design team will review comments and make any required changes to the documents. The documents will then be issued for a further two week review, ahead of submitting to the Design Advisory Group (DAG) for approval.

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## V: Summaries of Panel Business – Tabled

Summaries of papers considered and decisions made by the Panel Committees since the last Panel meeting can be found in their headline reports, included as attachments to this paper.

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## VI: Recommendations

We invite the Panel to:

- **NOTE** the contents of this paper.

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### Attachments

Attachment A – Elexon monthly KPIs

Attachment B1 - Report from the ISG (public)

Attachment C1 – Report from the SVG (public)

Attachment D1 – Report from the PAB (public)

Attachment D2 – Report from the PAB (confidential)

Attachment E – Report from the TDC

Attachment F1 – Report from the Credit Committee (meeting 47)

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