

# ELEXON

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## 325/01 Elexon Report

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For the Panel's information, summarising recent activities and developments within Elexon and the Balancing and Settlement arrangements.

14 April 2022

## **Elexon welcomes Simon McCalla, new CEO**

Simon joined Elexon on 4 April, following a thorough recruitment exercise and unanimous agreement by the Board that his capabilities, skills and experience make him right for the job. Sara Vaughan will step down from her position as Interim CEO, and return to her role as non-executive director of the Elexon Board. Simon will work closely with Michael Gibbons, Chair of Elexon and of the BSC Panel, the non-executive directors and the Executive team to lead Elexon during this time of significant – and unprecedented – industry change.

## **Final version of the Elexon 2022/23 Business Plan published**

We have published the final version of our [2022/23 business plan](#), following industry consultation and approval by the Elexon Board. The plan explains how we will continue to manage Settlement to our historic high standards, and make changes to the BSC which support Net Zero. Our budget for 2022/23 will be £98.2m, as proposed in December 2021. Thanks to BSC Parties and the BSC Panel who shared their feedback on the plan.

## **Launch of the Digital Code**

We're delighted to announce that the first iteration of our new, digital BSC has been launched and is available on the Elexon website. The brand new digital code opens the door to much easier access to the BSC and its subsidiary documents. We're continuing to develop and evolve the digital code, so watch out for future iterations which will include further enhancements and features. Find out what to expect as we [develop the digital code further](#), and if you have any questions or feedback please email us at [digital.code@elexon.co.uk](mailto:digital.code@elexon.co.uk).

## **Market conditions**

The market continues to be volatile in light, in particular, of the situation in Ukraine. Prices rose quite steeply in early March after falling off in February, but have now fallen off again (though high compared to historical “normal” levels). This has been reflected in changes in the Credit Assessment Price. There has been a lot of discussion around the position of Gazprom. An urgent Modification has been raised ([P438](#)) to insert the concept of sanctions into the BSC.

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## Future Systems Operator and codes review

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On 6 April, the Department for Energy Department for Business, Energy and Industrial Strategy (BEIS) and Ofgem jointly responded to the consultations they published in July 2021 on a Future System Operator (FSO), and reforming the energy codes. National Grid ESO will move away from National Grid plc and become an independent, publicly owned FSO.

As part of that process there will also be a consultation on the ownership of Elexon, which is currently owned by National Grid ESO.

### **Code managers will need to be licensed**

The BEIS and Ofgem response has confirmed that code administrators and code panels will be replaced by arrangements where Ofgem will license code managers and make them responsible for playing an enhanced role in the code change process, delivering the strategic direction set by the regulator.

### **Elexon supports the changes**

We support these changes and believe that they are a sound basis for ensuring that the energy sector can deliver progress to Net Zero. Elexon has long been a strong proponent of consolidation and simplification of the energy industry codes and has supported reform of the System Operator arrangements. We therefore welcome these proposals.

We are in discussion with BEIS about the plans and we look forward to working with Government, Ofgem and stakeholders to implement the reforms.

# Consultation Responses

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## **We have responded to Ofgem's 2022/23 Forward Work Programme Consultation**

In our response, we are supportive of Ofgem's Forward Work Programme (FWP) for 2022/23. We made comment on four of the ten points in Ofgem's FWP, as we limited our response to areas where we could add value. We support Ofgem's work to strengthen and build retail market resilience within the energy sector.

At Elexon, we have made a concerted effort to support Suppliers wherever possible and will continue to do so. We also agree with Ofgem's view that a smart and flexible energy system is essential, not only to reduce the cost of energy, but also to reach Net Zero. In our response, we highlight the several BSC Modifications and initiatives that we are progressing that support full chain flexibility, such as P375, P375 and MHHS. Furthermore, we note that through the investment of our new Kinnect platform, we support Ofgem's focus on consumer benefits through data and digitalisation. The Insights Solution will continue to make more BSC data available to BSC parties and stakeholders at no additional cost, and will become the 'go' to platform for the GB energy industry. We conclude by supporting Ofgem's focus on Code Governance Reform, FSO Reforms and RIIO-2 DSO Governance as the three key building blocks to transform energy governance for the benefit of consumers and delivering Net Zero.

This and all previous consultation responses are available on the industry [consultations](#) page of Elexon.com.

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## Elxon Kinnect: Insights continues work on 2<sup>nd</sup> release and SAA on track to go live in September

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### Settlement Solution

The go-live date for the Settlement Solution is on target for September 2022. Factory Acceptance Testing (FAT) has been progressing well and we are on track to begin Operational Acceptance Testing (OAT) in mid-May. Following this milestone, it is anticipated that other ramp up activities including security testing will be completed.

Once live, the Settlement Solution will deliver significant reductions in operation time with faster calculation and removal of manual operation. It will track input files to enable the live identification of any missing data or erroneous files.

### Insights Solution

Insights Iteration 1.2 for Demand and Wind Forecast Data is halfway through delivery and is progressing in line with the plan. Drop in sessions have been taking place to demonstrate prototypes to users and to get their feedback prior to the design stage.

Recruitment of more industry participants to the Data and Reporting User Group continues, in order to allow for strong customer engagement with the project.

### Customer Solution

The Participant Management team continues 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.

# Elexon Kinnect: Budget update

Overall, the Kinnect Programme remains on budget with £28.2m of investment in progress, of which £23.3m has been spent to date. The remaining £19.3m is forecast for future work to conclude migration of the legacy systems to the digital platform in 2023 and we have £6.4m remaining contingency, which is held by the Transformation Committee.

These figures are also illustrated in the table below. Due to a change in the financial reporting format to include contingency, the previous months' figures have been included for comparison.

	CTD (£m)	Committed	FTC	Contingency	Forecast Outturn	Budget	Variance
December Reporting	21.7	4.7	20.2	7.3	53.9	53.9	0
January Reporting	22.5	5.7	19.3	6.4	53.9	53.9	0
February Reporting	23.3	4.9	19.3	6.4	53.9	53.9	0

# Key KPIs: February 2022



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## Appendices

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Elxon monthly KPIs and 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:

Attachment A – Elxon monthly KPIs

Attachment C1 – Report from the SVG (public)

Attachment C2 – Report from the SVG (confidential)

Attachment D1 – Report from the PAB (public)

Attachment D2 – Report from the PAB (confidential)

Attachment E – Report from the TDC



## Recommendation

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We invite the Panel to:

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