

Funding Shares Audit Scope

BSC Panel

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Summary **The BSC Audit objective includes providing assurance that the provisions of the Code in relation to the calculation of Funding Shares have been complied with. Elexon seeks the Panel's agreement to the proposed scope of the funding shares element of the BSC Audit.**

1. Background

- 1.1 Section H Paragraph 5.1.2 of the Balancing and Settlement Code (BSC) states that: "*The objective of the BSC Audit is to provide assurance (to such level as the Panel considers appropriate) that the provisions of the BSC and BSC Subsidiary Documents in relation to Settlement and in relation to the calculation of Funding Shares have been complied with in the Audit Year*". The basis for calculating these shares is set out in Section D of the BSC. In summary, they are calculated each month based on the best information available at the time of calculation. A reconciliation exercise is performed at the end of each year based on the final version of the source data. Reconciling bills and credits are then issued as necessary.
- 1.2 BSC Section H5.2.1 requires the BSC Panel to set the scope of the BSC Audit. The Funding Shares Audit is part of the BSC Audit, yet is designed as a distinct and separate piece of work.
- 1.3 The proposed Funding Share Audit scope will continue to include the calculation of;
 - The Main Funding Share;
 - Supplier Allocation (SVA) (Production) Funding Shares; and
 - General Funding Shares (applied on default basis).
- 1.4 The BSC Auditor checks BSC Cost shares through to the supporting information provided to each Party and the calculation of Annual Funding Shares through to the files sent to the Funds Administration Agent (FAA) for their use in calculating Default Share Amounts.

2. Scope Definition

- 2.1 The various Funding Shares set out in Section D of the BSC are calculated each month using a mix of actual and estimated data. Once Elexon's audited Financial Statements have been published, and the final actual Trading Data used for Funding Shares calculations has been received, a final reconciliation exercise is performed. This results in each Party paying amounts for the financial year equating to the final costs for the year allocated using the final Funding Shares.
- 2.2 Each Party receives supporting information setting out how their final invoice is calculated, and the Trading Data used. This enables Parties to re-perform the calculations if they wish to check them.
- 2.3 A separate Funding Shares Audit Opinion for the funding shares relating to the financial year 2021/2022 will be delivered to the Panel and Trading Parties by the BSC Auditor. The Opinion will be referred to in the

documentation to accompany the final invoices for the 2021/2022 financial year. This Opinion is scheduled for publication in September 2022 in accordance with the agreed BSC Audit Scope

2.4 Further detail concerning the scope of the Funding Shares Audit can be found in Attachment A.

3. Recommendations

3.1 We invite you to:

a) **APPROVE** the proposed scope of the Funding Shares Audit for financial year 2021/2022.

Attachments

Attachment A – KPMG Audit Approach 2021-22

For more information, please contact:

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