

ELEXON

331/01 Elexon Report

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

13 October 2022

Energy Price Guarantee (EPG) Scheme

Urgent Modification P446 'Domestic Energy Price Guarantee Scheme' was raised by NGESO, enabling Elexon to implement and administer the payment scheme for Suppliers as part of the Government's Energy Price Guarantee Scheme for domestic electricity customers. The Modification was progressed under an urgent timetable approved by Ofgem, which saw Ofgem approve the Modification on the same day that the Panel made its final recommendation to Ofgem. It was implemented the following day on 23 September 2022.

Under the scheme, Elexon will manage payments to Suppliers for the Government's EPG Scheme. The EPG will reduce the unit cost of electricity and gas so that a typical household in Great Britain pays on average around £2,500 a year on their energy bill for the next 2 years, from 1 October 2022.

A multi-party contract has been signed by BEIS, Elexon and participating Suppliers. Payments will be made to Suppliers starting from later in October. To manage the electricity related payments for the EPG, we are using estimates of the volume of electricity that Suppliers' customers have consumed, using data from our Supplier Volume Allocation Agent (SVAA) system.

In a similar way to the electricity Settlement process, when we receive actual metered data from Suppliers, we will carry out reconciliation of the subsidy payments over a 14-month period. During this period Elexon payments will be netted against movements in consumption based on actual meter reads.

We are using the data to apply a pence/kWh rate against each Supplier's total household consumption, and working out the payments owed to each Supplier. We pass this information to HM Treasury which will transfer the sums required for subsidy payments to Elexon. A similar scheme is being operated for household gas tariffs.

Elxon responds to the Government and Ofgem's consultation on ownership of Elxon

We have published our response to the consultation by BEIS and Ofgem on the ownership of Elxon, stating our preference for industry ownership through a 'federated model'.

National Grid ESO will move away from National Grid plc to become an independent, publicly-owned Future System Operator (FSO), which we fully support as an essential step towards Net Zero. The change of ownership structure will impact on Elxon, as we are wholly owned by National Grid ESO. The consultation by BEIS and Ofgem was published in July 2022.

BEIS and Ofgem's preference is for Elxon to be owned by BSC Licensed Parties under a federated model. We agree with this view because it allows us to retain our independence, which has always been valued by the industry.

We also believe that industry ownership will:

- Strengthen our accountability, by having BSC Parties as owners Elxon;
- Ensure least disruption to critical programmes that we are leading, including the facilitation of Market-wide Half Hourly Settlement (MHHS) and administering the Government's new Energy Price Guarantee; and
- Allow us to continue to provide impartial advice on electricity policy development to Government, Ofgem and the industry.

The full consultation response is available to view on the [elxon.com website](#).

The BSC Panel's letter in response to the same consultation is also available on the [Elxon website](#).

Monitoring the Meter stock shortage , driven by global materials availability and supply chain challenges

Due to a global shortage of materials and the impact of COVID-19 on global supply chains, there is a shortage of semi-conductors among other crucial components, which impacts the ability of Meter manufacturers to produce and supply electricity Meters, including those required for Settlement under the BSC.

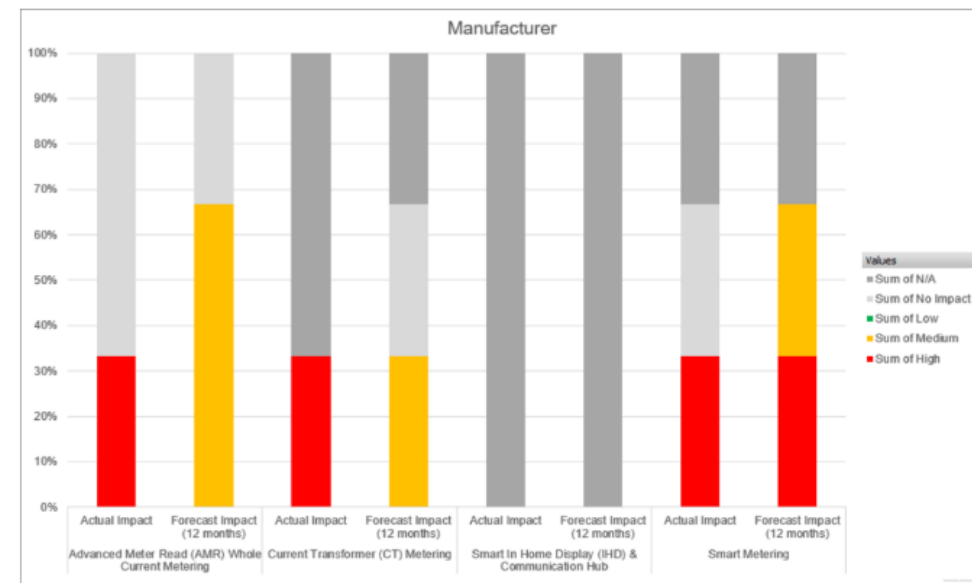
This shortage of Settlement Meters impacts on new connections and fault resolution in both the Supplier Volume Allocation (SVA) and Central Volume Allocation (CVA) markets, and consequently impacts the integrity and accuracy of Settlement.

A BSC Workgroup (Issue 97 Workgroup) was established to consider the risk presented by the wide scale shortage of semi-conductors and electronic components required to manufacture Meters and the disruption to the associated supply chains. The Workgroup recommended that Elexon collects feedback from industry using a Request for Information (RFI) to understand if participants are currently experiencing a shortage of Meters, as well as requesting them to forecast their Meter availability for future months. It was also agreed that this feedback would be shared with the wider industry via the Elexon Website.

Elexon has been provided with feedback on the availability of various Meter types and activities from:

- Meter manufacturers
- SVA Meter Operator Agents (MOAs) / Metering Equipment Managers (MEMs)
- CVA MOAs

A full analysis of the latest view of these participants on the impact of the Meter stock shortage is presented on the [Elexon website](#).



Elxon Kinnect: Parallel runs of new and legacy Settlement systems completed

Settlement Solution

The Settlement Solution has successfully completed a pre-production parallel run in August. However, the complexity being encountered with the data migration is putting the date for completion of full data migration to the production environment (end of November 2022) at risk and the project is now reporting a RED status.

Steps have been taken to keep the data migration on track despite this complexity. The full cutover to the new Settlement Solution as the sole system of record is still targeting February 2023 although there is now an increased risk to this go-live. Contingency plans are in place to avoid any consequential impact from SAA, delaying the February Release, through the dependency of Modification P376.

The Funds Administration Agent services are under review (discovery phase) to determine calculation and finance system requirements. A further review of how the requirements interact with BSC Section N Clearing, Invoicing and Payment will determine the scope for a potential BSC Modification to gain efficiency and reflect modern banking practices.

Insights Solution

Insights Solution continues to progress Iteration 1.3, the scope of which includes critical reports with price sensitive parameters including Physical Notifications, Bid-offer data and Balancing Services Adjustment Data.

During the last sprint, we released a prototype for a messaging service to provide real-time data to participants. Elxon has trialed the service with four Participants to provide feedback on critical success factors including latency, stability, scalability and ease of on-boarding. The aim is to provide an improved, free alternative to legacy proprietary endpoints, e.g. TIBCO. We continued to add new datasets on both the website and APIs. Iteration 1.3 remains on track to be delivered in November 2022.

Elxon Kinnect: Changes to BSC Systems to incorporate Sandbox trial

Customer Solution

We have deployed changes into the BSC systems to including Non-Half Hourly (NHH) Metering System Identifiers (MSIDs) in Secondary BM Units for Centrica's Sandbox trial. The trial aims to demonstrate that Non-Half Hourly sites can participate in the BM without impacting Settlement, and that storage heaters can be aggregated as a Demand Side Response (DSR) asset. Centrica is expected to add the Secondary BM Units for the trial at the end of November 2022.

We have also been defining the scope, acceptance criteria, constraints and dependencies for the Kinnect Programme to deliver all required customer changes to the Kinnect platform, and to decommission the legacy Central Registration Agent (CRA).

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 £30.4m of investment in progress, of which £29m has been spent to date. The remaining £16.4m is forecast for future work to conclude migration of the legacy systems to the digital platform in 2023/24 and we have £7.1m remaining contingency.

These figures are also shown in the table below:

CTD (£m)	Committed	FTC	Contingency	Forecast Outturn	Budget	Variance
29	1.4	16.4	7.1	53.9	53.9	0

Key KPIs: August 2022



Recommendation



We invite the Panel to:

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